



Orc Software AB – Interim Report January 1 – March 31, 2003

- Revenue for January-March 2003 decreased by 2 percent to SEK 64 (65) million.
- Operating income for January-March 2003 decreased by 34 percent to SEK 19 (29) million, giving an operating margin of 30.3 (44.9) percent.
- Orc Software estimates that revenue for the second quarter will be in the interval of SEK 60-66 million with cost levels maintained in relation to the first quarter.
- Earnings per share amounted to SEK 0.99 (1.52).

Markets

During the first quarter conditions on the financial markets could be described with one single word: pending.

The situation in Iraq and the industry's continued consolidation, in which acquisitions and reorganizations take place in order to create synergies, has created a cautious attitude which has negatively affected potential clients' willingness to invest in systems for equity and derivative trading. Above all, this has affected sales for Orc Software's most advanced technology, resulting in no new sales during this period. The nature of these transactions, with initial payments, differs from the traditional license model and makes it more difficult to predict revenue.

As a result, revenue was affected negatively for the first quarter, which in turn also decreased operating margin.

Despite sales not reaching company expectations, success has been noted in several areas, which provides the company with confidence for the future.

- The collaboration with Reuters continues according to plan and began generating sales revenue during the quarter.
- Orc Software continues to take market share from competitors on important European markets.

Orc Software develops and markets standardized and turnkey software systems for pricing, trading and risk management in real-time in international financial, commodities and energy markets. The company is a leading international software vendor with clients in 19 countries. The Orc Software share is listed on Stockholmsbörsen's O-list.

- Orc Software's strengthened sales organization continues to generate new clients.
- Orc Software will be able to offer a number of new products and services to several different client groups in the nearest future.

Forecast for the second quarter 2003

Orc Software estimates that uncertainty will remain during the second quarter and has therefore reduced expectations for sales with initial payments. As a result, Orc Software predicts that revenue for the second quarter will be in the interval of SEK 60-66 million with cost levels maintained in relation to the first quarter.

Reuters alliance

At the end of March 2003 Reuters launched Order Management for Exchange Execution, a product developed together with Orc Software. In addition to Reuters extensive information solutions this product offers trading and order management directly on three of the leading European exchanges – London Stock Exchange, Deutsche Börse and Euronext. Order Management for Exchange Execution also provides the possibility to trade on all the European derivatives exchanges as well as on the Nordic exchanges. Reuters plans to expand the service later in the year to include Asian and North American exchanges.

During the period three clients signed agreements with Reuters for Order Management for Exchange Execution – the Belgian brokerage house Dexia, the Italian Banca Aletti and an additional European bank. Although the overall effect on earnings is still small, the first sales revenue resulting from the alliance was generated during the quarter.

Orc ExNet

During the period Orc ExNet signed agreements with SEB Merchant Banking, which provides Orc Software's clients with the possibility of trading currencies electronically in the Orc System via SEB. These new trading possibilities are expected to be available on Orc ExNet's network during the second quarter of 2003.

As of March 31, 2003, via its co-operation partners Good Morning Securities, Indosuez WI Carr, Lexit Capital, NeoNet, Samsung Securities and SEB Merchant Banking, Orc ExNet had 27 market connections in place.

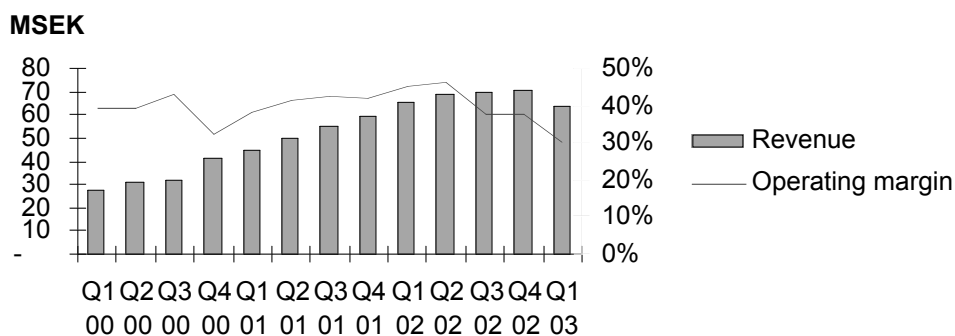
Market connections

As of March 31, 2003, Orc Software had direct market connections to 44 exchanges. During the quarter connections to the following markets were established:

