



INTERIM REPORT

JANUARY 1 – MARCH 31, 2008



OVER 90% RECURRING INCOME PROVIDES STABILITY

Net revenue for Q1 2008 was SEK 136.5m (118.9), up by 15% compared to Q1 2007. Recurring revenue increased by 24% over Q1 2007 and now accounts for more than 90% of total revenue. Operating income was 21.1 (30.1), equal to an operating margin of 15% (25). Adjusted for foreign exchange effects, operating income was SEK 29.4m (27.0), equal to an operating margin of 22% (23).



■ THE ANNUALIZED VALUE OF EXISTING CUSTOMER CONTRACTS AT THE END OF Q1 2008 WAS SEK 496.7M (396.3), UP BY SEK 100.4M OR 25%. ON A FIXED EXCHANGE RATE BASIS, THE INCREASE WAS 35%.

JANUARY–MARCH 2008

- Net revenue of SEK 136.5m (118.9)
- Revenue growth of 15% compared to Q1 2007
- Operating income of SEK 21.1m (30.1)
- Operating margin 15% (25)
- Operating margin adjusted for foreign exchange effects 22% (23)
- Income after tax of SEK 15.2m (20.8)
- Basic earnings per share of SEK 1.00 (1.39)



CEO THOMAS BILL COMMENTS:

Orc performs well in turbulent financial market. We are seeing a continued inflow of new customers and the level of add-on sales to existing customers remains high. Our customers are continuing to invest in solutions for derivatives trading, electronic trading and automated trading. Contract reductions and terminations were down somewhat from Q4 2007. It is worth noting that a significantly larger share of customers expand their orders than reduce them. Furthermore, the vast majority of our customers have felt only limited effects from the ongoing turmoil in the financial market. Provided that liquidity is adequate, many of Orc's customers have opportunities for healthy profitability in a highly volatile market like that of recent months. However, we are aware that the situation could change and are monitoring developments so that we can quickly take action if needed.

The size of the order book was adversely affected by the plunging US dollar during the quarter and foreign exchange losses on revaluation

of assets and liabilities in foreign currency had a negative impact on earnings. In 2007 our earnings were also affected by foreign exchange effects, but these cancelled each other out on a full-year basis.

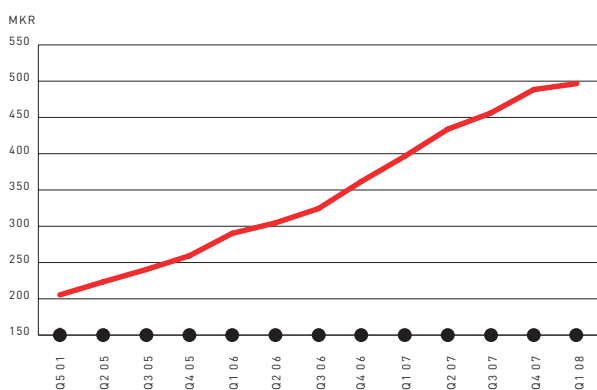
Orc's business model based on recurring revenue creates good stability in operations. The SEK 497m in our order book consists of contracted revenue for the coming 12 months and corresponds to 130% of operating expenses for 2007. Added to this are continuous new and add-on sales. The transition to contracts with recurring revenue for Orc CameronFIX has progressed more quickly than anticipated, contributing to a 24% increase in recurring system revenue compared to Q1 2007, and these now make up over 90% of total revenue.

On the whole, we look forward to the remainder of 2008 with confidence and expect to increase both our revenue and order book compared to 2007.

MARKET DEVELOPMENT DURING THE QUARTER

Sales in Q1 2008 remained strong, with significant contracts and sales to both new and existing customers in all regions. On a fixed exchange rate basis, the order book grew by 35% compared to Q1 2007. As earlier, development was positive for both Orc Trading and Orc Connect.

GROWTH IN ORDER BOOK VALUE



Compared to Q1 2007, the annualized value of existing customer contracts¹ (order book) rose by SEK 100.4m, or 25%, from SEK 396.3m to SEK 496.7m. On a fixed exchange rate basis, the increase was 35%.

The increase compared to Q4 2007 was SEK 8.4, or 2%. The change consisted of SEK 22.3m in net sales and SEK -13.9m in foreign exchange effects. On a fixed exchange rate basis, the increase was 5%.

