Orc Software AB – Interim report
January 1–June 30 2007

Strong order book growth

Annual value of existing client contracts

The annual value of existing client contracts at the end of the period was SEK 433.7m (304.6 on June 30, 2006), which is an increase of SEK 129.1m, or 42.4%.

The quarterly increase was SEK 37.4m, or 9.4%, from SEK 396.3m on March 31, 2007.

April–June 2007

- Operating income SEK 124.4m (110.2)
- 12.9% year-on-year Q2 sales growth
- Operating profit SEK 26.8m (20.2)
- Operating margin 21.6% (18.3)
- Profit after tax SEK 20.9m (15.1)
- Earnings per share SEK 1.33 (0.97)

January–June 2007

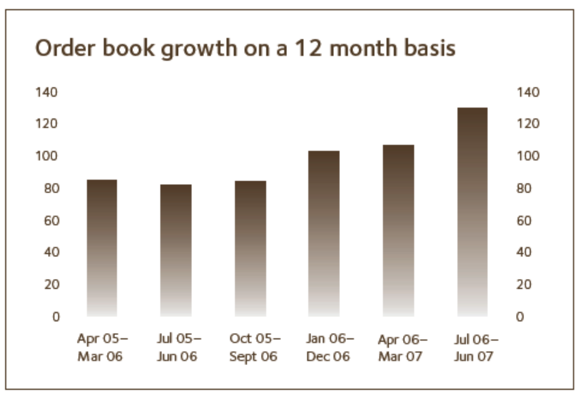
- Operating income SEK 248.7m (203.1)
- 22.4% year-on-year H1 sales growth
- Operating profit SEK 56.9m (23.7)
- Operating margin 22.9% (11.7)
- Profit after tax SEK 41.7m (18.1)
- Earnings per share SEK 2.72 (1.18)

CEO Thomas Bill comments:

The order book has continued to grow at a fast pace. Our strong performance is due to increased demand for our derivatives, algorithmic trading and connectivity solutions – areas where we are world leaders – as well as favourable market conditions. The order growth on a twelve-month basis is the strongest yet. Our second-quarter sales were as high as in the first quarter, despite the absence of any major non-recurring income from licence sales. The profit was slightly affected by fluctuations in exchange rates.

We have a good sales mix in our regions. Our sales in Asia and Australia have grown at a healthy rate, with the order book increasing by 20 per cent and sales by 28 per cent on the first quarter. This is partly due to the global investment banks' increasing presence and investments in algorithmic trading in the region.

We look forward to continuing our strong performance in the second half of 2007. A strong order book value and a continuously solid demand for our products, provides a basis for exceeding the Board's target of annual sales growth and an operating margin in excess of 15 per cent.



Market trend

Orc Software continues to benefit from increased global demand for connectivity, advanced derivatives and automated trading solutions. Orc is winning new customers by meeting specific requirements for flexible, low latency trading, connectivity solutions and proven risk management tools.

The increase in the value of existing client contracts was SEK 37.4m, or 9.4%, compared to end Q1 2007, representing an increase of SEK 129.1m, or 42.4% since end of June 30 2006.

North America

Intense competition between exchanges for order flow, and exchange consolidation, is causing unprecedented rapid change in the US and Canadian markets. No longer are these exchanges lagging 'electronically' behind Europe. Following on from a positive Q1 for the region, we have seen continued demand for Orc Liquidator, a solution used for complex algorithmic and arbitrage trading, throughout Q2. There was also strong demand from customers to trade energy and other commodity derivatives. This resulted in order book growth of SEK 7.2m, or 8.8% compared to end Q1 2007, and SEK 41.1m, or 86.5% during the last twelve months.

Europe

Demand for automated trading, market access and derivatives solutions is further driving sales for Orc throughout Europe. New regulations and requirements from the market are forcing firms to improve their technologies with faster quoting systems, more sophisticated pricing tools, and fast and reliable market access solutions.

