

Actuate Reports First Quarter 2010 Financial Results

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10% Year-Over-Year Increase in License Revenue;

Actuate Corporation (NASDAQ:ACTU), The people behind BIRT®, today announced financial results for the first quarter of 2010.

Financial and Operational Highlights:

- Non-GAAP revenue of \$30.1 million, up 3% year-over-year;
- Q1 license revenues of \$9.6 million, up 10% year-over-year;
- Non-GAAP operating margins of 16%;
- Operating cash flow of \$11.4 million;
- Non-GAAP diluted EPS of \$0.06;
- Booked 135 BIRT-related transactions in Q1, consistent with a year ago quarter;
- Q1 revenue included two transactions with a license component in excess of \$1.0 million.

Tweet this: #Actuate (ACTU) Q1 2010 results: License revenue up 10% & #BIRT license business up over 30% YOY: <http://BIRT.me/ACTUEarningQ12010>.

"We had a good quarter despite the lackluster macroeconomic environment which continued to suppress IT and professional services spending, particularly in the financial services sector," said Pete Cittadini, President and CEO at Actuate. "We continue to strengthen our financial foundation which allows us to support a number of key initiatives including the release of Actuate 11 and continued momentum with BIRT."

"Our Q1 operating expenses included \$2.5 million in litigation-related expense," said Dan Gaudreau, CFO and Senior Vice President, Operations at Actuate. "The litigation expense aside, we would have generated record Q1 non-GAAP operating margins of 24% and a non-GAAP EPS of \$0.10."

Revenues as reported in accordance with U.S. generally accepted accounting principles (GAAP) for the first quarter of 2010 were \$29.1 million, compared with \$29.3 million in the first quarter of 2009. License revenues for the first quarter of 2010 were \$9.6 million, up 10% when compared with \$8.8 million in the year-ago quarter. Maintenance revenues for the quarter were \$18.0 million, compared with \$18.4 million reported in the same quarter last year. Professional services revenues for the first quarter of 2010 totaled \$1.5

million, compared with \$2.1 million in the first quarter of 2009. On a non-GAAP basis, total revenues for Q1 were \$30.1 million, up 3% year-over-year. The difference between GAAP and non-GAAP revenue is \$1.0 million in revenue that could not be recognized due to the impact of purchase accounting on Xenos' revenue contracts.

GAAP operating income was \$0.9 million for the first quarter of 2010, compared with \$3.3 million in the first quarter of 2009. GAAP net income for the first quarter of 2010 was \$1.6 million, or \$0.03 per diluted share, compared with net income of \$2.8 million or \$0.06 per diluted share in the first quarter of 2009.

Cash flow from operations was \$11.4 million for the first quarter of 2010. Cash, cash equivalents and short-term investments totaled \$68.2 million on March 31, 2010, down from \$75.5 million at December 31, 2009. In Q1, the company used \$27.3 million of cash, (net of \$6.9 million cash acquired), to purchase Xenos Group and also repurchased \$5.0 million worth of Actuate stock.

Non-GAAP operating income for the first quarter of 2010 was \$4.8 million, compared with \$5.1 million in the first quarter of 2009. Non-GAAP operating margin for the first quarter of 2010 was 16%, compared with 18% for the same period in the prior year. Non-GAAP net income for the first quarter of 2010 was \$3.1 million, or \$0.06 per diluted share, compared with non-GAAP net income of \$4.2 million, or \$0.09 per diluted share in the first quarter of 2009. Included in Q1 2010's operating expenses were approximately \$2.5 million of litigation related expenses. Excluding these expenses, non-GAAP operating margins for the quarter would have been 24% and non-GAAP EPS would have been \$0.10.