Contract reductions and terminations were down somewhat from Q4 2007.

Europe, Middle East and Africa

In Q1 the positive trends for Orc continued to set the tone in the EMEA region. However, a more cautious stance among customers was visible.

Demand for Orc Liquidator remained strong, driven mainly by a transition to automated trading and increased trading volumes in the financial markets. One significant recurring revenue contract for CameronFIX was signed with a leading UK bank.

Throughout the region, Orc has experienced brisk demand for its solutions among traders of advanced derivatives such as warrants and commercial paper. A total of nine customers were added in the region during Q1.

Orc has noted sustained robust demand from both mid-sized banks and smaller trading firms, while the major banks have shown more mixed development.

The wave of buyouts and mergers in the financial industry has affected Orc's European market. These transactions typically have positive consequences for Orc, whose products have been selected as a strategic platform for several of the restructured customer companies, thus providing a good source of growth potential. In a few cases, however, these have led to reductions in existing contracts.

Orc has continued to market its new solution-oriented strategy in the region, and among other things carried out an event for the Nordic market

with a focus on Orc Connect. Orc is moving forward with its penetration of the new markets of Eastern Europe and the Middle East and has initiated new partnerships in these areas. In Q1, for the first time, Orc took part in a financial industry conference for the Russian derivatives market.

In Q1 the order book grew by SEK 8.6m, or 3%, and amounted to SEK 306.3m. Since the majority of contracts in the UK are signed in USD, the falling dollar rate has had a negative impact on the region's order book. On a fixed exchange rate basis, the order book increased by SEK 12.2m, equal to 4%.

Americas

In local currency, Orc showed stable development in the American market, with an increase in sales compared to the same quarter of last year.

During Q1 Orc won five major orders from new customers in the Americas, of which three have chosen Orc Liquidator. This underlines the already positive growth trend for Orc Liquidator and reflects a progressively rising share of automated trading among the customers.

Customers in the North American market are presenting Orc with rigorous demands on development of its solutions. To more quickly satisfy these, Orc has set up a new development team at the office in Chicago. One tangible result of this strategy is a new order for Orc Liquidator in which the solution was delivered preconfigured with adaptations to the customer's specific requirements. This has enabled the customer to quickly deploy the system without any in-house development, at the same time that Orc's sales cycle has been considerably shortened. Thanks to the new development team, this type of packaged solution is now possible to a greater extent and is creating excellent potential for the future.

In Q1 Orc signed its first contract for a solution that includes hosting services (Orc Hosted Algorithmic Trading) with a customer in the region. The solution has been developed in response to a specific need, and Orc sees promising potential for this product among small- to mid-sized market players.

In North America Orc has continued to grow among customers active in the markets for commodity and energy derivatives, a trend that is expected to last throughout 2008. Orc CameronFIX has maintained its leading position in the market for FIX solutions.

The weakening US dollar has had an inhibiting effect on the order book's development in the region. In Q1 the order book decreased by SEK 1.5m, or 1%, to SEK 101.6m. On a fixed exchange rate basis, the order book rose by SEK 4.7m, or 5%.

Asia Pacific

High volatility and surging trading volumes in the financial markets of Asia are promoting increased uptake of Orc's solutions, through new sales as well as upgrades from existing customers. Both Orc Trader and Orc Liquidator performed well in the region during Q1, which is linked to strong growth for solutions in Orc's prioritized areas of market making and advanced derivatives trading. Orc ExNet has also contributed to substantial revenue growth in the region, where several existing customers have added new market connections and upgraded their bandwidth. A number of new orders were also booked for Orc CameronFIX solutions, including a contract with an exchange that has chosen Orc CameronFIX as its platform for connectivity services.

This region also felt the effects of dollar depreciation on the order book, which grew by SEK 1.3m, or 1%, to SEK 88.9m during Q1. On a fixed exchange rate basis, the order book increased by SEK 5.3m, equal to 6%.

¹Defined as the annualized value of existing customer contracts excluding transaction-related revenue, translated at the average exchange rates during the last month of the period, without consideration to foreign currency hedges. New contracts are included from the date on which billing is expected to begin and cancelled contracts are included until the date on which payment ceases

NET REVENUE

Starting with this report Orc recognizes foreign exchange gains/losses, arising for example from revaluation of assets and liabilities in foreign currency, net in operating expenses. Previously, foreign exchange gains were recognized in net revenue and foreign exchange losses in operating expenses. The comparative figures have been restated accordingly.