A number of large deals with both existing and new customers in Europe resulted in increased order book value of SEK18.8m, or 7.3%, compared to end Q1 2007 and SEK 59.0m, 27.2%, since end of June, 2006.

Europe continues to be the region generating greatest revenue for Orc.

Asia and Australia

A generally strong market in the Asia Pacific region resulted in greater demand for Orc's trading and connectivity solutions during Q2. Compared to the end Q1 2007, order book growth was SEK11.4m, or 19.7% and SEK 29.0m, 72.0%, for the last twelve-month period.

Global investment banks and trading firms wanting to grow their footprint in the region increased their level of IT spending for automated electronic trading solutions. Whilst Asia might be considered a latecomer to algorithmic trading space, the region is seeing rapid adoption of technology enabling more sophisticated trading. Orc Liquidator is gaining momentum as the proven solution addressing the Asian markets.

Income

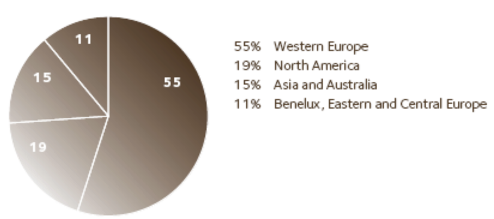
The Group's operating income in Q2 2007 was SEK 124.4m (110.2), an increase of 12.9% on the same period the year before.

The biggest absolute increase occurred in Western Europe, but the strongest relative growth was in the Benelux and Eastern and Central Europe.

In Q2 2006 the company's income from up-front licences was particularly large in North America and in Asia and Australia. Excluding up-front licences, sales increased by 51.8% in North America and 31.1% in Asia and Australia in Q2 2007.

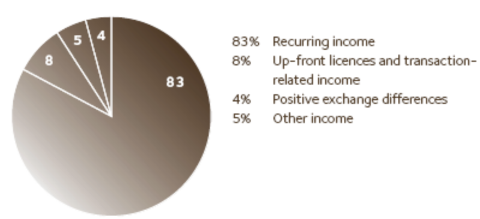
Half of sales are in Western Europe

Breakdown of systems sales in April–June 2007



Recurring income more than 80%

Breakdown of operating income in April–June 2007



Out of total operating income in Q2 2007, SEK 103.4m (79.0) was recurring income, SEK 9.5m (21.4) up-front licences and transaction-related income, SEK 5.2m (2.5) positive exchange differences and SEK 6.3m (7.3) other income. System sales accounted for SEK 98.9m (75.9) of recurring income.

In January-June 2007 the company generated income of SEK 248.7m (203.1), an increase of 22.4% on the same period the year before.

For a detailed overview of the performance of the various regions in H1, see Segment reporting.

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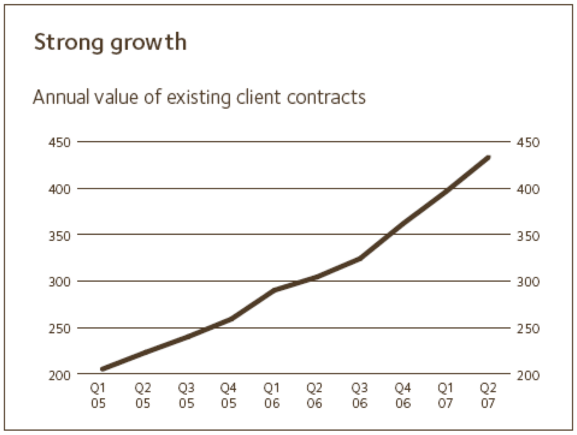
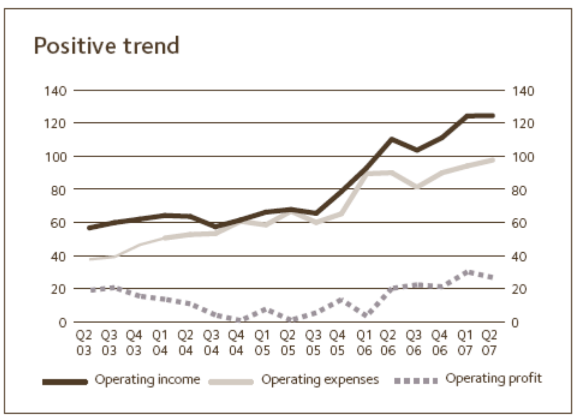
Annual value of existing client contracts



The annual value of existing client contracts[1] increased by 42.4% year-on-year, from SEK 304.6m to SEK 433.7m. The increase of SEK 129.1m is the biggest yet.
Calculated at fixed exchange rates, the increase was 43.5%.

