



Orc Software AB – Interim report January 1 – September 30, 2005

January-September 2005

- Revenue SEK 200 (186) million
- Operating income SEK 14 (29) million
- Operating margin 7.1 (15.4) percent
- Income after taxes SEK 12 (21) million
- Earnings per share SEK 0.86 (1.57)

July-September 2005

- Revenue SEK 65 (58) million
- Operating income SEK 6 (4) million
- Operating margin 8.4 (7.2) percent
- Income after taxes SEK 5 (3) million
- Earnings per share SEK 0.33 (0.27)

Significant events

- New financial targets:
 - Orc Software should achieve an annual revenue growth of at least 15 percent and an annual operating margin of at least 15 percent in the medium term
 - The company is overcapitalized and the capital structure will be reviewed
- Agreement with OMX regarding development of a new front office product

Orc Software provides advanced technology for trading, market making and brokerage. Its sophisticated platform offers connectivity to over 100 markets across multiple asset classes. With Orc technology, customers can find more trading opportunities, develop more complex trading strategies and deliver higher profits on each trade.

More than 200 customers in 23 countries rely on Orc Software, including investment banks, trading and market making firms, brokerage houses, institutional investors and hedge funds.

Founded in 1987 and headquartered in Stockholm, Orc Software has over 190 employees across 14 offices in 12 countries and is listed on the Stockholmsbörsen (SSE: ORC). In 2004, the company's total revenues were SEK 247 million with an operating income of SEK 30 million. www.orcsoftware.com

Future outlook

There is a continued strong interest in Orc Software's products, not least within the areas of algorithmic trading and market access, areas where Orc Software holds a leading position. The recurring license revenues continued to increase in the third quarter, and the annual value of existing client contracts¹ amounted to SEK 232 million at the beginning of the fourth quarter 2005, representing an increase of 24 percent since the beginning of the year. Excluding foreign exchange effects the increase was 16 percent.

The operating margin is expected to amount to at least 15 percent in the fourth quarter 2005. Orc Software's financial targets are to achieve an annual revenue growth of at least 15 percent and an annual operating margin of at least 15 percent in the medium term.

In view of the anticipated growth and Orc Software's revenue model with quarterly license fees paid in advance, the Board of Directors believes that the company is overcapitalized and the capital structure will therefore be reviewed.

Markets

Global trading volumes continue to increase. For example, several of the US derivatives exchanges have shown new record volumes during the period both in turnover and electronically traded volume, as well as individual contract volume. The high trading volumes drive the demand on trading systems.

For Orc Software, this resulted in the company entering into contracts with a large number of new customers, particularly in New York, Chicago, Hong Kong, and Sydney. The new customers in Hong Kong and Sydney wanted, among other things, to be able to trade on several of the region's exchanges. In Europe, a number of existing customers expanded their installations during the period. Orc Software also sees an increase in interest from Eastern Europe, and during the period Orc Software signed a contract for the first time with a Czech customer.

The company's alliance partner, Reuters, has also witnessed an increase in interest from existing customers, particularly with regard to trading over ROR (Reuters Order Routing) and Orc ExNet. Furthermore, Orc Software and Reuters have also started to cooperate in the Middle East in order to be able, among other things, to offer trading on the Dubai International Financial Exchange.

Significant events during the quarter

Final agreement between OMX and Orc Software for new front office product

At the end of September OMX Technology and Orc Software signed an agreement regarding the development of a new front office product for trading in equities and derivatives instruments. The new product is primarily designed for brokers and traders who use the exchanges' terminals and supplements both Orc Software's and OMX Technology's existing product offerings. Furthermore, Orc Software, via OMX Technology, will gain access to a global distribution channel for sales via the exchanges of both this and other Orc Software products.

The agreement has resulted in the transfer of 12 employees within OMX Technology to Orc Software as of October 1, 2005. For an initial period extending up to the end of 2006, OMX will be responsible for the cost of developing and commercializing the new product. After OMX has

¹ Defined as the annualized value of existing client contracts, excluding transaction-based revenues, using the average exchange rates during the last month of the period, without taking into account foreign exchange hedges. New contracts are included as of the date invoicing is expected to begin and cancelled contracts are included until payment is discontinued.

received coverage for the costs incurred during the initial period, the two parties will share the sales revenues.

The new product is planned to be launched in the beginning of 2006.