Furthermore, network revenue is now recognized in system revenue after having previously been recognized in other revenue. The comparative figures have been restated accordingly.

Orc has chosen to begin structuring its contracts for Orc Cameron-FIX with recurring rather than upfront revenue. The transition has progressed more rapidly than anticipated, and together with netting of foreign exchange gains/losses has raised the share of recurring revenue to over 90% for Q1, compared to just over 80% in 2007. Recurring system revenue rose by 24% compared to Q1 2007.

Net revenue for Q1 2008 was SEK 136.5m (118.9), equal to an increase of 15% compared to Q1 2007.

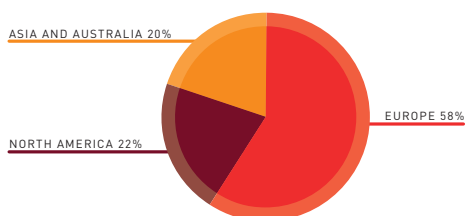
The Asia Pacific region accounted for the largest increase in both absolute and relative terms, at SEK 11.0m or 69%. Revenue in the Americas rose by SEK 5.3m, or 21%, while revenue in the EMEA region rose by SEK 1.2m, or 2%.

Revenue for Q1 2008 consisted of SEK 124.5m (100.2) in recurring revenue, SEK 8.2m (13.9) in upfront licenses and transaction-related revenue and SEK 3.8m (4.8) in other revenue. The total recurring revenue increased by 24% compared to Q1 2007.



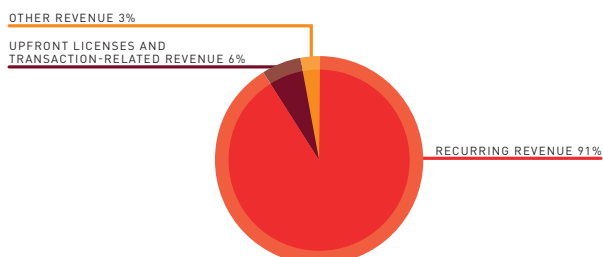
EUROPE ACCOUNTS FOR OVER HALF OF REVENUE

Breakdown of revenue in Q1 2008



MORE THAN 90% RECURRING REVENUE

Breakdown of revenue in Q1 2008



OPERATING EXPENSES

Operating expenses for Q1 2008 were up by SEK 26.6m, or 30%, compared to Q1 2007 and reached SEK 115.4m (88.8). Mainly due to weakening of the US dollar against the Swedish krona, revaluation of assets and liabilities in foreign currency led to a net expense of SEK 8.3m (net revenue of SEK 3.1m in Q1 2007). It is also this item that accounts for the largest share of the cost increase compared to Q1 2007.

At March 31, 2008, Orc had 265 employees (246). The number for March 2007 included 28 employees in the then consolidated subsidiary E2E, which was sold at the end of 2007.

Compared to Q4 2007, the number of employees increased by one.

EARNINGS

Operating income for Q1 2008 was SEK 21.1m (30.1). Compared to Q1 2007, operating margin weakened by 10 percentage points to 15%.

Excluding foreign exchange losses, operating income was SEK 29.4m (27.0) equal to an operating margin of 22% (23).

Net financial items for Q1 2008 improved by SEK 1m over the same period of 2007.

Net income for Q1 2008 fell by SEK 5.6m compared to the same period of 2007.



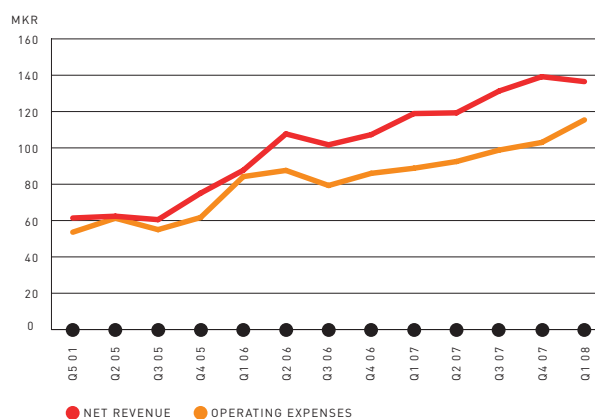
STABLE OPERATING MARGIN

Operating income adjusted for foreign exchange effects

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08
Net revenue	118.9	119.3	131.3	139.2	136.5
Operating expenses	-91.9	-89.1	-96.3	-106.6	-107.1
Operating income	27.0	30.2	35.0	32.6	29.4
Operating margin	23%	25%	27%	23%	22%