- Chicago Mercantile Exchange, USA
- Euronext.liffe, Belgium, France and UK
- London Stock Exchange (SETS CW), UK
MTS, Europe and Japan

Revenue¹

Quarterly revenue and operating margin

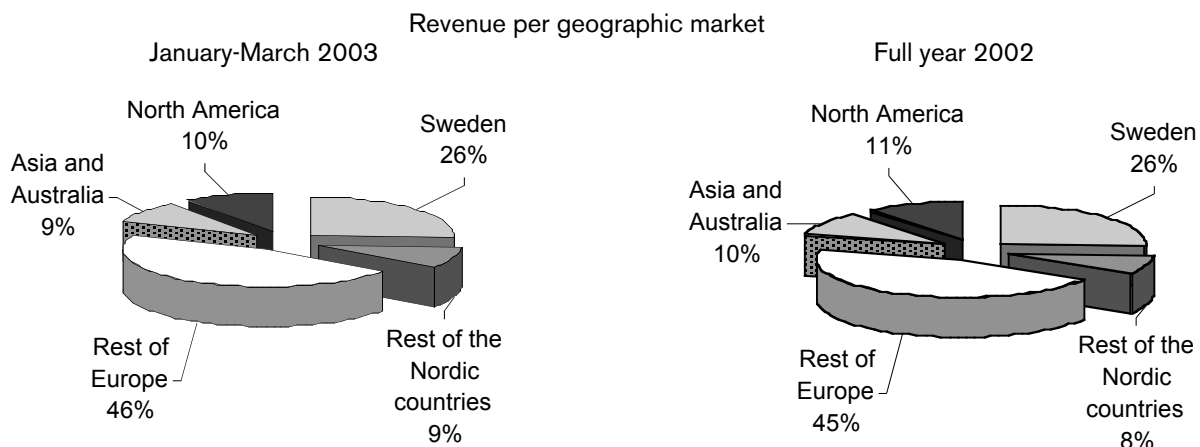


The Group's revenue decreased during January-March 2003 by 2 percent to SEK 64 (65 in the corresponding period 2002) million. Around 85 (92) percent of the revenue was made up of systems revenue. There were no new sales of Orc Software's new advanced technology made during the quarter, which had a negative effect on revenue.

Despite the difficult market situation 7 new client sites were added during the quarter in an equal number of countries: Australia, Austria, Finland, Germany, Sweden, UK and the US.

Other operating revenue increased to SEK 4.6 (1.6) million and primarily represents hardware sales as well as consulting revenue.

During the period January-March 2003, revenue from clients located outside Sweden represented 74 (71) percent of total revenue. At the end of March 2003, Orc Software had clients in a total of 19 (18) countries.



The number of client sites amounted at the end of March 2003 to 168 (148). Average revenue per client site² amounted during the period to SEK 1.3 (1.6) million. In total the number of client sites³ increased during the quarter by 4, which is the sum of 7 new and 3 lost client sites. During the period 7 contracts were cancelled, of which the majority were in Sweden.

¹ Revenue and operating margin for 2002 and 2003 are calculated after taking into account an increase in revenue of SEK 4.9 (3.4) million subsequent to the capitalization of development expenses, in accordance with the Swedish Financial Accounting Standards Council's recommendation no.15 (RR15).

² Calculated as total systems revenue divided by the average number of client sites during the period, expressed as an annualized figure.

