



Continued growth

Orc Software January–March 2007

- Net revenue SEK 124.3m (92.9 first quarter 2006)
- Revenue growth 33.7 % compared with first quarter 2006
- Operating income SEK 30.1m (3.5)
- Operating margin 24.2 (3.8) %
- Income after taxes SEK 20.8m (3.0)
- Earnings per share SEK 1.39 (0.20)

CEO Thomas Bill comments

Sales of Orc Software's products are increasing. It is particularly pleasing to see strong growth in the demanding North American market where our revenues rose in the first quarter by 70 percent compared with the same period last year. A strong product offering together with an effective sales organization and increased efforts on marketing are behind this good quarter.

Our products already address our clients' increasingly higher demands to handle large volumes and demand for connections to a greater number of marketplaces. One example is a global Investment Bank choosing our CameronFIX solution as its worldwide connectivity standard.

Several important deals were signed during the quarter for solutions for advanced trading and market connections.

The income for the first quarter shows that Orc's efforts since 2006 for increasing sales and profit have been successful.

Further to a good start to the year, we are on track to exceed the Board's target of an annual revenue growth of at least 15 percent and an annual operating margin of at least 15 percent.

Market Trends

Orc experienced strong global demand for its solutions in the beginning of 2007. Important factors behind the growth include greater demand for solutions that manage large volumes, connectivity and multi-market access requirements.

New regulations such as MiFID and RegNMS create demand for solutions that ensure best execution.

The company achieved a number of key sales for CameronFIX during Q1 – including a tier one investment bank that has de-ployed CameronFIX for its global connectivity infrastructure. BIDS (an alternative trading system for a block crossing network for US equities) has licensed CameronFIX for FIX order flow and market data. Citigroup, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley and UBS are members of the consortium behind BIDS.

Orc recently launched Version 6.1 of Orc Trader and Orc Liquidator, which was received positively by clients globally – particularly with regard to the new volatility API (program interface), the new volatility models, as well as new functionality for click trading.

North America

The US market continues to offer significant growth potential for Orc, reflected in the Q1 results for the region with revenues up by 70 percent compared with the same period last year. Demand for algorithmic trading solutions remains strong.

In North America, Orc holds a strong position in the fixed income and equity options markets. Continued strong growth in market data volume will drive further demand for Orc’s solutions in the region.

Europe

The MiFID directive continues to be an important factor behind Orc’s growth in Europe. Orc will benefit from these opportunities through several market players not having yet fully adapted to the new regulations.

Greater trading volumes, particularly in the derivative markets, will show insufficient capabilities in many existing trading systems. Market makers and brokers are now demanding systems with greater performance, which will result in increased sales for Orc Liquidator – offering superior performance and improved functionality to replace older systems.

Asia and Australia

There are three major factors behind sales of Orc solutions in the region. The first is greater demand for DMA (Direct Market Access) solutions. The second is the European and American players’ strong expansion in the region, resulting in demand for locally adapted trading solutions. And the third factor is the substantial rise in trading volumes driven by market growth, which in turn requires advanced trading technologies.

We can also see the consequences of the major investment banks increasingly relying on Orc solutions for connectivity to important marketplaces, particularly towards Japan and Hong Kong.

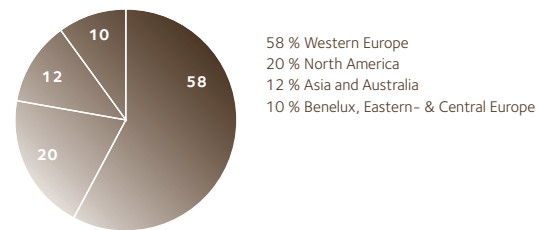
Revenue

Net revenue for the Group amounted to SEK 124.3m (92.9) in Q1 2007, representing an increase of 33.7 percent compared with the same period last year. It should be noted that Cameron Systems is only included in net revenue as of February 1, 2006.