FOREIGN EXCHANGE EFFECTS IMPACT OPERATING INCOME NEGATIVELY



FOREIGN EXCHANGE EFFECTS

Movements in foreign exchange rates affect Orc in several different ways.

Goodwill and other intangible assets attributable to the acquisition of Cameron Systems are denominated in Australian dollars and are revalued at every balance sheet date with revaluation gains/losses recognized directly in equity. For Q1 2008 this has resulted in a revaluation loss of SEK 6.4m (+7.5).

Assets and liabilities in foreign currency are also revalued at every balance sheet date. In addition, incoming cash flows are hedged to a limited extent. These contracts are revalued at each balance sheet date and affect the income statement when they are settled or expire. At the end of the period Orc had currency hedging contracts for USD 1.0m (4.0), equal to SEK 6.1m (27.9), with an exchange rate of 6.06 and a three-month remaining maturity, and for EUR 2.0m (3.0), equal to SEK 18.9m (27.5), with an exchange rate of 9.43 and a one-month remaining maturity. Value gains/losses arising from revaluation of balance sheet items and currency hedging contracts are recognized net as a separate item in the income statement, and in Q1 2008 gave rise to an expense of SEK 8.3m.

Revaluation gains/losses on other balance sheet items in foreign currency, such as short-term investments, are recognized in net financial items.

Net revenue and operating expenses are also affected by movements in foreign exchange rates, which have a direct impact on the revenue or expense item. Total net revenue consists of approximately 35% US dollars, 35% euros, 15% Swedish kronor and 15% other currencies. Operating expenses consist of approximately 20% US dollars, 10% euros, 40% Swedish kronor and 30% other currencies.

CASH FLOW, CAPITAL EXPENDITURE AND FINANCIAL POSITION

Cash flow for Q1 2008 was SEK -19.6m (+19.2). The period's negative cash flow is mainly attributable to tax payments and settlement of accrued expenses.

The equity/assets ratio at March 31, 2008, was 58% (55).

PARENT COMPANY

Since 80% of the Group's revenue is attributable to the Parent Company and all major balance sheet items are held by the same, the comments on the consolidated balance sheet and income statement are also applicable to the Parent Company in all essential respects.

All related-party transactions are carried out on market-based principles.

ACCOUNTING POLICIES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which is in compliance with Swedish law through the application of the Swedish Financial Reporting Board's recommendations RFR 1.1, Supplementary Rules for Consolidated Financial Statements, and RFR 2.1, Accounting for Legal Entities, in the Parent Company. The accounting policies are the same as those applied in the most recent annual report.

Below is a brief description of how the accounting policies are applied for a few key items in Orc's income statement and balance sheet.

Revenue

Orc's revenue is generated mainly by the sale of software licenses, which are billed quarterly in advance. Revenue is then recognized over the quarter to which the billing refers, but at the exchange rate prevailing on the billing date. New customers are not billed until Orc has received a signed contract and the customer has performed an acceptance test and approved the software.

Goodwill

Because the useful life of goodwill is indefinite, the carrying amount of goodwill should be tested for impairment at least annually. Orc determines the value of goodwill based on forecasted future cash flows in the company's cash-generating units over the next 15 years.

Capitalized development costs

Orc capitalizes only costs attributable to projects that can be separately identified and result in either new products or significant improvements in existing products.

Intangible assets

Orc's intangible assets other than goodwill and capitalized development costs are amortized over a period of 5-15 years depending on the nature and estimated useful life of the asset. Orc performs regular controls to ensure that the amortization periods of assets correspond to their estimated useful lives.

SIGNIFICANT RISKS AND UNCERTAINTIES

The most significant risks lie in the company's ability to predict market needs and adapt its technical solution to these, the ability to attract and retain skilled employees, risks related to the IT infrastructure, currency risks and the risk for bad debt losses.