The quarterly increase in the value of existing client contracts was SEK 37.4m, or 9.4%, from SEK 396.3m at the end of Q1 2007.



Operating expenses

The operating expenses in Q2 2007 increased by SEK 7.6m, or 8.4%, year-on-year, to SEK 97.6m (90.0). No development expenses were capitalised in Q2 2006.
Payroll expenses accounted for most of the increase compared with Q2 2006. The increase was primarily due to new recruitment and salary adjustments.
On June 30, 2007 Orc had 261 (228) employees. In Q2 2007 the number of employees increased by 15 people. The average number of employees in the quarter was 253 (224).

Operating expenses grew by SEK 12.2m in January-June 2007, or by 6.8% year-on-year, to SEK 191.7m (179.5).

Earnings

The operating margin expanded in Q2 2007 thanks as year-on-year sales growth outpaced operating expenses.
Translations of balance sheet items and currency hedges at quarter-end (an overview of the currency hedges is shown below) exchange rates had a negative impact on the operating profit in the second quarter. After adjusting for these and for the write-down of refurbishment work that was made in Q1 2007, the operating margin was largely flat compared with the first quarter

1 Also called the ”order book”. Defined as the 12-month value of existing client contracts, excluding transaction-related income, translated at average exchange rates in the last month of the period without taking into account currency hedges. New contracts are included from the day invoicing is expected to begin and terminated contracts are included until the day payments cease.

Flat adjusted operating profit

Operating profit, SEKm	**Apr-Jun 2007**	**Jan-Mar 2007**	**Apr-Jun 2006**
Operating income	124,4	124,2	110,2
Operating expenses	-97,6	-94,1	-90,0
Operating profit	26,8	30,1	20,2
Operating margin	*21,6 %*	*24,2 %*	*18,3 %*

Adjustment items, SEKm	**Apr-Jun 2007**	**Apr-Jun 2007**	**Apr-Jun 2007**
Currency items	-5,2	-5,3	-2,5
Other items affecting comparability	0,0	0,0	0,0
Adjustment of operating income	-5,2	-5,3	-2,5
Currency items	8,5	2,2	5,7
Other items affecting comparability	0,0	2,7	0,0
Adjustment of operating expenses	8,5	4,9	5,7

Adjusted operating profit, SEKm	**Apr-Jun 2007**	**Apr-Jun 2007**	**Apr-Jun 2007**
Adjusted operating income	119,2	118,9	107,7
Adjusted operating expenses	-89,1	-89,2	-84,3
Adjusted operating profit	30,1	29,7	23,4
Adjusted operating margin	*25,3 %*	*25,0 %*	*21,7 %*

The operating profit in H1 2007 increased by SEK 33.2m year-on-year, to SEK 56.9m (23.7).

At the end of the period there were currency hedges of USD 3.0m (2.0) with an average price of 6.91 and EUR 2.0m (1.0) with an average price of 9.38 and remaining maturities of 3 and 2 months, respectively, which is equivalent to SEK 39.5m (24.2). Out of total operating income 35% is in USD, 35% in EUR, 15% in SEK and 15% in other currencies.

Net financial income in Q2 2007 changed by SEK 0.5m on Q2 2006 and by SEK -0.5m between H1 2006 and H1 2007.

The year-on-year increase in profits was SEK 5.8m in Q2 2007 and SEK 23.6m in H1 2007.

Cash flow, investments and financial position

Cash and cash equivalents have fallen since the end of Q2 2006, primarily as a result of the additional payment for the acquisition of Cameron Systems.