First Quarter 2010 Business Highlights:

- Quarterly BIRT-related business of \$3.8 million;
- BIRT-related license business up over 30% year-over-year;
- Completed 135 BIRT-related transactions during Q1;
- **BIRT onDemand**, still in it's BETA phase, received over 450 sign ups with dozens of customers uploading their own data and mobilizing reports for use via mobile devices;
- During Q1 the company repurchased \$5.0 million worth of Actuate common stock. The Board authorized an additional buy back of up to \$5.0 million worth of Actuate common stock for Q2 2010;
- Launched **Xenos Axess™**, the first enterprise-class solution to produce high-volumes of accessible PDF documents for the visually impaired;
- Over 27,800 registrations on **BIRT Exchange** through the end of Q1 2010;

- Announced the availability of the **BIRT Mobile Viewer**, a native iPhone application, available on the iPhone App Store and on the **BIRT Exchange Marketplace**;
- Over 60 applications on the **BIRT Exchange Marketplace**, including contributions from JBoss, mLogica, Sybase, Integeio and Active Endpoints;
- Actuate awarded the MarketTools **CustomerSat Achievement in Customer Excellence (ACE) Award** for the third year running.

During the first quarter, Actuate received significant new and repeat business from, among others: Citigroup Inc., Morgan Stanley, Capmark Financial Group Inc., Hay Group, Inc., FundWorks Global Limited, Infor Global Solutions, UBS AG, Coca-Cola Bottling Co., Navigant Consulting, Inc., Texas Instruments Incorporated, T-SYSTEMS ITC Iberia S.A., Taleo Corporation, Nomura International PLC, TNT Express, Elcom International, Inc., GE Medical Systems Information Technology and Ministry of Defence, Brunei Darussalam.

Conference Call Information

Actuate will be holding a conference call at 5:00 p.m. Eastern Time, today, May 3rd, 2010 to further discuss these results. The dial-in number for the call is 1-877-407-8035 (201-689-8035 for international participants). The conference call will be broadcast live on the Investor Relations section of Actuate's web site at <http://www.actuate.com/investor> and will be available as an archived replay thereafter.

Actuate - The people behind BIRT

Actuate founded and continues to co-lead the Eclipse BIRT open source project. BIRT is the premier development environment for Rich Information Applications that present structured data and content in compelling and interactive ways via the web on any device. Actuate and its people are dedicated to making BIRT the best environment for our customers to develop Web 2.0 applications that drive revenue through higher customer satisfaction/loyalty and improve operational performance. The people of Actuate continually participate in and provide resources for the vibrant open source community that has emerged around BIRT. Anybody can participate in the BIRT movement by visiting www.birt-exchange.com.

Actuate offers value-add BIRT products and services that speed the development process and bring additional functionality such as interactivity, content transformation and enterprise scalability to BIRT-based Rich Information Applications. Actuate has over 4,500 customers globally in a diverse range of business areas including financial services and the public sector. Founded in 1993, Actuate is headquartered in San Mateo, California, with offices worldwide. Actuate is listed on NASDAQ under the symbol ACTU. For more

information, visit the company's web site at www.actuate.com.

Discussion of Non-GAAP Financial Measures

This press release contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (GAAP). Actuate management evaluates and makes operating decisions using various performance measures. In addition to our GAAP results, we also consider adjusted net income, which we refer to as non-GAAP net income. We further consider various components of non-GAAP net income such as non-GAAP gross margin and non-GAAP operating expense. Non-GAAP net income is generally based on the revenues of our product, maintenance and services business operations and the costs of those operations, such as cost of revenue, research and development, sales and marketing and general and administrative expenses, that management considers in evaluating our ongoing core operating performance. Non-GAAP net income consists of net income excluding amortization of intangible assets, restructuring charges, equity plan-related compensation expenses, acquisition related expenses, operating expenses related to idle facilities, one-time professional services fees and other charges and gains which management does not consider reflective of our core operating business. Non-GAAP net income also includes an adjustment to add back revenue that could not be recognized due to the impact of purchase accounting on the acquired Xenos revenue contracts. Restructuring charges consist of severance and benefits, excess facilities and asset-related charges and include strategic reallocations or reductions of personnel resources. Equity plan-related compensation expenses represent the fair value of all share-based payments to employees, including grants of employee stock options. For purposes of comparability across other periods and against other companies in our industry, non-GAAP net income is adjusted by the amount of additional taxes or tax benefit that the Company would accrue using a normalized effective tax rate applied to the non-GAAP results. Our non-GAAP earnings per share calculation also includes an adjustment to total outstanding shares to reflect what the share amount would have been if it were calculated using non-GAAP results.

