

A 3D rendering of a dark red cube with the letters 'ORC' embossed on its top face. The cube is positioned in the upper left corner of the slide, set against a dark red background that transitions to black at the bottom.

ORC

ORC

January – June 2010

Thomas Bill, CEO

Anders Berg, CFO

# Agenda

- Orc Group Overview, Q2 2010
- Orc Offering
  - Technology
  - Transaction Services
- Global Market Trends
- Orc Software Q2, 2010
  - Technology
  - Transaction Services
- Neonet Integration
- Financials
- Outlook 2010

# Vision

The global leader in  
trading and connectivity  
solutions for the financial  
industry

# Strong Global Presence

**400**  
employees

**EMEA:**

Amsterdam  
Frankfurt  
London  
Milan  
Moscow  
Paris  
Stockholm

**Americas:**

Chicago  
New York  
New Jersey

**Asia Pacific:**

Hong Kong  
Sydney  
Tokyo

**600+** customer sites in more  
than **25** countries worldwide  
representing major investment  
banks and financial institutions

# The Orc Group

## TECHNOLOGY

Orc Software  
CameronTec

## TRANSACTION SERVICES

Neonet Securities

# Unmatched offering

## TECHNOLOGY

Derivatives trading  
High frequency trading  
systems  
Connectivity  
Hosted services  
Cross asset class trading  
Risk management

## TRANSACTION SERVICES

Equities trading  
Transaction services  
Smart order routing  
Algorithms  
Connectivity  
Distribution of market data

## TECHNOLOGY

Derivatives trading

High frequency trading  
systems

Connectivity

Hosted Services

Cross asset class trading

Risk management

# Orc Solutions

## Orc Trading >

Trade any listed instrument from a single platform, cross-asset class, on 100+ markets.

### **Orc Trading for Algorithmic Trading**

Automated trading for greater profitability.

### **Orc Trading for Arbitrage**

Automated arbitrage for greater profitability.

### **Orc Trading for Market Making**

Improve your market making with faster quoting and multiple market access.

### **Orc Trading for Risk Management**

What is your trading desk's total risk exposure?

### **Orc Trading for Volatility Trading**

Know when to buy and sell options.

## Orc Connect >

Fast, reliable access to liquidity pools.

### **Orc Market Gateways**

Orc Connect provides traders and brokers with fast, reliable access to liquidity pools, both for market members and non-members, in the critical areas of execution, market data and reference data.

### **Orc Broker Gateways**

Orc Software provides certified broker connectivity to a long list of brokers.

# XG Trading Technology

- **XG Market Gateway:** Marketplace connectivity with high-speed infrastructure to access your member markets.
- **XG Smart Order Router:** Route orders to alternative venues to take advantage of extra liquidity and reduce trading costs.
- **XG Broker Connect:** Single access to a network of executing brokers covering your global trading needs.
- **XG Trader:** Powerful and comprehensive Execution Management System for cross-border trading.
- **XG Market Data:** Ultra-low latency market data feed from leading exchanges and execution venues.

## Customer License Model – Creating a strong foundation

Subscription fees in advance

Service and support included  
in subscription fee

Solution updates included in  
subscription fee



# 100+ Market Connections to Worldwide Exchanges

## AMERICAS

Alpha Trading System  
 Boston Options Exchange (BOX)  
 CBOE Futures Exchange (CBOE)  
 Chicago Board Options Exchange (CBOE)  
 Chi-X Canada  
 CME Group – CBOT (CBOT)  
 CME Group – CME (CME)  
 CME Group – NYMEX (NYMEX)  
 Hotspot Fxi  
 ICAP BrokerTec  
 ICE Futures US  
 ICE Futures Canada  
 International Securities Exchange (ISE)  
 ISE Stock Exchange  
 Kansas City Board of Trade (KCBOT)  
 Minneapolis Grain Exchange (MGE)  
 Montreal Exchange (BdM)  
 NASDAQ  
 NASDAQ PHLX  
 NYSE AMEX (AMEX)  
 NYSE Arca Equities  
 NYSE Arca Options (PCX)  
 OMEGA  
 OneChicago  
 Pure Trading  
 Toronto Stock Exchange (TSX)  
 TSX Venture Exchange