³ The number of client sites includes those sites that at the end of the accounting period paid a license fee.

Earnings

Operating income decreased during the quarter by 34 percent to SEK 19 (29) million, representing an operating margin of 30.3 (44.9) percent. In comparison with the previous quarter, operating income decreased by 28 percent, which is related to lower revenue. Costs for the quarter were for the most part unchanged.

The effect of foreign exchange fluctuations, calculated as a change in the respective average exchange rates between the first quarter 2002 and the first quarter 2003, amounted to SEK -6.2 (2.0) million. Foreign exchange hedging resulted in an effect on operating level of SEK 2.3 (1.1) million.

As of March 31, 2003, future flows equivalent to SEK 140 (145) million had been hedged⁴, consisting of USD 10 (14) million and Euro 6 (0) million secured against Swedish kronor at an average forward rate of 10.15 (10.58) and 9.35 with a total average remaining duration of around 8 (5) months.

At the end of the period non-realized foreign exchange gains amounted to SEK 9.8 (2.6) million, valued at a SEK/USD rate of 8.50 (10.34) and SEK/EUR rate of 9.23.

Operating expenses⁵

Operating expenses increased during the period January-March 2003 by 22 percent to SEK 44 (36) million and were largely unchanged compared to the previous quarter.

Personnel costs increased by 5 percent to SEK 23 (22) million. During the same period the average number of employees increased by 25 percent. In relation to the previous quarter these costs increased by 13 percent.

The purchase cost of goods sold increased significantly during the recent quarters as a result of hardware sales to new clients.

Cost of premises increased by 30 percent to SEK 4.3 (3.3) million as a consequence of the new office in Tokyo and the expansion of the office in Stockholm. The cost in comparison to the previous quarter was unchanged.

Telecom expenses increased by 13 percent compared with the corresponding period last year, as a result of growing operations and fell by 23 percent compared with the previous quarter. The decrease is mainly due to non-recurring costs for development of market connections varying from quarter to quarter as well as the streamlining of the utilization of certain telecom services.

Consulting fees, related to product development, increased in comparison to the equivalent period during the previous year and also compared to the previous quarter. The increase is mostly related to external development of a new program application.

Other external expenses increased by 20 percent to SEK 7.1 (5.9) million, mainly due to growing operations. In relation to the previous quarter these costs were reduced by 17 percent mostly as a result of a decrease in the use of external consultants.

⁴ Of which SEK 68 million had OM Treasury as the counter party.

⁵ Due to Orc Software's working methods, whereby there is a considerable overlap between sales- and support work and sales- and development work, Orc Software reports its results according to the principles for an income statement presented by type of cost.

Depreciation and amortization increased by 21 percent to SEK 2.9 (2.4) million, a result of the increased number of offices and employees and amortization of intangible fixed assets, but was unchanged compared to the fourth quarter of 2002.

Capitalized development expenses

Capitalized development expenses during January to March 2003 amounted to SEK 4.9 (3.4) million, of which SEK 1.4 million consists of expenses for external development of a new program application. Amortization of the accumulated capitalized development expenses amounted to SEK 0.6 (0.1) million.

Equity/assets ratio and earning capacity

The equity/assets ratio amounted at the end of March 2003 to 72 (66) percent. Return on capital employed decreased to 35 (62) percent, and return on equity to 23 (45) percent.

Cash flow and investments

The group's cash flow before changes in working capital and investments amounted in January-March 2003 to SEK 4 (22) million. The decrease in cash flow is primarily a result of the tax debt being reduced by SEK 14 million.

The change in working capital amounted to SEK -3 (-12) million. Operating capital amounted to SEK -16 (-38) million.

The Group's investments amounted during the period to SEK 5.8 (5.7) million, and consisted primarily of computer and office equipment to the amount of SEK 1.6 million, as well as the capitalization of development expenses to the amount of SEK 4.9 million.