Non-GAAP net income is a supplemental measure of our performance that is not required by, nor presented in accordance with, GAAP. Moreover, it should not be considered as an alternative to net income, operating income, or any other performance measure derived in accordance with GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. We present non-GAAP net income because we consider it an important supplemental measure of our performance.

Management excludes from non-GAAP net income certain recurring items to facilitate its review of the comparability of the Company's core operating performance on a period-to-period basis because such items are not related to the Company's ongoing core operating performance as viewed by management. Management uses this view of its operating performance for purposes of comparison with its

business plan and individual operating budgets and allocations of resources. Additionally, when evaluating potential acquisitions, management excludes the items described above from its consideration of target performance and valuation.

The Company believes that, in general, these items possess one or more of the following characteristics: their magnitude and timing is largely outside of the Company's control; they are unrelated to the ongoing operation of the business in the ordinary course; they are unusual and the Company does not expect them to occur in the ordinary course of business; or they are non-operational, or non-cash expenses involving stock option grants.

The Company believes that the presentation of these non-GAAP financial measures is warranted for several reasons:

- 1) Such non-GAAP financial measures provide an additional analytical tool for understanding the Company's financial performance by excluding the impact of items that may obscure trends in the core operating performance of the business;
- 2) Since the Company has historically reported non-GAAP results to the investment community, the Company believes the inclusion of non-GAAP numbers provides consistency and enhances investors' ability to compare the Company's performance across financial reporting periods;
- 3) These non-GAAP financial measures are employed by the Company's management in its own evaluation of performance and are utilized in financial and operational decision making processes, such as budget planning and forecasting;
- 4) These non-GAAP financial measures facilitate comparisons to the operating results of other companies in our industry, which use similar financial measures to supplement their GAAP results, thus enhancing the perspective of investors who wish to utilize such comparisons in their analysis of the Company's performance.

Set forth below are additional reasons why specific items are adjusted in the Company's non-GAAP financial measures:

- a) Amortization charges for purchased technology and other intangible assets are excluded because they are inconsistent in amount and frequency and are significantly impacted by the timing and magnitude of the Company's acquisition transactions. We analyze and measure our operating results without these charges when evaluating our core performance. Generally, the impact of these charges to the Company's net income tends to diminish over time following an acquisition.
- b) While stock-based compensation constitutes an ongoing and recurring expense of the Company, it is not an expense that typically requires or will require cash settlement by the Company. We therefore exclude these charges for purposes of evaluating our core

performance as well as with respect to evaluating any potential acquisition.

c) Restructuring charges are primarily related to severance costs and/or the disposition of excess facilities driven by modifications of business strategy. These costs are excluded because they are inherently variable in size, and are not specifically included in the Company's annual operating plan and related budget due to the rapidly changing facts and circumstances typically associated with such modifications of business strategy.

d) Acquisition related costs are costs incurred in concluding our acquisition of Xenos Group, Inc.. The acquisition was closed in the first quarter of 2010. These costs are excluded because they are inconsistent in amount and frequency and are directly impacted by the timing and magnitude of the Company's acquisition transactions. We analyze and measure our operating results without these charges when evaluating our core performance. These acquisition-related costs are unrelated to the Company's core operations in the ordinary course and are not included in our annual operating plan and related budget.

e) The deferred revenue adjustment relates to our acquisition of Xenos Group, Inc, which was concluded in February of 2010. In accordance with the fair value provisions of EITF 01-3, Accounting in a Business Combination for Deferred Revenue of an Acquiree, acquired deferred revenue of approximately \$1.5 million was recorded on the opening balance sheet, which was approximately \$3.1 million lower than the historical carrying value. This purchase accounting requirement adversely impacts the Company's reported GAAP revenue primarily for the first twelve months post-acquisition. In order to provide investors with financial information that facilitates comparison of both historical and future results, the Company has provided non-GAAP financial measures which exclude the impact of the purchase accounting adjustment. The Company believes that this non-GAAP financial adjustment is useful to investors because it allows investors to (a) evaluate the effectiveness of the methodology and information used by management in its financial and operational decision-making and (b) compare past and future reports of financial results of the Company as the revenue reduction related to acquired deferred revenue will not recur when related terms are renewed in future periods.