Product development

Development work in the third quarter was primarily focused on the new version of the Orc System that will be launched in the fourth quarter. The new version includes, among other things:

- Improved functionality to create, price, and trade combination contracts.
- Two new market connections: American Stock Exchange and Philadelphia Stock Exchange.
- Support for two new platforms: Linux and Solaris 10. The broader support of platforms enables customers to combine software and hardware platforms in the way that is best suited to their requirements regarding cost-effectiveness and performance. Orc Software already supports Solaris 8 and 9.

As of September 30, 2005 Orc Software offers access to:

- 93 market places for companies with exchange membership
- 49 market places for companies without exchange membership

Share repurchase

Orc Software did not repurchase any Orc shares in the third quarter 2005. In total Orc Software has acquired 513 500 Orc shares for SEK 30 million, in accordance with the authorization provided by the Annual General Meetings in 2003 and 2004. Repurchased shares equal 3.5 percent of the total number of outstanding shares of 14 850 000. Excluding Orc Software's holding, the number of shares is 14 336 500.

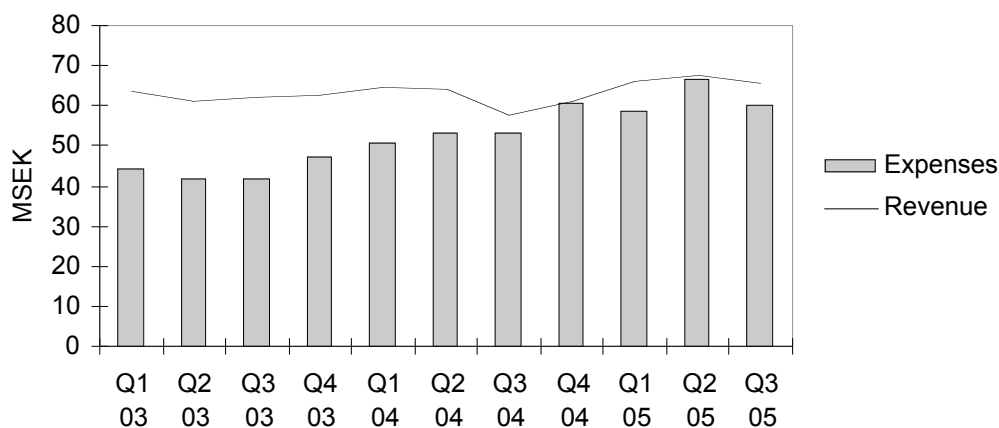
Events after the end of the period

Orc ExNet has become a fully owned subsidiary of Orc Software

As of October 1, 2005 Orc Software has acquired the remaining 28 percent of the subsidiary Orc ExNet. The purpose of the acquisition is to achieve a more effective company structure and to allow for a closer integration with operations in general.

Revenue

Quarterly revenue and expenses



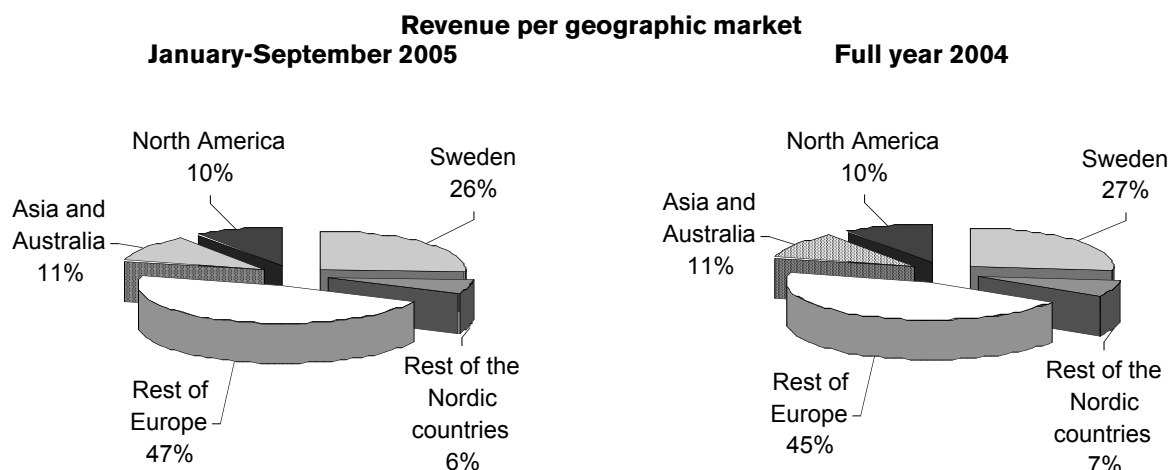
January-September 2005

The Group's revenue increased during January-September 2005 by 8 percent to SEK 200 (186 in the corresponding period 2004) million. The effects of the adoption of IFRS resulted in positive foreign exchange differences of SEK 15 million during the period, which is accounted for under Other operating revenue.