The Group's cash flow after investments amounted to SEK 1.4 (28) million.

The Group did not have any interest-bearing liabilities during the period. Liquid funds amounted as of 31 March to SEK 275 (252) million.

The ratio between cash flow, before financial items and tax, and the operating income, before depreciation and amortization, amounted to 0.9 (1.2).

Taxation

The tax rate during the period 2003 amounted to 30 (28) percent. Tax expenses are calculated after estimated tax for parent company and respective subsidiaries.

Employees

At the end of March 2003, Orc Software had 134 (111) employees. The average number of employees was 136 (109). The total number of employees was reduced somewhat in comparison with the previous quarter, primarily in Stockholm and Russia. The number of women amounted at the end of March to 21 (20), and the number of men 113 (91).

The management group was expanded during the period with Per Andersson, Global Head of Sales and Anders Fogel, Head of Communications. In addition, Lars Johansson, Chief Financial

Officer, was appointed Executive Vice President. Ulrika Hagdahl resigned from her position with Orc Software but will remain on the company's Board of Directors.

The parent company

The parent company's revenue⁶ decreased by 17 percent to SEK 40 (48) million. Income after financial items decreased to SEK 18 (26) million. Liquid funds amounted at the end of the period to SEK 250 (240) million, of which SEK 200 (187) million consisted of short-term investments.

Accounting principles

This interim report has been prepared in accordance with the Swedish Accounting Standards Council's recommendation on interim reporting (RR 20). The same accounting principles have been used as in the last annual accounts.

⁶ Orc Software AB administrates most of the Group's invoicing from the parent company. The subsidiaries invoice the parent company an amount based on their actual costs plus a profit margin. These costs are eliminated against revenue in the parent company's accounts.

Income statement

SEK thousands	Jan-Mar 2003	Jan-Mar 2002	2002
Operating revenue			
Systems revenue	54 005	60 167	246 688
Work performed by the company for its own use and capitalized	4 931	3 422	13 412
Other operating revenue	4 575	1 638	15 234
Total revenue	63 511	65 227	275 334
Operating expenses			
Purchase cost of goods sold	-2 247	-245	-8 169
External expenses			
Cost of premises	-4 300	-3 303	-14 914
Telecom expenses	-1 917	-1 694	-8 147
Consulting fees	-2 719	-962	-6 995
Other external expenses	-7 050	-5 853	-29 294
Personnel costs	-23 071	-21 521	-82 443
Depreciation and amortization	-2 949	-2 361	-10 747
Total expenses	-44 253	-35 939	-160 709
Operating income	19 258	29 288	114 625
Financial items			
Profit/loss from participation in associated companies	-915	-153	-564
Financial income	2 734	1 948	9 123
Financial expenses	-2	-29	-59
Net financial income	1 817	1 766	8 500
Income after financial items	21 075	31 054	123 125
Tax on net income for the period	-6 328	-8 576	-36 047
Minority's part of the income for the period	-97	99	141
Net income for the period	14 650	22 577	87 219
Earnings per share ⁷ , SEK	0.99	1.52	5.87
Number of shares, end of period, thousands	14 850	14 850	14 850
Average number of shares, thousands	14 850	14 850	14 850

⁷ Orc Software does not have any convertible loans or warrants.