f) Income tax expense is adjusted by the amount of additional expense or benefit that we would accrue if we used non-GAAP results instead of GAAP results in the calculation of our tax liability, taking into consideration the Company's long-term tax structure. The Company is using a normalized effective tax rate of 20%. This item is excluded because the rate remains subject to change based on several factors, including variations over time in the geographic business mix and statutory tax rates.

In the future, the Company expects to continue reporting non-GAAP financial measures excluding items described above and the Company expects to continue to incur expenses similar to the non-GAAP adjustments described above. Accordingly, exclusion of these

and other similar items in our non-GAAP presentation should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

As stated above, the Company presents non-GAAP financial measures because it considers them to be important supplemental measures of performance. However, non-GAAP financial measures have limitations as an analytical tool and should not be considered in isolation or as a substitute for the Company's GAAP results. In the future, the Company expects to incur expenses similar to the non-GAAP adjustments described above and expects to continue reporting non-GAAP financial measures excluding such items. Some of the limitations in relying on non-GAAP financial measures are:

- Amortization of intangibles, though not directly affecting our current cash position, represent the loss in value as the technology in our industry evolves, is advanced or is replaced over time. The expense associated with this loss in value is not included in the non-GAAP net income presentation and therefore does not reflect the full economic effect of the ongoing cost of maintaining our current technological position in our competitive industry, which is addressed through our research and development program.
- The Company may engage in acquisition transactions in the future. Merger and acquisition related charges may therefore continue to be incurred and should not be viewed as non-recurring.
- The Company's stock option and stock purchase plans are important components of our incentive compensation arrangements and will be reflected as expenses in our GAAP results for the foreseeable future.
- The Company's income tax expense will be ultimately based on its GAAP taxable income and actual tax rates in effect, which may differ significantly from the 30% rate assumed in our non-GAAP presentation.
- Other companies, including other companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting their usefulness as a comparative measure.

Pursuant to the requirements of SEC Regulation G, a detailed reconciliation between the Company's GAAP and non-GAAP financial results is provided in this press release and is available in the investor relations section of the Company's web site at <http://www.actuate.com/investor>. Investors are advised to carefully review and consider this information strictly as a supplement to the GAAP results that are contained in this press release and in the Company's SEC filings.

Cautionary Note Regarding Forward Looking Statements: The statements contained in this press release that are not purely historical are forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These include statements regarding Actuate's expectations, beliefs, hopes, intentions or strategies regarding the future. All such forward-looking statements are

based upon information available to Actuate as of the date hereof, and Actuate disclaims any obligation to update or revise any such forward-looking statements based on changes in expectations or the circumstances or conditions on which such expectations may be based. Actual results could differ materially from Actuate's current expectations. Factors that could cause or contribute to such differences include, but are not limited to, the general spending environment for information technology products and services in general and enterprise software in particular, quarterly fluctuations in our revenues, expenses and other operating results, our ability to expand our international operations, our ability to successfully compete against current and future competitors, the impact of acquisitions (future acquisitions and including the performancesoft Inc. and Xenos Group Inc. acquisitions) on the Company's financial and/or operating condition, the ability to increase revenues through our indirect distribution channels, general economic and geopolitical uncertainties and other risk factors that are discussed in Actuate's Securities and Exchange Commission filings, specifically Actuate 2009 Annual Report on Form 10-K filed on March 10, 2010 and quarterly reports filed on Form 10-Q.