Systems revenue decreased by 1 percent to SEK 169 (171) million, and amounted to 85 (92) percent of total revenue. Systems revenue was mainly unchanged despite the changed revenue model for Orc Liquidator.

Other operating revenue amounted to SEK 30 (14) million.

At the end of September 2005 the number of client sites amounted to 205², of which 187 (165) consisted of Orc Software's client sites and 18 were client sites through the Reuters alliance. Average revenue per client site³ during January-September 2005 amounted to SEK 1.2 (1.4) million. Of Orc Software's client sites, 17 new client sites were added during the quarter and the number of lost client sites amounted to 8. During the third quarter Orc Software received cancellations regarding 6 client sites.



July-September 2005

During July-September 2005 the Group's revenue increased by 12 percent to SEK 65 (58) million. The effects of the adoption of IFRS resulted in positive foreign exchange differences of SEK 5.0 million during the third quarter. Compared to the previous quarter, revenue decreased by 3 percent as a consequence of lower Other operating revenue.

Sales to North America, Asia and Australia increased compared with the previous quarter. Sales in Europe declined, primarily due to a cancellation by one of Orc Software's largest customers, as previously reported.

Systems revenue increased by 6 percent to SEK 56 (53) million. In relation to the previous quarter, systems revenue was mainly unchanged.

Other operating revenue amounted to SEK 9.4 (4.2) million, representing an increase of SEK 5.2 million. The increase is mainly related to positive foreign exchange differences. Compared to the previous quarter, Other operating revenue decreased by 16 percent due to lower revenue from

² The number of client sites includes the sites that at the end of the accounting period paid a license fee. As of 2005 the client sites for ROMEX clients are also included.

³ Calculated as the total systems revenue divided by the average number of client sites for the period.

professional services and decreased positive foreign exchange effects. Furthermore, these revenues included hardware sales.

Earnings

January-September 2005

Operating income decreased during January-September by 52 percent to SEK 14 (29) million, representing an operating margin of 7.1 (15.4) percent.

Foreign exchange hedging resulted in an effect on operating income of SEK -4.7 (9.9) million.⁴

As of September 30, 2005, future flows equivalent to SEK 56 (31) million had been hedged, consisting of USD 5.0 (3.0) million and EUR 2.0 (1.0) million. The currencies are secured against Swedish kronor at an average forward rate of 7.43 (7.46) USD/SEK and 9.24 (9.11) EUR/SEK with a total average remaining duration of around 6 (2) months.

July-September 2005

Operating income increased during July-September 2005 by 34 percent to SEK 5.5 (4.1) million, representing an operating margin of 8.4 (7.2) percent. Compared to the previous quarter, Operating income increased by SEK 4.5 million.

Operating expenses⁵

Operating expenses increased during January-September 2005 by 18 percent to SEK 185 (157) million. In comparison to the previous quarter, Operating expenses decreased by 10 percent.

Personnel costs increased by 18 percent to SEK 98 (83) million during January-September 2005. In relation to the previous quarter, personnel costs decreased by 17 percent and amounted to SEK 30 million. This was a consequence of the previously reported efficiency program, as well as a certain positive effect of the reduced vacation pay liability. The introduction of a retirement pension plan in Sweden and the fact that E2E infotech was consolidated for a full quarter, had a certain effect on personnel costs.

The purchase cost of goods sold increased by 37 percent during January-September 2005 and amounted to SEK 12.2 (8.9) million. Compared to the previous quarter, the cost decreased by 28 percent, primarily due to the consolidation of E2E infotech.

Other external expenses⁶ increased by 58 percent to SEK 41 (26) million during January-September 2005. The effects of the adoption of IFRS resulted in negative foreign exchange differences of SEK 10 million. Other cost increases pertain to costs related to the restructuring of a Liquidator agreement, as previously reported. Compared to the previous quarter, Other external expenses were unchanged. During the third quarter 2005 the negative foreign exchange differences amounted to SEK 5.4 million.

Depreciation and amortization decreased by 8 percent and amounted to SEK 12 (13) million during January-September 2005. Compared to the previous quarter the cost decreased somewhat.

⁴ The valuation is based on the exchange rates at the end of the accounting period: USD/SEK 7.78 and EUR/SEK 9.34.

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

⁶ Other external expenses consist mainly of other external consulting (not related to product development), travel, marketing, and negative foreign exchange differences.