Cash flows were negative in Q2 2007 and Q2 2006 due to dividend payments to the shareholders.

In H1 2007 cash flow was SEK -6.5m (-105.4).

The equity/assets ratio on June 30, 2007 was 51.0% (53.2).

Parent company

As more than 80% of the Group’s operating income and all major balance sheet items are attributable to the parent company, the comments to the consolidated balance sheet and profit and loss account are in all material respects applicable also to the parent company.

No material related-party transactions took place during the period.

Accounting principles

This interim report has been prepared on the basis of IAS 34, Interim Reports, which complies with the provisions contained in Recommendation RR31, Consolidated Interim Reports. The accounting principles used are the same as in the last annual report.

Changes based on the implementation of the EU's Transparency Directive have been made in this half-yearly report. The changes primarily relate to expanded information about risks and uncertainties as well as information about the parent company.

The following is a brief description of how the accounting principles are applied for some of the key income and expense items and balance sheet items.

Income

Orc's income mainly comprises payments on software licences, which are invoiced quarterly in advance. The income is then allocated to the quarter to which the invoice refers, but at the exchange rates applying at the time of invoicing.

New clients are invoiced only when Orc has received a signed contract and the client has made an acceptance test and approved the software.

Goodwill

Goodwill has an undefined useful life, and the value must therefore be tested at least once a year. To assess the value of goodwill, Orc employs estimated future cash flows for the next 15 years in the company's cash-generating units.

Capitalisation of development expenses

Orc employs restrictive principles in respect of capitalisation of development expenses. This means that the company capitalises only those expenses that are attributable to projects which can be clearly separated and which refer either to new products or a general improvement of existing products.

Intangible fixed assets

Intangible fixed assets that are not goodwill or capital expenditure on development have a amortisation period of 5-15 years, depending on the character and estimated useful life of the asset. Orc performs regular controls to verify that the assets' amortisable lives are in conformity with their useful lives.

Risks and uncertainties

Orc's business is exposed to certain risks that can have a greater or lesser impact on profits. The following is a brief description of the key risks and how they are managed.

The industry in which the company operates is currently growing at a fast pace and changing very rapidly. The company's ability to anticipate and adapt its technical solution to changing market requirements is therefore a critical success factor. Orc has a dedicated department which studies market trends to ensure that the company's products remain at the forefront and continue to meet client requirements and needs.

Due to the nature of the business, Orc is dependent on its ability to recruit and retain skilled individuals. The company aims to be an attractive employer offering a good work environment and competitive employment conditions.

Orc's business is entirely dependent on a well-functioning IT infrastructure, especially for the development department and for its ability to supply software to its clients. IT security is therefore a high priority, and a variety of methods are employed to ensure a high level of security. The company has servers with redundant data in different locations around the world, various forms of backup and short turn-up times for its service providers.

Orc has a large net exposure to US dollars and euros due to the high value of client invoices in these currencies, but a large share of its costs are in Swedish kronor. However, the company's business model, which is based on software licensing in subscription form with long subscription and cancellation periods, ensures that there is ample time to adapt costs in case of a sharp downturn in the dollar or euro. To further prolong this time, the company also hedges future cash flows in these currencies.

Orc has very few bad debts, partly because many of its clients are established blue-chip companies and partly because the company carefully analyses all new clients and takes an active approach to debt collection. Thanks to the company's business model, where clients gain access to software with code keys, a non-paying client can easily be denied access to the software.