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ACTUATE CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	March 31, December 31,	
	2010	2009
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 68,161	\$ 75,531
Accounts receivable, net	19,749	33,176
Other current assets	6,418	5,667
Total current assets	94,328	114,374
Property and equipment, net	3,861	3,786

Goodwill and other intangibles, net	64,385	37,014
Other assets	16,357	14,590
	\$ 178,931	\$ 169,764

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 1,432	\$ 1,372
Restructuring liabilities	2,832	2,796
Accrued compensation	4,273	4,918
Other accrued liabilities	6,898	5,330
Income taxes payable	-	845
Deferred revenue	44,010	44,999
Total current liabilities	59,445	60,260

Long term liabilities:

Notes payable	40,000	30,000
Other deferred liabilities	683	769
Deferred revenue	1,351	1,288
Tax liabilities	701	806
Restructuring liabilities	-	622
Total long term liabilities	42,735	33,485
Stockholders' equity & non-controlling interest	76,751	76,019
	\$ 178,931	\$ 169,764

ACTUATE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

Three Months Ended

March 31,

	2010	2009
Revenues:		
License fees	\$ 9,592	\$ 8,753
Maintenance	17,998	18,371
Professional services	1,484	2,132
Total revenues	29,074	29,256
Costs and expenses:		
Cost of license fees	440	200
Cost of services	4,527	4,740
Sales and marketing	9,524	10,710
Research and development	5,922	5,050
General and administrative	6,983	5,075
Amortization of other intangibles	361	170
Restructuring charges	387	41
Total costs and expenses	28,144	25,986
Income from operations	930	3,270
Interest income and other income/(expense), net	(503)	472
Interest expense	(417)	(355)
Income before income taxes	10	3,387
Provision for (benefit from) income taxes	(1,549)	584
Net income	1,559	2,803
Basic net income per share	\$ 0.03	\$ 0.06
Shares used in basic per share calculation.	45,397	44,456
Diluted net income per share	\$ 0.03	\$ 0.06
Shares used in diluted per share calculation	50,214	47,556

ACTUATE CORPORATION

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(in thousands, except per share data)

(unaudited)

	Three Months Ended		
	March 31,		(a)
	2010	2009	Notes
GAAP income before income taxes	\$ 10	\$ 3,387	
Non-GAAP adjustments:			
Amortization of purchased technology	238	55	(b)
Amortization of other intangibles	361	170	(c)
Stock compensation expense	1,444	1,605	(d)
Restructuring charges	387	41	(e)
Acquisition related costs	407	-	(f)
Deferred revenue adjustment - Xenos	1,023	-	(g)
Non-GAAP income before income taxes	3,870	5,258	
Non-GAAP tax provision	774	1,052	(h)
Non-GAAP net income	3,096	4,206	
Basic non-GAAP net income per share	\$ 0.07	\$ 0.09	
Shares used in basic per share calculation	45,397	44,456	(i)
Diluted non-GAAP net income per share	\$ 0.06	\$ 0.09	
Shares used in diluted per share calculation	50,726	47,571	(i)

(a) This table contains financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (GAAP). Such measures are intended to serve as a supplement to the GAAP results presented elsewhere in this press release, and should not be considered in isolation or as a substitute for such GAAP results. See the section entitled Discussion of Non-GAAP Financial Measures in this press release for additional information regarding: the manner in which management uses these non-GAAP financial measures; the economic substance behind management's decision to use such measures; the material limitations associated with use of these non-GAAP financial measures as compared to the use of the most directly comparable GAAP financial measures; the manner in which management compensates for these limitations when using these non-GAAP financial measures; and the substantive reasons why management believes these non-GAAP financial measures provide useful information to investors.

(b) Amortization of purchased technology acquired in the Xenos acquisition transaction in February 2010 and Performancesoft acquisition transaction in January 2006. Purchased technology is amortized over the estimated life of the underlying asset.

(c) Amortization of other intangibles includes identifiable intangible assets including trade names, employment agreements and customer relationships acquired through various acquisition transactions. Other identified intangibles are amortized over the estimated remaining life of the underlying intangibles.