Capitalized development expenditure

Capitalized development expenditure during January-September 2005 amounted to SEK – (0.7) million. The capitalized development expenditure decreased since the development of new market connections is no longer considered to meet the requirements for capitalization. Amortization of the accumulated capitalized development expenditure amounted to SEK 6.1 (6.7) million during January-September 2005.

Cash flow and investments

The Group's cash flow before changes in working capital and investments was SEK 31 (24) million in January-September 2005.

The change in working capital amounted to SEK -12 (3.1) million in January-September 2005 and was primarily due to increased operating assets. Operating capital amounted to SEK -14 (3.0) million at the end of September 2005.

The Group's investments amounted to SEK -19 (22) million during January-September due to the repayment of the loan, equaling SEK 23 million, from Hun Research. Other investments, equaling SEK 3.9 million, mainly consisted of investments in computer and office equipment.

The company did not have any interest-bearing liabilities during the period. Liquid funds amounted to SEK 206 (190) million as of September 30, 2005.

Taxation

The tax rate during January-September 2005 amounted to 34 (34) percent. Tax expenses are calculated after estimated tax for parent company and respective subsidiaries. The relatively high tax rate is due to an unaccounted tax receivable, related to a loss carried forward in a subsidiary.

Employees

At the end of September 2005 Orc Software had 194 (165) employees. During the third quarter the number of employees increased by 11, primarily due to an increased number of developers within the subsidiary E2E infotech. The average number of employees during January-September was 180 (153).

Nominating committee

In accordance with the authorization from the Annual General Meeting in April of 2005, Orc Software's Chairman Magnus Böcker has summoned a nominating committee. The nominating committee consists of Magnus Bakke (Robur), Magnus Böcker (OMX), Fredrik Crafoord (H&Q), Björn Lind (SEB), and Olof Neiglick (Nordea). The nominating committee is responsible for issuing a proposal regarding the members of Orc Software's Board of Directors, Directors' compensation, the Chairman of the Annual General Meeting, appointment of auditor, and auditor compensation. Should the circle of the largest shareholders change during the nomination process, the composition of the nominating committee shall be modified accordingly to reflect such change. Contact details for the nominating committee are available at the end of this report.

Transactions with affiliated companies

During January-September 2005 the subsidiary Promyzer leased a server room from OMX Technology at a cost of SEK 284 thousand.

Cancale Förvaltning is part owner of Russian Real Estate Investment Company AB, which in turn owns the building where Orc Software's office in St Petersburg is located since December 2004. Cancale Förvaltning is owned by Ulrika Hagdahl, who is a Board member of Orc Software, and Nils Nilsson. The annual cost for the lease agreement currently amounts to SEK 877 thousand.

All transactions with affiliated companies are carried out according to market value.

The Parent company

The Parent company's revenue increased by 5 percent to SEK 187 (178) million. Income after financial items amounted to SEK 18 (31) million. Liquid funds amounted at the end of the period to SEK 166 (163) million, of which SEK 139 (119) million consisted of short-term investments.

Accounting principles

This interim report is prepared in accordance with IAS 34, Interim Financial Reporting, which is in accordance with the requirements stipulated by the Swedish Financial Accounting Standards Council recommendation RR31, Interim Financial Reporting for Groups. In comparison to the last annual report the accounting principles have been changed due to the adoption of IFRS. The effects of the adoption of IFRS and the new principles applicable are described below. All other accounting principles are in accordance with the principles used in the annual report for 2004.

The principles have been applicable as of January 1, 2005 and the comparable year 2004 has been recalculated. The adoption rules are available in IFRS 1, First-time Adoption of International Financial Reporting Standards, which states that all standards shall be applied retrospectively. However, a number of mandatory as well as voluntary exceptions from the main rule are stated. Orc Software uses the voluntary exceptions that are applicable to the Group.

The most significant effects of the adoption for Orc Software concern accounting for minority interests and financial instruments. Financial instruments are dealt with in IAS 39, which is applicable from 2005. In accordance with the adoption rules no recalculation has been made regarding financial instruments for 2004.

Adoption of IFRS 2005

Below is a summary of the effects on the Group's net income and equity as well as changes in the accounting principles. The effects are preliminary and based on the current standards, which may be changed up until December 31, 2005.