Consolidated profit and loss account

SEKt	Jan-Jun 2007	Jan-Jun 2006	Apr-Jun 2007	Apr-Jun 2006
Systems sales	217 823	174 970	108 311	97 292
Other income	30 861	28 159	16 121	12 924
Operating income	**248 684**	**203 129**	**124 432**	**110 216**
Purchase cost of goods sold	-11 463	-10 012	-5 897	-4 967
External expenses	-61 558	-55 872	-33 641	-31 768
Payroll expenses	-115 619	-102 742	-58 452	-47 529
Work performed by the company for its own use and capitalised	8 368	–	4 759	–
Depreciation, amortisation and write-downs	-11 469	-10 828	-4 381	-5 784
Operating expenses	**-191 741**	**-179 454**	**-97 612**	**-90 048**
Operating profit	**56 943**	**23 675**	**26 820**	**20 168**
Net financial income	1 354	1 899	1 519	1 070
Profit after financial expenses	**58 297**	**25 574**	**28 339**	**21 238**
Taxt	-16 646	-7 517	-7 466	-6 187
Profit for the period	**41 651**	**18 057**	**20 873**	**15 051**
Profit for the period attributable to the minority interests	325	240	644	255
Profit for the period attributable to the parent company shareholders	41 326	17 817	20 229	14 796

Consolidated balance sheet

SEKt	Jun 30, 2007	Jun 30, 2006	Dec 31, 2006
Assets			
Goodwill	171 224	97 886	171 962
Other intangible fixed assets	92 060	87 012	85 569
Other fixed assets	34 425	28 063	39 662
Current receivables	170 569	88 346	103 230
Short-term investments	1 027	–	765
Cash and bank balances	68 029	117 726	73 899
Total assets	**537 334**	**419 033**	**475 087**
Equity and liabilities			
Shareholders' equity	273 901	222 845	258 851
Long-term liabilities	50 588	49 512	51 219
Current liabilities	212 845	146 676	165 017
Total equity and liabilities	**537 334**	**419 033**	**475 087**

Detailed profit and loss accounts and balance sheets for the last few quarters are available at www.orcsoftware.com.

Consolidated statement of changes in equity

SEKt	Jan-Jun 2007	Jan–Jun 2006	Apr–Jun 2007	Apr–Jun 2006
Opening balance	258 851	192 192	287 912	265 758
Dividend	-30 404	-50 016	-30 404	-50 016
Transfer of repurchased shares	–	46 215	–	–
New share issue	–	31 255	–	–
Market valuation of hedge instruments	–	-1 902	–	-1 758
Translation difference relating to intangible assets	1 069	-10 401	-6 455	-4 762
Change in subsidiaries	-63	-73	–	–
Translation difference relating to minority interests	64	-72	18	-34
Change due to employee options	1 242	–	877	–
Translation difference etc	1 307	-2 410	1 080	-1 394
Profit for the period attributable to the parent company shareholders	41 510	17 817	20 229	14 796
Profit for the period attributable to the minority interests	325	240	644	255
Closing balance	**273 901**	**222 845**	**273 901**	**222 845**
Equity attributable to the parent company shareholders	270 630	220 578	270 630	220 578
Equity attributable to the minority interests	3 271	2 267	3 271	2 267

Cosolidated cash flow statement

SEKkr	Jan–Jun 2007	Jan–Jun 2006
Cash flow from operating activities before change in working capital	50 573	30 783
Change in working capital	-11 304	13 467
Cash flow from operating activities	**39 269**	**44 250**
Investments in businesses	-49	-92 751
Cash flow from investing activities	-15 347	-6 925
Cash flow from financing activities	-30 404	-50 016
Cash flow for the period	**-6 531**	**-105 442**
Opening cash and cash equivalents	74 664	226 851
Exchange differences in cash and cash equivalents	923	-3 683
Closing cash and cash equivalents	**69 056**	**117 726**

Segment reporting

January–June 2007

SEKt	Western Europe	Benelux, Eastern and Central Europe	North America	Asia and Australia	Joint Group	Total
Operating income	134 974	25 288	45 838	32 095	10 489	248 684
Operating expenses	-55 392	-11 861	-25 500	-17 526	-81 462	-191 741
Operating profit	**79 582**	**13 427**	**20 338**	**14 569**	**-70 973**	**56 943**