Due to the negative effects of rising turbulence in the global financial markets on Orc's customers, the risk for bad debt losses may increase. Furthermore, continued depreciation of the US dollar has had a negative impact on Orc's earnings growth.

For a more detailed description of Orc's significant risks and uncertainties, see the Administration Report in Orc's annual report for 2007.



CONSOLIDATED INCOME STATEMENT

SEK THOUSANDS	JAN-MARCH 2 0 0 8	JAN-MARCH 2 0 0 7
System revenue	132,674	114,146
Other revenue	3,790	4,775
Net revenue	136,464	118,921
Cost of goods sold	-8,958	-5,566
External expenses	-32,522	-25,739
Personnel costs	-64,781	-57,167
Capitalized work for own use	3,907	3,609
Depreciation/amortization and impairment losses	-4,696	-7,088
Foreign exchange gains/losses	-8,356	3,153
Operating expenses	-115,406	-88,798
Operating income	21,058	30,123
Net financial items	591	-165
Income after financial expenses	21,649	29,958
Income tax expense	-6,482	-9,180
Net income for the period	15,167	20,778
Net income for the period attributable to minority interests	-	-319
Net income for the period attributable to stockholders in the Parent Company	15,167	21,097
Basic earnings per share, SEK	1.00	1.39
Diluted earnings per share, SEK	1.00	1.39

CONSOLIDATED BALANCE SHEET

SEK THOUSANDS	MARCH 2 0 0 8	MARCH 2 0 0 7	DECEMBER 2 0 0 7
ASSETS			
Goodwill	170,346	177,294	176,867
Other intangible assets	97,607	90,133	97,201
Other fixed assets	45,338	39,140	39,704
Current receivables	167,067	125,989	163,148
Short-term investments	1,055	740	429
Cash and cash equivalents	100,617	94,371	125,504
Total assets	582,030	527,667	602,853
EQUITY AND LIABILITIES			
Equity	339,792	287,912	334,727
Non-current liabilities	48,105	51,415	49,435
Current liabilities	194,133	188,340	218,691
Total equity and liabilities	582,030	527,667	602,853

A detailed presentation of the consolidated income statements and balance sheets for the past few quarters can be viewed at www.orcsoftware.com.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK THOUSANDS	JAN-MARCH 2 0 0 8	JAN-MARCH 2 0 0 7
Opening balance	334,727	258,851
Change due to returned shares	910	-
Translation difference in intangible assets	-6,370	7,524
Change in subsidiaries	-	-63
Translation difference in minority interests	-	46
Change due to employee stock options	-205	365
Translation differences, etc.	-4,437	411
Net income for the period attributable to stockholders in the Parent Company	15,167	21,097
Income for the period attributable to minority interests	-	-319
Closing balance	339,792	287,912
Equity attributable to stockholders in the Parent Company	339,792	285,303
Equity attributable to minority interests	-	2,609

CONSOLIDATED CASH FLOW STATEMENT

	JAN-MARCH 2 0 0 8	JAN-MARCH 2 0 0 7
SEK THOUSANDS		
Cash flow from operating activities before changes in working capital	8,634	19,812
Changes in working capital	-21,198	7,596
Cash flow from operating activities	-12,564	27,408
Investments in operations	910	-49
Cash flow from investing activities	-7,974	-8,137
Cash flow from financing activities	-	-
Cash flow for the period	-19,628	19,222
Cash and cash equivalents at beginning of period	125,933	74,664
Exchange differences in cash and cash equivalents	-4,633	1,225
Cash and cash equivalents at end of period	101,672	95,111

SEGMENT REPORTING

JANUARY-MARCH 2008

	Western Europe	Benelux, Eastern and Central Europe	North America	Asia and Australia	Group-wide costs	Total
SEK THOUSANDS						
Net revenue	62,729	16,779	29,889	27,067	-	136,464
Operating expenses	-23,408	-8,763	-15,556	-12,734	-54,945	-115,406
Operating income	39,321	8,016	14,333	14,333	-54,945	21,058

JANUARY-MARCH 2007²

	Western Europe	Benelux, Eastern and Central Europe	North America	Asia and Australia	Group-wide costs	Total
SEK THOUSANDS						
Net revenue	66,398	11,874	24,591	16,058	-	118,921
Operating expenses	-27,229	-5,600	-11,815	-6,338	-37,816	-88,798
Operating income	39,169	6,274	12,776	9,720	-37,816	30,123

² Allocation of net revenue has been adjusted so that network revenue is allocated across the regions.