All regions increased their revenues. The largest absolute increase was seen in Western Europe with SEK 15.6m, 28.8 percent, and North America represented the strongest relative growth with 70.4 percent, SEK 9.8m (see details of all regions under Segment Reporting). When assessing the increase for Western Europe, it should be noted that two one-off payment licenses are included in the quarter with a value of approximately SEK 5m.

Half of the net revenue from Western Europe

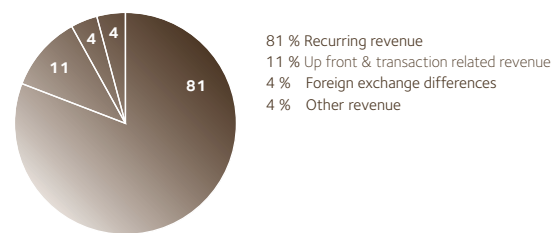
Breakdown of net revenue per Region January-March 2007



SEK 100.2m (71.6) of the net revenue were generated by recurring revenue, SEK 13.9m (8.9) by one-off payment licenses and transaction-related revenue, SEK 5.3m (5.2) pertains to positive foreign exchange differences, and SEK 4.8m (7.2) by other revenue.

Recurring revenue more than 80%

Breakdown of net revenue January-March 2007



The annual value of existing client contracts¹ increased by 36.6 percent compared with Q1 2006, from SEK 290m to SEK 396m. Calculated at fixed exchange rates, the increase was 43 percent. The value was SEK 362m at the end of 2006.

The calculation of the annual value has been adjusted compared with previously published values, which implies that more types of revenue are now included. This in turn has implied a rise in the value by SEK 16m for the current quarter, SEK 11m for the same quarter last year, and SEK 16m for the end of 2006.

Operating expenses

Operating expenses increased by SEK 4.7m, representing 5.3 percent, compared with Q1 2006 and amounted to SEK 94.1m (89.4). It should be noted that Q1 2006 included items affecting comparability of approximately SEK 9m, and that no development costs were capitalized.

External expenses constituted the major part of the increase compared with Q1 2006 (SEK 3.8m), due primarily to enlarged marketing activities.

Personnel costs rose by SEK 2.0m compared with Q1 2006, but which included items affecting comparability of approximately SEK 9m. The increase is attributable to higher sales commissions related to strong sales, additional employees, and salary adjustments that were made on January 1, 2007.

At the end of March 2007, Orc Software employed 246 (221) people. The number of employees rose by 2 people in Q1. The average number of employees in Q1 was 245 (214).

Orc signed a lease at the end of March for new premises for the business in Stockholm, with possession taking place in the fourth quarter 2007. The current lease has been terminated. A write-down of SEK 2.7m has subsequently been made of capitalized but not yet depreciated refurbishments of the current premises. Moving costs and investments for the new premises are estimated to amount to SEK 5-7m, which will be capitalized and depreciated over a period of five years.

Total depreciation, amortization and write-downs for Q1 2007 amounted to SEK 7.1m (5.0).

SEK 3.6m (-) of the development costs were capitalized in the quarter and amounted to SEK 8.2m (4.3) in the balance sheet at the end of the period.

Earnings

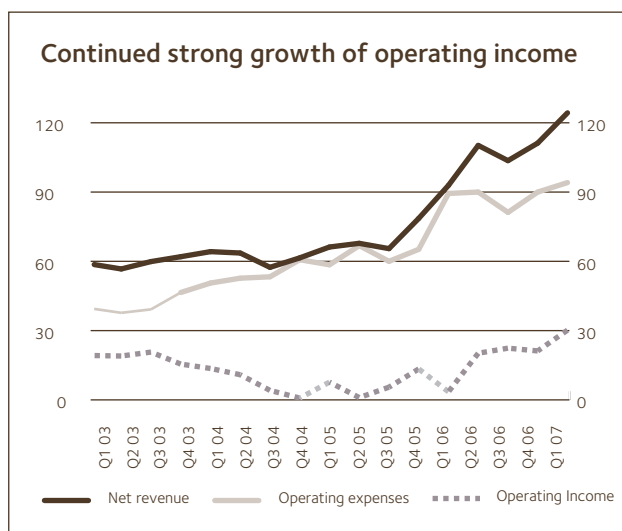
Operating income for Q1 2007 was SEK 30.1m (3.5), representing an increase of SEK 26.6m, and including an effect of foreign exchange differences of SEK 3.2m (-1.1).