Net income effects

SEK thousands	According to previous principles	IAS 27 (note A)	IFRS 3 (note B)	According to IFRS
Net income Jan-Sept 2004	22 740	-1 545	+72	21 267
Net income Jul-Sept 2004	3 832	-1 111	+24	2 745
Net income for the full year 2004	23 254	-2 067	+96	21 283
Earnings per share Jan-Sept 2004	1.56	+0.01	-	1.57
Earnings per share Jul-Sept 2004	0.26	+0.01	-	0.27
Earnings per share for the full year 2004	1.60	+0.01	-	1.61

Effects on shareholders' equity

SEK thousands	According to previous principles	IAS 27 (note A)	IFRS 3 (note B)	IAS 39 (note C3)	According to IFRS
Shareholders' equity Jan 1, 2004	244 278	+1 259	-	-	245 537
Shareholders' equity Sept 30, 2004	206 398	+1 520	+72	-	207 990
Shareholders' equity Jan 1, 2005	197 635	+1 461	+96	-2 184	197 008

Notes

A Minority share

According to IAS 27, Consolidated and Separate Financial Statement, the minority share of income for the period shall be included in net income. The portion of net income for the period related to the minority interest shall be stated in connection with the income statement. The calculation of earnings per share shall also continue to take into account the minority share of the income. The minority share of equity constitutes a part of the Group's reported equity but shall be reported separately within equity. The period's net income attributable to the minority amounts to SEK -1 545 thousand for January-September 2004 and SEK -2 067 thousand for the full year 2004. The effect on equity for the full year 2004, however, is only SEK 202 thousand; the difference is due to additional subsidiaries in which there are minority interests.

B Amortization of goodwill

In accordance with IFRS 3 Business Combinations, goodwill amortization shall not take place. Instead the stated value shall be assessed each year, or more often if circumstances exist that indicate an impairment in value. The amortization for January-September 2004 of SEK 72 thousand and SEK 96 thousand for the full year 2004 has been written-back. No write-downs were required.

C Financial instruments

IAS 39 Financial Instruments: Recognition and Measurement, requires that financial assets and liabilities be classified in different categories in order to be accounted for and valued in accordance with the applicable principle for each category.

The majority of Orc Software's financial assets and liabilities are classified in the category that shall be valued at amortized cost. The character of these assets and liabilities is such that the difference between the amortized cost and the acquisition value is zero. Therefore, the adoption of IFRS does not bring any change to previous principles regarding these assets.

C1 Available-for-sale investments

Long-term shareholdings that do not consist of holdings in subsidiaries or associated companies have been classified as Available-for-sale investments and are valued at fair value. These assets were

previously reported under the heading Other long-term financial fixed assets. A valuation of the fair value for the shareholding in Game Federation Svenska has resulted in a downward adjustment of the value by SEK 140 thousand as of September 30, 2005. This has been reported as Non-restricted equity, Net unrealized gains reserve, in accordance with IAS 39 and FAR's recommendation.

C2 Short-term investments – held to maturity investments

Orc Software's short-term investments are classified in the category Held to maturity investments and are valued at amortized cost. This results in a transfer of the accrued interest from Prepaid expenses and accrued income to Short-term investments in the balance sheet. As of September 30, 2005 the accrued interest amounted to SEK 783 thousand.

C3 Foreign exchange forwards and embedded derivatives – derivatives assets and derivatives liabilities

According to IFRS all foreign exchange forwards shall be accounted for at fair value; the change in value shall be accounted for directly in the income statement. This differs from previous accounting standards in which only the portion of the income from foreign exchange hedging equivalent to a holding in the balance sheet affects the income statement. For the period January-September 2005, this change equaled SEK -4.7 million and has been accounted for as Other operating income and Other external expenses for the fair value of foreign exchange forward holdings.

Customer and supplier contracts entered into in a third party currency contain embedded derivatives according to IAS 39. Orc Software has a number of customer and supplier contracts in third party currencies and the value of these embedded derivatives for January-September 2005 resulted in an effect on income of SEK 4.5 million accounted for as Other operating revenues and Other external expenses.

As of January 1, 2005 foreign exchange gains and losses will be reported separately in the income statement if these transactions are not of similar character.

In accordance with the adoption rules, comparable figures have not been adjusted and the adoption of the accounting principles IAS 39 and IAS 32 have both come into effect as of January 1, 2005. This means that the effect of the change in accounting principles has been accounted for as an adjustment in the opening balance of equity in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors:

Effect on shareholders' equity January 1, 2005 according to IAS 39, SEK thousands

Embedded derivatives, customer contracts	-2 282
Embedded derivatives, supplier contracts	23
Foreign exchange forward contracts at fair value	75
Effect on shareholders' equity January 1, 2005 according to IFRS	-2 184

The fair value of the foreign exchange forward contracts are gross and are accounted for in the balance sheet as a derivatives asset or derivatives liability, i.e. they have not been accounted for together with underlying receivables or liabilities as previously. The same approach applies to embedded derivatives for customer and supplier contracts. The derivatives assets are accounted for under Other receivables and amounted to SEK 1.4 million as of September 30, 2005. Derivatives liabilities were accounted for as Other liabilities and amounted to SEK 1.9 million as of September 30, 2005.