Balance sheet

SEK thousands	Mar 31, 2003	Mar 31, 2002	2002
ASSETS			
Fixed assets			
Intangible assets			
Capitalized development expenditure	18 132	5 006	13 832
Goodwill	358	453	382
Other intangible fixed assets ⁸	2 721	3 462	2 906
Tangible assets			
Equipment	19 021	16 798	19 750
Financial assets			
Shares in associated companies	961	749	1 827
Other long-term receivables	3 397	-	4 115
Total fixed assets	44 590	26 468	42 812
Current assets			
Current receivables			
Accounts receivable	29 727	34 973	36 206
Other receivables	5 507	4 388	7 500
Prepaid expenses and accrued income	6 000	6 239	4 776
Short-term investments	200 060	187 336	240 299
Cash and bank balances	74 854	64 422	33 523
Total current assets	316 148	297 358	322 304
TOTAL ASSETS	360 738	323 826	365 116
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	1 485	1 485	1 485
Restricted reserves	138 737	119 402	138 818
Non-restricted equity			
Non-restricted reserves	104 283	70 210	17 621
Net income for the period	14 650	22 577	87 219
Total equity	259 155	213 674	245 143
Minority interest	581	526	484
Provisions			
Deferred tax liability	19 573	12 415	19 573
Total provisions	19 573	12 415	19 573
Current liabilities			
Accounts payable	6 127	1 811	7 445
Tax liabilities	5 447	11 034	19 106
Other liabilities	3 295	7 883	5 066
Accrued expenses and prepaid income	66 560	76 483	68 299
Total current liabilities	81 429	97 211	99 916
TOTAL EQUITY AND LIABILITIES	360 738	323 826	365 116
Pledged assets	None	None	None
Contingent liabilities	None	None	None

⁸ This item pertains to Orc ExNet.

Specification of the Group's goodwill

The goodwill arose in conjunction with the establishment of Orc ExNet and is being amortized over a period of 60 months.

	SEK thousands
Acquisition value less accumulated amortization at the beginning of the period	382
Goodwill arisen during the period	-
Amortization for the period	-24
Acquisition value less accumulated amortization at the end of the period	358

Specification of equity

	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Jan-Mar 2003				
Opening balance January 1, 2003	1 485	138 818	104 840	245 143
Translation difference etc.	-	-81	-557	-638
Net income for the period	-	-	14 650	14 650
Closing balance March 31, 2003	1 485	138 737	118 933	259 155

	Share Capital	Restricted Reserves	Non-restricted Equity	Total
Jan-Mar 2002				
Opening balance January 1, 2002	1 485	119 615	70 707	191 807
Translation difference	-	-	-710	-710
Transfer to statutory reserve in accordance with distribution of earnings	-	20	-20	-
Other adjustments	-	-233	233	-
Net income for the period	-	-	22 577	22 577
Closing balance March 31, 2002	1 485	119 402	92 787	213 674

Cash flow statement

SEK thousands	Jan-Mar 2003	Jan-Mar 2002	2002
Operating activities			
Operating income	19 258	29 288	114 625
Adjustments for items not included in cash flow			
Depreciation and amortization	2 949	2 361	10 747
Other adjustments for items not included in cash flow	-249	-317	1 037
Financial items	2 389	1 945	8 850
Income tax paid ⁹	-19 987	-11 774	-24 016
Cash flow from operating activities before changes in working capital	4 360	21 503	111 243
Changes in working capital			
Changes in operating assets	7 541	-22	-3 297
Changes in operating liabilities ⁹	-4 633	12 183	7 520
Total change in working capital	2 908	12 161	4 223
Cash flow from operating activities	7 268	33 664	115 466
Investment activities			
Investments in intangible fixed assets	-4 931	-3 356	-13 413
Investments in tangible fixed assets	-1 586	-2 342	-12 835
Changes in financial fixed assets	671	-	-5 605
Cash flow from investment activities	-5 846	-5 698	-31 853
Financing activities			
Dividends	-	-	-32 670
Cash flow from financing activities	-	-	-32 670
Change in liquid funds	1 422	27 966	50 943
Opening liquid funds	273 822	224 289	224 289
Translation difference/exchange differences in liquid funds	-330	-497	-1410
Closing liquid funds	274 914	251 758	273 822

Key ratios

	Jan-Mar 2003	Jan-Mar 2002	2002
Operating margin, %	30.3	44.9	41.6
Return on equity, %	23	45	40
Return on capital employed, %	35	62	57
Asset turnover ratio	1.0	1.3	1.3
Equity/assets ratio, %	72	66	67
Average number of employees	136	109	124
Earnings per share, SEK	0.99	1.52	5.87
Equity per share, SEK	17.45	14.39	16.51
Share price at end of the period, SEK	62	78	67.50
Number of shares at end of period, thousands	14 850	14 850	14 850

⁹ Tax debt was previously included in changes in operating liabilities but is now accounted in income tax paid in accordance with the Swedish Accounting Standards Council's recommendation RR 7, comparative figures have been adjusted accordingly.