The operating margin rose to 24.2 (3.8) percent.

Net financial income decreased by SEK 1.0m to SEK -0.2m (0.8). (See Cash Flow, Investments and Financial Position for further comment).

Net income for the period was SEK 20.8m (3.0).

Continued strong growth of operating income



Cash flow, Investments and Financial Position

Cash flow for the quarter was SEK 19.2m (-82.1), equivalent to the net income for the period.

Liquid funds, including short-term investments, amounted at the end of Q1 to SEK 95.1m (143.7).

Orc did not have any (-) interest-bearing liabilities as at March 31, 2007.

The decrease in net financial income, the negative cash flow in the first quarter 2006 and the change in liquid funds since the first quarter 2006 are mainly attributable to payments made upon the acquisition of Cameron Systems and the dividend to shareholders.

The equity/assets ratio was 54.5 (58.0) percent at the end of Q1.

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. The same accounting principles have been used as in the last annual report.

¹ Defined as the annualized value of existing client contracts, excluding transaction-related 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.

Income statement

SEK thousands	Jan–Mar 2007	Jan–Mar 2006
Systems revenue	109 512	77 678
Other revenue	14 740	15 235
Net revenue	124 252	92 913
Purchase cost of goods sold	-5 566	-5 045
External expenses	-27 917	-24 104
Personnel costs	-57 167	-55 213
Work performed by the company for its own use and capitalized	3 609	-
Depreciation, amortization and write-downs	-7 088	-5 044
Operating expenses	-94 129	-89 406
Operating income	30 123	3 507
Net financial income	-165	829
Income after financial costs	29 958	4 336
Tax	-9 180	-1 330
Net income for the period	20 778	3 006
Net income for the period attributable to the minority interest	-319	-15
Net income for the period attributable to the Parent company's shareholders	21 097	3 021

Balance sheet

SEK thousands	Jan–Mar 2007	Jan–Mar 2006
Goodwill	177 294	100 781
Other intangible fixed assets	90 133	93 372
Other fixed assets	39 140	28 612
Current receivables	126 903	91 485
Short-term investments	740	654
Cash and bank balances	94 371	143 021
Total assets	528 581	457 925
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	287 912	265 758
Long-term liabilities	51 415	50 865
Current liabilities	189 254	141 302
Total shareholders' equity and liabilities	528 581	457 925

A detailed presentation of the income statements and balance sheets of the most recent quarters are available at www.orcsoftware.com

Specification of changes in equity

SEK thousands	Jan–Mar 2007	Jan–Mar 2006
Opening balance	258 851	192 192
Transfer of repurchased shares	-	46 215
New share issue	-	31 255
Market valuation hedge instrument	-	-144
Translation differences related to intangible assets	7 524	-5 639
Change in subsidiaries	-63	-73
Translation differences related to the minority interest	46	-38
Change due to employee options	365	-
Translation differences etc	411	-1 016
Net income for the period attributable to the Parent company's shareholders	21 097	3 021
Net income for the period attributable to the minority interest	-319	-15
Closing balance	287 912	265 758
Shareholders' equity attributable to the Parent company's shareholders	285 303	263 712
Shareholders' equity attributable to the minority interest	2 609	2 046

