

# Orc Software

Providing Technology for Advanced Market Making,  
Trading and Brokerage

January – March  
2004

Lars Johansson,  
Executive Vice  
President and  
COO, Orc Software



# Market Trends – Q1

- Positive sentiment in the market place
  - Willingness to invest in technology in order to take advantage of the improved market conditions
- Transformation into electronic trading in the US is now happening
  - Three new electronic markets opened during the quarter
  - NYSE indicating going electronic
- Increased competition between exchanges
  - Exchanges in Europe and the US starting to compete with each other by offering similar contracts
- Recovery in the Asian region
  - Upgrades of technological infrastructure among exchanges
  - Increased interest for market connectivity

# Highlights – Q1

- Launch of a new order routing service as a part of the Orc ExNet offering
  - Access to cash and equity derivatives markets via other Orc Software users, without the requirement of exchange membership
- E\*TRADE Securities added to the Orc ExNet
  - Increased possibilities for trading on leading equity exchanges in North America and Asia
- Good start to new operation in Chicago
  - Started to generate revenues and strengthens the possibilities to further grow in the US
- Increased interest from brokerage firms for the ROMEX product
  - Reuters has expanded existing sites and entered into agreements with new clients

# Highlights – Q1 cont.

- Continued demand for direct market access into Asia from Europe, Australia and the US
- Product development:
  - New versions of all products, including Orc Liquidator was completed
  - Three new market connections completed, in total 70 direct connections
- Recruitments of new Managing Directors in Europe and USA
- Strong interest for the Orc Liquidator – however no sales during the quarter