D Cash flow

The Group's cash flow calculation and format has not been changed in conjunction with the adoption of IFRS.

Income statement

SEK thousands	IFRS note	Jan-Sept 2005	Jan-Sept 2004	Jul-Sept 2005	Jul-Sept 2004	2004
Operating revenue						
Systems revenue		169 096	170 639	56 096	53 217	225 703
Work performed by the company for its own use and capitalized		-	744	-	127	884
Other operating revenue	C3	30 430	14 493	9 385	4 164	20 902
Total revenue		199 526	185 876	65 481	57 508	247 489
Operating expenses						
Purchase cost of goods sold		-12 206	-8 923	-3 064	-3 184	-12 193
External expenses						
Cost of premises		-12 840	-13 169	-4 333	-4 395	-17 492
Telecom expenses		-7 301	-6 833	-2 764	-2 511	-9 357
Consulting fees		-2 217	-5 782	-527	-2 097	-7 592
Other external expenses	C3	-40 645	-26 085	-15 429	-8 631	-38 106
Personnel costs		-97 694	-83 100	-29 917	-28 115	-115 477
Depreciation and amortization	B	-12 360	-13 266	-3 941	-4 428	-17 702
Total expenses		-185 263	-157 158	-59 975	-53 361	-217 919
Operating income		14 263	28 718	5 506	4 147	29 570
Financial items						
Income from participation in associated companies		211	948	-	38	1 043
Financial income		8 043	3 445	2 445	916	4 674
Financial expenses		-3 816	-855	-32	-254	-2 919
Net financial income		4 438	3 538	2 413	700	2 798
Income after financial items		18 701	32 256	7 919	4 847	32 368
Tax on net income for the period		-6 418	-10 989	-2 916	-2 102	-11 085
Net income for the period	A	12 283	21 267	5 003	2 745	21 283
Net income for the period attributable to the minority interest	A	-25	-1 545	234	-1 111	-2 067
Net income for the period attributable to the Parent company's shareholders		12 308	22 812	4 769	3 856	23 350
Earnings per share ⁷ , SEK	A	0.86	1.57	0.33	0.27	1.61
Number of outstanding shares at the end of the period reduced by Orc Software's repurchase of its own shares, thousands		14 337	14 487	14 337	14 487	14 337
Average number of outstanding shares reduced by Orc Software's repurchase of own shares, thousands		14 337	14 574	14 337	14 517	14 541

⁷ Orc Software does not have any outstanding convertible loans or warrants and thereby no dilution effects.

Balance sheet

SEK thousands	IFRS note	30 Sept 2005	30 Sept 2004	31 Dec 2004
ASSETS				
Fixed assets				
Intangible assets				
Capitalized development expenditure		7 734	15 919	13 788
Goodwill	B	535	286	286
Other intangible fixed assets ⁸		865	1 608	1 422
Tangible assets				
Equipment		16 287	18 864	17 702
Financial assets				
Shares in associated companies		-	1 035	1 131
Available-for-sale investments	C1	3 082	3 646	2 806
Other long-term financial fixed assets	C1	1 818	16 395	21 577
Deferred tax receivable		2 931	-	-
Total fixed assets		33 252	57 753	58 712
Current assets				
Current receivables				
Accounts receivable		43 830	35 359	43 090
Prepaid tax		8 986	8 768	12 089
Other receivables	C3	13 755	5 625	4 254
Prepaid expenses and accrued income	C2	7 675	9 262	8 164
Short-term investments	C2	144 619	124 336	137 255
Cash and bank balances		61 300	66 069	48 911
Total current assets		280 165	249 419	253 763
TOTAL ASSETS		313 417	307 172	312 475
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Equity attributable to equity holders of the Parent company				
Restricted equity				
Share capital		1 485	1 485	1 485
Restricted reserves		108 619	101 668	107 798
Non-restricted equity				
Non-restricted reserves		79 479	103 317	88 448
Net unrealized gains reserve	C1	-140	-	-
Equity attributable to the minority interest	A	2 283	1 520	1 461
Total shareholders' equity		191 726	207 990	199 192
Provisions				
Deferred tax liability		25 718	23 772	25 333
Total provisions		25 718	23 772	25 333
Current liabilities				
Accounts payable		5 615	6 628	7 161
Tax liabilities		6 537	-	1 598
Other liabilities	C3	5 135	4 776	8 148
Accrued expenses and prepaid income		78 686	64 006	71 043
Total current liabilities		95 973	75 410	87 950
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		313 417	307 172	312 475
Pledged assets		None	None	None
Contingent liabilities		None	None	None

⁸This item pertains to Orc ExNet.