January–June 2006

SEKt	Western Europe	Benelux, Eastern and Central Europe	North America	Asia and Australia	Joint Group	Total
Operating income	111 594	17 653	37 454	28 717	7 711	203 129
Operating expenses	-43 590	-8 187	-17 953	-14 948	-94 776	-179 454
Operating profit	**68 004**	**9 466**	**19 501**	**13 769**	**-87 065**	**23 675**

Consolidated key figures

	Jan–Jun 2007	Jan–Jun 2006	Apr–Jun 2007	Apr–Jun 2006
Operating income, SEKt	248 684	203 129	124 432	110 216
Operating profit, SEKt	56 943	23 675	26 820	20 168
Profit for the period, SEKt	41 651	18 057	20 873	15 051
Sales growth	22,4 %	51,5 %	12,9 %	62,5 %
Operating margin	22,9 %	11,7 %	21,6 %	18,3 %
Number of outstanding shares, SEKt	15 202	15 202	15 202	15 202
Number of shares owned by the company, SEKt	–	–	–	–
Earnings per share, SEK	2,72	1,18	1,33	0,97
Diluted earnings per share, SEK	2,71	1,18	1,32	0,97
Equity per share, SEK	17,80	14,51	17,80	14,51
Return on capital employed	44,0 %	24,9 %	39,7 %	34,8 %
Return on equity	31,4 %	17,4 %	29,1 %	24,4 %
Equity/assets ratio	51,0 %	53,2 %	51,0 %	53,2 %
Average number of employees	250	218	253	224
Number of employees at end of period	261	228	261	228

Parent company profit and loss account

SEKt	Jan–Jun 2007	Jan–Jun 2006	Apr–Jun 2007	Apr–Jun 2006
Systems sales	180 820	135 962	91 816	70 079
Other income	16 821	18 913	9 075	7 987
Work performed by the company for its own use and capitalised	8 368	–	4 759	–
Operating income	**206 009**	**154 875**	**105 650**	**78 066**
Purchase cost of goods sold	-9 336	-6 019	-5 418	-3 167
External expenses	-115 302	-86 724	-62 119	-46 844
Payroll expenses	-47 749	-43 620	-23 685	-23 930
Depreciation, amortisation and write-downs	-5 158	-5 619	-3 845	-2 849
Operating expenses	**-177 545**	**-141 982**	**-95 067**	**-76 790**
Operating profit	**28 464**	**12 893**	**10 583**	**1 276**
Net financial income	3 508	150	3 374	501
Profit after financial expenses	**31 972**	**13 043**	**13 957**	**1 777**
Tax	-8 351	-2 564	-2 731	279
Profit for the period	**23 621**	**10 479**	**11 226**	**2 056**

Parent company balance sheet

SEKt	Jun 30, 2007	Jun 30, 2006	Dec 31, 2006
Assets			
Other intangible fixed assets	12 879	2 776	4 729
Other fixed assets	288 706	215 294	292 275
Current receivables	97 995	58 614	77 156
Short-term investments	577	403	–
Cash and bank balances	35 154	62 293	50 425
Total assets	**435 311**	**339 380**	**425 585**
Equity and liabilities			
Shareholders’ equity	156 181	141 260	162 965
Untaxed reserves	99 768	93 035	99 768
Long-term liabilities	156	153	323
Current liabilities	179 206	104 932	161 529
Total equity and liabilities	**435 311**	**339 380**	**424 585**

Forthcoming financial events
October 18, 2007 Interim report for the third quarter

The Board of Directors and Chief Executive Officer assure that this interim report provides an accurate overview of the development, position and profit of the company and describes all material risks and uncertainties faced by the company and other companies in the same Group[2].

Stockholm, July 13 2007

Orc Software AB

Markus Gerdien Chairman	Thomas Bill CEO	Lars Bertmar Director	Katarina Bonde Director
Magnus Böcker Director	Patrik Enblad Director	Annette Kumlien Director	Carl Rosvall Director

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

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All financial information is published at www.orcsoftware.com immediately after being officially announced.

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A telephone conference (in English) will be held at 3 p.m. on July 13, 2007. For more information, see www.orcsoftware.com, Company, Investor Relations, Calendar 2007.

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