# Financials



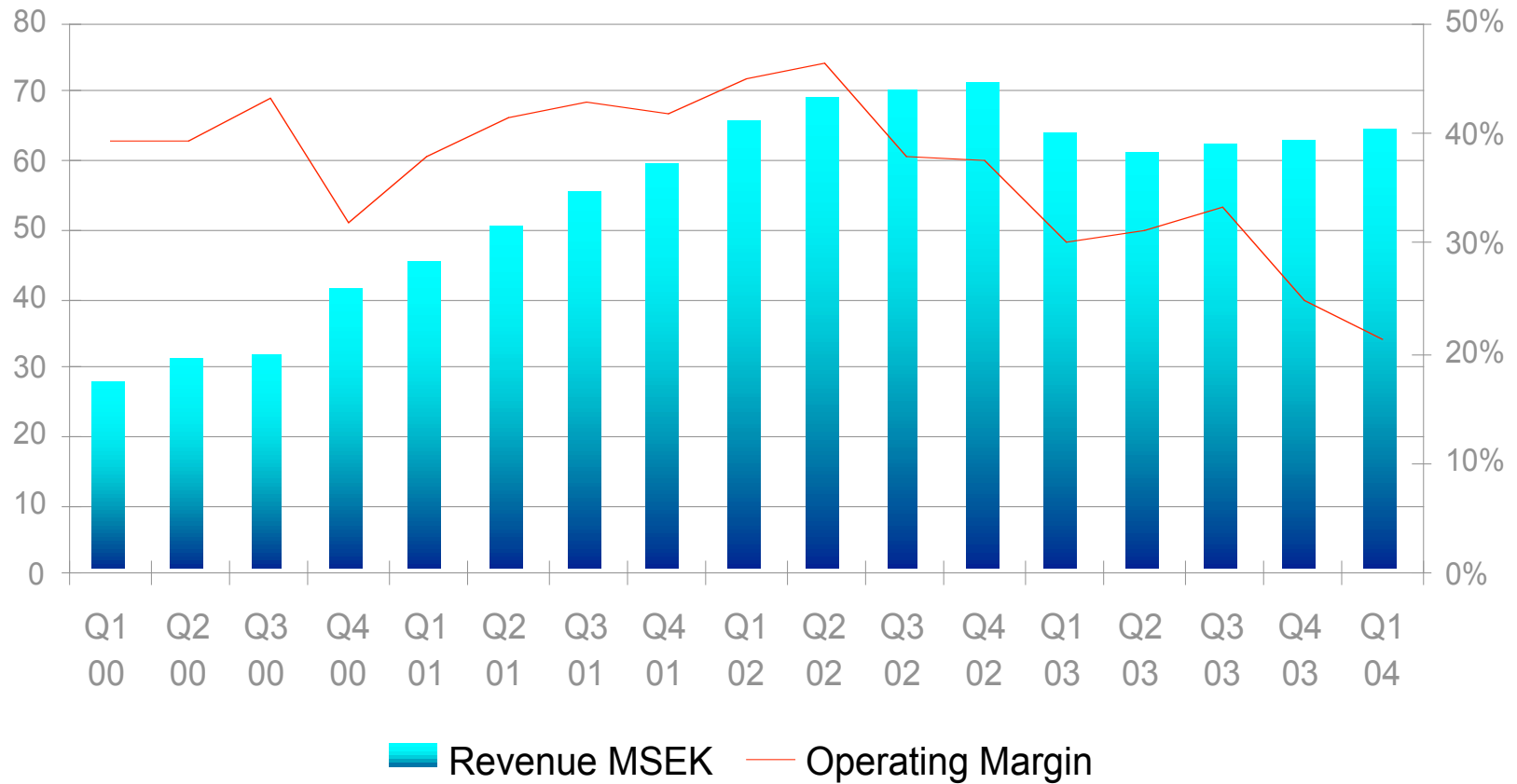
## Jan - Mar 2004

- Revenue increased by 2% to MSEK 65
- Operating income decreased by 26% to MSEK 14
- Operating margin of 21.2%

# Q1 (2004) vs. Q4 (2003)

	Differences
- Systems revenue flat	(-1%)
- Significant increase in other operating revenue	(+83%)
- Significant cost of purchase of goods sold	(+71%)
- Increased personnel cost	(+11%)

# Quarterly Performance



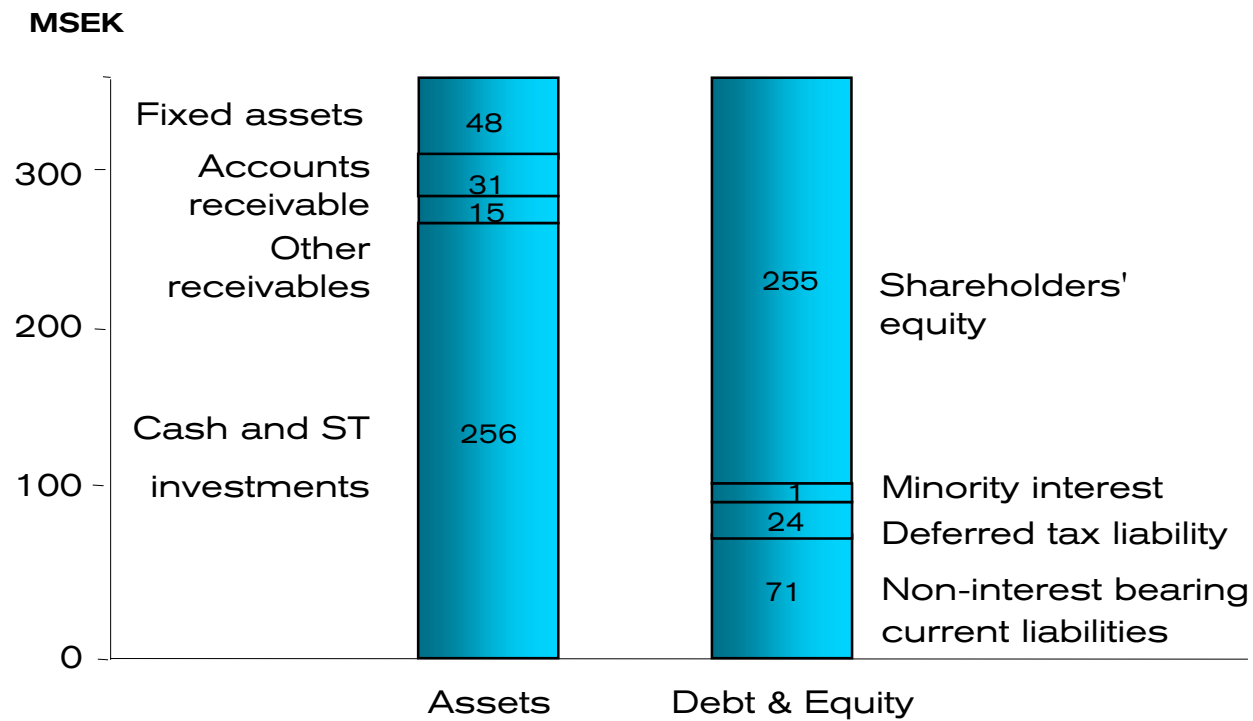
# Change in Number of Client Sites

ORC

	Q1	Q4	Q3	Q2	Total
New sites	8	6	7	7	28
Lost sites	8	9	19	6	42
Net change	0	-3	-12	+1	-14



# Balance Sheet - Mar 31, 2004



# Outlook

- In the short term the market still has a cautious approach to new investments with longer lead times as a result
- Long term Orc Software expects an increased demand which is strengthened by higher activity and as a result continues to invest in growth to capture market opportunities

ORC

[www.orcsoftware.com](http://www.orcsoftware.com)