CONSOLIDATED KEY RATIOS

	JAN-MARCH 2 0 0 8	JAN-MARCH 2 0 0 7
Revenue growth	14.8%	35.6%
Operating margin	15.4%	25.3%
Average number of shares before dilution, thousands	15,202	15,202
Average number of shares after dilution, thousands	15,245	15,207
Number of shares outstanding before dilution, thousands	15,202	15,202
Number of shares outstanding after dilution, thousands	15,226	15,212
Basic earnings per share, SEK	1.00	1.39
Diluted earnings per share, SEK	1.00	1.39
Equity per share, SEK	22.35	18.77
Return on capital employed	25.9%	44.9%
Return on equity	18.0%	31.2%
Equity/assets ratio	58.4%	54.6%
Average number of employees	264	245
Number of employees at end of period	265	246

PARENT COMPANY INCOME STATEMENT

SEK THOUSANDS	JAN-MARCH 2 0 0 8	JAN-MARCH 2 0 0 7
System revenue	118,167	89,005
Other revenue	3,480	2,824
Capitalized work for own use	3,907	3,609
Net revenue	125,554	95,438
Cost of goods sold	-8,901	-3,918
External expenses	-73,840	-46,035
Personnel costs	-29,200	-24,065
Depreciation/amortization and impairment losses	-2,067	-1,320
Foreign exchange gains/losses	-5,612	2,670
Operating expenses	-119,620	-72,668
Operating income	5,934	22,770
Net financial items	445	140
Income after financial expenses	6,379	22,910
Income tax expense	-1,971	-6,990
Net income for the period	4,408	15,920

PARENT COMPANY BALANCE SHEET

SEK THOUSANDS	MARCH 2 0 0 8	MARCH 2 0 0 7	DECEMBER 2 0 0 7
ASSETS			
Other intangible assets	57,686	8,202	21,374
Other fixed assets	284,627	292,374	287,652
Current receivables	144,706	89,567	129,584
Short-term investments	609	308	-
Cash and cash equivalents	46,140	62,144	78,194
Total assets	533,768	452,595	516,804
EQUITY AND LIABILITIES			
Equity	212,469	178,884	207,152
Untaxed reserves	97,661	99,768	97,660
Provisions	-	203	-
Current liabilities	223,638	173,740	211,992
Total equity and liabilities	533,768	452,595	516,804



ABOUT ORC SOFTWARE

Orc Software (SSE: ORC) is the leading global provider of powerful solutions for the worldwide financial industry in the critical areas of advanced derivatives trading and low latency connectivity. Orc's competitive edge lies in its depth of knowledge of the derivatives trading world gained by deploying advanced solutions for sophisticated traders for over 20 years.

Orc Trading and Orc Connect provide the tools for making the best trading and connectivity decisions... strong analytics, unmatched market access, powerful automated trading functionality, high performance futures and options trading capabilities, ultra-low latency, and risk management.

Orc's customers include leading investment banks, trading and market-making firms, exchanges, brokerage houses, institutional investors and hedge funds.

Orc provides timely sales and quality support services from its offices across EMEA, Americas and Asia Pacific.

For more information visit: www.orcsoftware.com

Orc Software has offices in

Amsterdam, Chicago, Frankfurt, Hong Kong, London, Milan, Moscow,
New York, Stockholm, St. Petersburg, Sydney, Toronto, Vienna and Zurich.

FINANCIAL CALENDAR

April 24, 2008 Annual General Meeting

July 11, 2008 Interim report, Q2

October 16, 2008 Interim report, Q3

Stockholm, April 17, 2008
Orc Software AB
The Board of Directors and CEO

This year-end report has not been subject to examination by
Orc Software's independent auditors.

FINANCIAL INFORMATION

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All financial reports are posted on www.orcsoftware.com immediately after publication.

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An analyst and press conference will be held at 9:00 a.m. on April 17, 2008, (in Swedish) at Orc Software's head office, Kungsgatan 36, in Stockholm. At 3:00 p.m. the same day, a teleconference will be held (in English). For more information visit www.orcsoftware.com, Company, Investor Relations, Calendar 2008.



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