Specification of the Group's equity⁹

SEK thousands	Jan-Sept 2005	Jan-Sept 2004	Jul-Sept 2005	Jul-Sept 2004	2004
Opening balance	199 192	245 537	187 702	207 473	245 537
The effect of the implementation of IAS 39, January 1, 2005	-2 184	-	-	-	-
Dividend	-22 729 ¹⁰	-49 725	-944 ¹¹	-	-49 725
Share repurchase	-	-10 242	-	-3 506	-18 680
Fair value of Available-for-sale investments	-140	-	-	-	-
Change in subsidiaries	2 844	-	490	-	-
Change of minority interest	-	1 806	-	1 765	2 269
Sale of associated company	-	-500	-	-	-500
Translation difference etc.	2 460	-153	-525	-487	-992
Net income for the period	12 283	21 267	5 003	2 745	21 283
Closing balance	191 726	207 990	191 726	207 990	199 192

Cash flow statement

SEK thousands	IFRS note	Jan-Sept 2005	Jan-Sept 2004	2004
Operating activities				
Operating income	B	14 263	28 718	29 570
Adjustment for items not included in cash flow				
Depreciation and amortization	B	12 360	13 266	17 702
Other adjustments for items not included in cash flow		-2 041	-614	1 134
Financial items		3 789	3 868	5 299
Income tax paid		2 235	-21 322	-21 581
Cash flow from operating activities before changes in working capital		30 606	23 916	32 124
Changes in working capital				
Changes in accounts receivable		83	5 411	-2 320
Changes in other operating assets		-9 322	-537	-450
Changes in accounts payable		-1 399	607	1 140
Changes in other operating liabilities		-1 434	-8 622	2 155
Total change in working capital		-12 072	-3 141	525
Cash flow from operating activities		18 534	20 775	32 649
Investment activities				
Investments in intangible fixed assets		-	-744	-884
Investments in tangible fixed assets		-3 696	-7 340	-8 281
Investments in subsidiaries		1 923	-	140
Changes in financial fixed assets		20 733	-14 093	-20 527
Cash flow from investment activities		18 960	-22 177	-29 552
Financing activities				
Share repurchase		-	-10 242	-18 680
Dividend		-22 729	-49 725	-49 725
Cash flow from financing activities		-22 729	-59 967	-68 405
Change in liquid funds		14 765	-61 369	-65 308
Opening liquid funds		186 166	251 867	251 867
Translation difference/exchange differences in liquid funds		4 988	-93	-393
Closing liquid funds	D	205 919	190 405	186 166

⁹ The effects of the adoption of IFRS are explained on pages 8-9.

¹⁰ Of which SEK 1 224 thousand refers to dividends from Orc ExNet.

¹¹ Refers to dividends from Orc ExNet.

Geographical segments

Orc Software's risks and opportunities are mainly influenced by the company being operational within different geographical areas based on the location of customers. Thus, the primary segment division consists of the geographical areas. Orc Software's products and services are of similar character, aimed at similar client groups, distributed in a similar manner and have a similar production process. In this way the business consists of only one operating structure and information regarding the classification of the operating structure is therefore not provided.

The local operations mainly consist of sales and support efforts and in certain cases development. Functions such as Group management, legal, human resources, accounting and administration, marketing, development, etc. are located centrally and are considered joint Group resources. This means that a great part of the Group's expenses cannot be attributed to a specific geographical area in a reliable way and they therefore remain unallocated.