(d) Actuate accounts for stock-based compensation expense under the fair value method. Actuate adopted the authoritative guidance issued by the Financial Accounting Standards Board ("FASB") related to the measurement and disclosure of stock-based compensation expense. Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. Actuate is presenting a non-GAAP adjusted net income per diluted share financial measure which excludes stock based compensation expense for all periods presented. For the three months ended March 31, 2010, stock-based expense included approximately (in thousands): \$246, \$229, \$266, and \$703, related to cost of services revenues, sales and marketing expense, research and development expense and general and administrative expense, respectively.

(e) The restructuring expense for the first quarter of 2010 primarily consist of severance payments, payroll taxes and extended medical benefits related to a reduction-in-force that was implemented in January 2010. The restructuring expense for the first quarter of 2009 consist of legal fees related to the termination of European employees in connection with the previous closure of one of our European operations.

(f) Costs associated with the acquisition of Xenos Group Inc.

(g) The deferred revenue adjustment relates to our acquisition of Xenos, Inc, which was concluded in February of 2010. In accordance with the fair value provisions of EITF 01-3, Accounting in a Business Combination for Deferred Revenue of an Acquiree, acquired deferred revenue of approximately \$1.5 million was recorded on the opening balance sheet, which was approximately \$3.0 million lower than the historical carrying value. This purchase accounting requirement adversely impacts the Company's reported GAAP revenue primarily for the first twelve months post-acquisition. In order to provide investors with financial information that facilitates comparison of both historical and future results, the Company has provided non-GAAP financial measures which exclude the impact of the purchase accounting adjustment.

(h) Income tax expense is adjusted by the amount of additional expense or benefit that we would accrue if we used non-GAAP results instead of GAAP results in the calculation of our tax liability, taking into consideration the company's long-term tax structure. The Company uses a normalized effective tax rate of 20%.

(i) Shares used in calculating diluted earnings per share have been adjusted to reflect what the share amounts would have been if they were calculated using non-GAAP results.

ACTUATE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended	
	March 31,	
Operating activities	2010	2009
Net income	\$ 1,559	\$ 2,803
Adjustments to reconcile net income to net cash from operating activities:		
Stock based compensation expense related to stock options and employee stock purchase plan	1,444	1,605
Excess tax benefits from stock-based compensation	(409)	-
Amortization of other purchased intangibles	599	225
Amortization of debt issuance cost	71	70
Depreciation and amortization of property and equipment	500	533
Other-than-temporary impairment on Auction Rate Securities (ARS)	40	-
Loss on the fair value of put option	(53)	-

Accretion/amortization on short-term debt securities	(6)	79	
Change in valuation allowance on deferred tax assets	(1,571)	-	
Changes in operating assets and liabilities:				
Accounts receivable, net of allowance	15,184		3,530	
Other current assets	3,750	(261)	
Accounts payable	(2,650)	(645)
Accrued compensation	(1,093)	50	
Other accrued liabilities	(2,555)	(482)
Deferred tax assets	169		41	
Deferred tax liabilities	(1)	-	
Income tax receivable	488	(501)	
Income tax payable	(758)	280	
Other liabilities	(86)	(73)
Restructuring liabilities	(726)	(1,062)
Deferred revenue	(2,456)	(771)
Net cash provided by operating activities	11,440		5,421	
Investing activities				
Purchases of property and equipment	(265)	(486)
Proceeds from maturity of investments	4,618		4,523	
Purchases of short-term investments	(11,924)	(3,787)
Acquisition of Xenos Group, net of cash acquired	(27,343)	-	
Proceeds from security deposit	-		23	
Change in other current and non-current assets	(213)	-	
Net cash (used in) provided by investing activities	(35,127)	273	
Financing activities				
Proceeds from the credit facility, net of issuance cost	9,987		-	
Tax benefit from exercise of stock options	409		-	

Proceeds from issuance of common stock	2,479	1,179
Stock repurchases	(5,000)	-
Cost of treasury stock	-	(256)
Net cash provided by financing activities	7,875	923
Net (decrease) increase in cash and cash equivalents	(15,812)	6,617
Effect of exchange rate on cash	(61)	(890)
Cash and cash equivalents at the beginning of the period	53,173	24,772
Cash and cash equivalents at the end of the period	\$ 37,300	\$ 30,499

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