Quarterly figures

Income statement

SEK thousands	Q1 2002	Q2 2002	Q3 2002	Q4 2002	Q1 2003
Operating revenue					
Systems revenue	60 167	63 849	61 549	61 123	54 005
Work performed by the company for its own use and capitalized	3 422	2 783	3 200	4 007	4 931
Other operating revenue	1 638	2 455	5 376	5 765	4 575
Total revenue	65 227	69 087	70 125	70 895	63 511
Operating expenses					
External expenses	-12 057	-14 810	-19 969	-20 684	-18 233
Personnel costs	-21 521	-19 715	-20 753	-20 454	-23 071
Depreciation and amortization	-2 361	-2 492	-2 849	-2 995	-2 949
Total expenses	-35 939	-37 017	-43 571	-44 133	-44 253
Operating income	29 288	32 070	26 554	26 762	19 258
Net financial items	1 766	2 020	2 589	2 073	1 817
Tax on income for the period	-8 576	-8 578	-5 298	-13 594	-6 328
Minority's part of the income for the period	99	100	-5	-53	-97
Net income for the period	22 577	25 612	23 840	15 188	14 650

Balance sheet

SEK thousands	Mar 2002	June 2002	Sept 2002	Dec 2002	Mar 2003
Fixed assets	26 468	30 166	33 113	42 812	44 590
Current assets					
Accounts receivable	34 973	33 946	41 904	36 206	29 727
Other receivables	10 627	11 065	10 540	12 276	11 507
Cash and bank balances and short-term investments	251 758	241 757	254 848	273 822	274 914
Total current assets	297 358	286 768	307 292	322 304	316 148
TOTAL ASSETS	323 826	316 934	340 405	365 116	360 738
Equity	213 674	206 252	230 279	245 143	259 155
Minority interest	526	426	431	484	581
Provisions for deferred tax liability	12 415	12 415	12 415	19 573	19 573
Current non interest-bearing liabilities	97 211	97 841	97 280	99 916	81 429
TOTAL EQUITY AND LIABILITIES	323 826	316 934	340 405	365 116	360 738

Forthcoming financial events 2003

April 23	Annual General Meeting
July 11	Interim Report for the second quarter
October 14	Interim Report for the third quarter

Stockholm, April 15, 2003

The Board of Directors

This interim report has not been examined by Orc Software's auditors.

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Definitions

Operating margin

Operating income as a percentage of revenue.

Return on capital employed

Operating income plus financial income as a percentage of average capital employed.

Return on equity

Net income for the period as a percentage of average shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Capital employed

Total assets minus non-interest bearing debt, including deferred tax liability in untaxed reserves.

Shareholders' equity

Shareholders' equity at the end of the period.

Operating capital

Total assets minus non-interest bearing debt, including deferred tax liability in untaxed reserves, as well as cash and bank balances and short-term investments.

Working Capital

Operating assets, excluding accrued interest income, less operating liabilities, excluding tax liabilities.

Asset turnover ratio

Revenue divided by average capital employed.

Investments in fixed assets

Investments in fixed assets, after any disposals.

Average number of employees

Average number of employees for the period, based on headcounts at the beginning of the period and at the end of each quarter.

Earnings per share

Net income for the period divided by the average number of shares.

Equity per share

Shareholders' equity at the end of the period divided by the number of shares at the end of the period.