Revenue

SEK thousands	Jan-Sept 2005	Jan-Sept 2004	Jul-Sept 2005	Jul-Sept 2004
Europe	145 113	144 642	46 328	45 717
North America	18 083	19 220	6 471	5 058
Asia/Australia	21 041	21 270	7 705	6 606
Other	15 289	744	4 977	127
Total	199 526	185 876	65 481	57 508

Operating income¹²

SEK thousands	Jan-Sept 2005	Jan-Sept 2004	Jul-Sept 2005	Jul-Sept 2004
Europe	87 129	99 499	26 292	26 463
North America	4 740	9 208	1 678	1 136
Asia/Australia	6 605	4 760	2 504	1 203
Other	-84 211	-84 749	-24 968	-24 655
Total	14 263	28 718	5 506	4 147

Key ratios

	Jan-Sept 2005	Jan-Sept 2004	Jul-Sept 2005	Jul-Sept 2004	2004
Operating margin, %	7.1	15.4	8.4	7.2	12.0
Return on equity, %	8	13	10	7	11
Return on capital employed, %	15	19	17	10	15
Asset turnover ratio	1.4	1.1	1.4	1.1	1.1
Equity/assets ratio, %	61	68	61	68	64
Average number of employees	180	153	189	161	157
Number of employees at the end of the period (of which women)	194 (39)	165 (30)	194 (39)	165 (30)	172 (30)
Earnings per share, SEK	0.86	1.57	0.33	0.27	1.61
Equity per share, SEK	13.21	14.36	13.21	14.36	13.79
Share price at the end of the period, SEK	69.00	67.75	69.00	67.75	57.75

¹² Income for the geographical segments is reported before joint Group costs.

Quarterly figures

Income statement

SEK thousands	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Operating revenue							
Systems revenue	56 096	56 605	56 395	55 064	53 217	58 848	58 574
Work performed by the company for its own use and capitalized	-	-	-	140	127	269	348
Other operating revenue	9 385	11 222	9 823	6 409	4 164	4 708	5 621
Total revenue	65 481	67 827	66 218	61 613	57 508	63 825	64 543
Operating expenses							
Other expenses	-26 117	-26 526	-22 565	-23 948	-20 818	-21 172	-18 803
Personnel costs	-29 917	-36 079	-31 698	-32 377	-28 115	-27 336	-27 648
Depreciation and amortization	-3 941	-4 191	-4 228	-4 436	-4 428	-4 441	-4 397
Total expenses	-59 975	-66 796	-58 491	-60 761	-53 361	-52 949	-50 848
Operating income	5 506	1 031	7 727	852	4 147	10 876	13 695
Net financial items	2 413	930	1 095	-740	700	1 868	970
Tax on net income for the period	-2 916	-538	-2 964	-96	-2 102	-4 552	-4 335
Net income for the period	5 003	1 423	5 858	16	2 745	8 192	10 330
Net income for the period attributable to the minority interest	234	-330	71	-522	-1 111	-618	184
Net income for the period attributable to the Parent company's shareholders	4 769	1 753	5 787	538	3 856	8 810	10 146

Balance sheet

SEK thousands	30 Sept 2005	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Sept 2004	30 Jun 2004	31 Mar 2004
Fixed assets							
Intangible assets	9 134	11 165	13 155	15 496	17 813	20 137	22 304
Tangible assets	16 287	17 244	17 890	17 702	18 864	18 686	19 552
Financial assets	7 831	31 173	28 414	25 514	21 076	17 116	6 850
Total fixed assets	33 252	59 582	59 459	58 712	57 753	55 939	48 706
Current assets							
Accounts receivable	43 830	43 271	41 741	43 090	35 359	48 225	31 353
Other receivables	30 416	21 207	31 267	24 507	23 655	17 372	15 362
Cash and bank balances and short-term investments	205 919	189 004	185 536	186 166	190 405	191 073	256 433
Total current assets	280 165	253 482	258 544	253 763	249 419	256 670	303 148
TOTAL ASSETS	313 417	313 064	318 003	312 475	307 172	312 609	351 854
Shareholders' equity	191 726	187 702	203 559	199 192	207 990	207 473	256 838
Provisions for deferred tax liability	25 718	25 881	25 335	25 333	23 772	23 768	23 636
Current non interest-bearing liabilities	95 973	99 481	89 109	87 950	75 410	81 368	71 380
TOTAL EQUITY AND LIABILITIES	313 417	313 064	318 003	312 475	307 172	312 609	351 854

Forthcoming financial events

January 26, 2006 Year-end report 2005

Stockholm, October 13, 2005

The Board of Directors

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Analyst and press conference and telephone conference

An analyst and press conference will be held on October 13 at 2 p.m. CEST in Stockholm. Furthermore, a telephone conference will be held at 4 p.m. CEST. Further information is available at www.orcsoftware.com, Company, Investor Relations, Calendar.

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

Definitions can be found at www.orcsoftware.com, Company, Investor Relations, Interim Reports.

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