Cash flow statement

SEK thousands	Jan–Mar 2007	Jan–Mar 2006
Cash flow from operating activities before changes in working capital	19 812	10 012
Changes in working capital	7 596	6 414
Cash flow from operating activities	27 408	16 426
Investments in businesses	-49	-92 751
Cash flow from investment activities	-8 137	-5 769
Cash flow from financing activities	-	-
Cash flow for the period	19 222	-82 094
Opening liquid funds	74 664	226 851
Exchange differences in liquid funds	1 225	-1 082
Closing liquid funds	95 111	143 675

Segment Reporting

January–March 2007

SEK thousands	Western Europe	Benelux, Eastern and Central Europe	North America	Asia and Australia	Joint Group	Total
Net revenue	69 586	11 596	23 676	14 062	5 332	124 252
Operating expenses	-27 229	-5 600	-11 815	-6 338	-43 147	-94 129
Operating income	42 357	5 996	11 861	7 724	-37 815	30 123

January–March 2006

SEK thousands	Western Europe	Benelux, Eastern and Central Europe	North America	Asia and Australia	Joint Group	Total
Net revenue	54 019	7 689	13 897	12 084	5 224	92 913
Operating expenses	-20 202	-3 681	-7 246	-7 280	-50 997	-89 406
Operating income	33 817	4 008	6 651	4 804	-45 773	3 507

Key ratios

	Jan–Mar 2007	Jan–Mar 2006
Net revenue, SEK thousands	124 252	92 913
Operating income, SEK thousands	30 123	3 507
Net income for the period, SEK thousands	20 778	3 006
Revenue growth	33.7%	40.3%
Operating margin	24.2%	3.8%
Number of outstanding shares, thousands	15 202	15 202
Number of own shares, thousands	-	-
Earnings per share, SEK	1.39	0.20
Diluted earnings per share, SEK	1.39	0.20
Equity per share, SEK	18.77	17.35
Return on capital employed	44.9%	8.1%
Return on equity	31.2%	5.3%
Equity/assets ratio	54.5%	58.0%
Average number of employees	245	214
Number of employees at the end of the period	246	221

Forthcoming financial events

April 25, 2007 Annual General Meeting
July 13, 2007 Interim report for the second quarter
October 18, 2007 Interim report for the third quarter

Stockholm, April 19, 2007

Orc Software AB
The Board of Directors

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

FINANCIAL INFORMATION

May be ordered from:
Orc Software, Investor Relations
Box 7742, SE-103 95 Stockholm, Sweden
Telephone: +46 8 407 38 50
Fax: +46 8 407 38 01
E-mail: ir@orcsoftware.com

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

Contact

CEO Thomas Bill
Telephone: +46 8 407 38 35

CFO Anders Berg
Telephone: +46 8 407 38 24

An analyst and press conference will be held on April 19 at 1.30 p.m. CET (in Swedish) at Orc Software's premises at Birger Jarlsgatan 32 A in Stockholm, Sweden. On the same day a telephone conference will be held at 4 p.m. CET (in English). Further information is available at www.orcsoftware.com, Company, Investor relations, Calendar 2007.

Orc Software AB (publ) Org.no. 556313-4583
Birger Jarlsgatan 32A Box 7742
SE-103 95 Stockholm, Sweden
Telephone: +46 8 407 38 00
Fax: +46 8 407 38 01
Info@orcsoftware.com
www.orcsoftware.com

Orc Software (SSE: ORC) is a leading global provider of technology for advanced trading, market making and brokerage. Founded in 1987, Orc provides solutions and services to its 600+ worldwide customer sites from its 14 offices across Europe, North America and Asia Pacific. Orc Software's customers include leading investment banks, trading and market-making firms, exchanges, brokerage houses, institutional investors, hedge funds and software vendors. CameronFIX, the number one Financial Information Exchange protocol (FIX) electronic trading standard is an integrated part of Orc Software. CameronFIX is used as a stand-alone solution by major members of the global financial industry.

Orc Software has offices in Chicago, New York, Toronto, London, Stockholm, Frankfurt, Milan, Vienna, Zurich, St. Petersburg, Moscow, Hong Kong and Sydney.
www.orcsoftware.com