## EMEA

Budapest Stock Exchange (BSE)  
 Burgundy  
 Chi-X  
 Citibank Automated Trading System (CATS)  
 Copenhagen Stock Exchange (CSE)  
 EDX London  
 Eurex (EBS/ETS)  
 Eurex VALUES  
 Euwax  
 Helsinki Stock Exchange  
 ICE Futures Europe  
 Iceland Stock Exchange (ICEX)  
 Irish Stock Exchange (ISE)  
 Italian Derivatives Market (IDEM)  
 Italian Stock Exchange  
 London Stock Exchange (DTS/SETS)  
 Madrid Stock Exchange (SIBE)  
 Mercado Español de Futuros y Opciones (MEFF)  
 Moscow Interbank Currency Exchange (MICEX)  
 NASDAQ Dubai (DIFX)  
 NASDAQ OMX Europe (NURO)  
 NASDAQ OMX Nordic  
 Nordic Growth Market (NGM)  
 Nord Pool  
 NYSE Euronext  
 NYSE Liffe  
 OETOB  
 Oslo Stock Exchange  
 Quotrix

## ASIA PACIFIC

Australian Securities Exchange (ASX)  
 Hong Kong Futures Exchange (HKFE)  
 Hong Kong Stock Exchange (HKSE)  
 Korea Exchange (KRX)  
 Osaka Securities Exchange (OSE)  
 Singapore Exchange Derivatives (SGX-DT)  
 Singapore Exchange (SGX) securities platform (SGX-ST)  
 Sydney Futures Exchange (SFE)  
 TOCOM  
 Tokyo Financial Exchange (TFX)  
 Tokyo Stock Exchange Cash  
 Tokyo Stock Exchange Futures

# Managed Services – Fully managed hosting

- Strong demand for outsourcing
  - Reduces operational risk
  - Gathers economies of scale
  - Moves internal IT up the value chain
  - Faster time to market
- Orc's Managed Services is a fully managed hosting solution that completely removes the need for customers to deploy Orc's software internally
- Managed Services will both create new revenue streams for existing customers as well as enable Orc to reach new target markets

# CameronTec – The provider of CameronFIX

- CameronTec is the provider of CameronFIX, the financial industry's most widely utilized FIX infrastructure and connectivity solution.
- CameronFIX is universally regarded as the reference standard for reliable, mature FIX engine applications
- CameronFIX is the only long-established FIX engine that delivers continuous, compelling version upgrades.
- CameronTec provides worldwide sales and reliable support from its regional offices.



## TRANSACTION SERVICES

- Equities trading
- Transaction services
- Smart order routing
- Algorithms
- Connectivity
- Distribution of market data

# Transaction Services – High performance trading

- Comprehensive transaction services with smart functionality such as trading algorithms and smart order routing
- Offers trading on 40 markets and counting in US, Europe and Asia
- 24 hours service trading desk in the US and Europe
- Trade via the trading desks, the Neonet Trader or virtually any trading application supporting the FIX protocol
- Integrated settlement services
- Revenues generated from brokerage

# Global Market Trends Affecting our Business

- Increased use of listed derivatives
  - Increased requirements for integrated equities and derivatives solutions.
  - New segments opens up, asset managers, long/short hedge funds
- Continued fragmentation in the equities market
  - Increased importance for SOR and Algorithms
  - Driving firms to outsource market connectivity
- Brokers looking for best of breed technology as a competitive differentiator
  - Increased demand for DMA and Sponsored access solutions
  - Offering advanced trading applications to clients to attract flow
- Increased demand for managed services
- Regulatory uncertainty (e.g. Volcker rule)
  - Will have unintended consequences – both positive and negative



Orc Software  
Q2 2010

# Outcome P/L and ACV Q2 2010

- Revenues SEK 283 m (180)
  - System Revenues 188 m (178)
  - Transaction Revenues 90 m (-)
- EBIT excluding transaction cost SEK 39 m
- EBIT margin excluding transaction cost 14%
- ACV end Q2: SEK 751 m (SEK +97 m from Q1 2010)
  - With Q1 FX rates SEK + 71 m
- End Q2 2009: SEK 675 m (+ SEK 76 m Y-o-Y)
  - Excluding currency effects the ACV increased with SEK 106 m Y-o-Y

# Orc Software Q2 2010: Technology

- Strong technology sales across the Regions
  - Largest deal in many years with European bank
- Banks are back as the biggest buyers
- Big interest among EMEA customers for managed services
- First common Orc/Neonet deals
- CameronTec beating expectations, very positive results from internal spin out.
  - FIX continues to grow in importance and CameronTec is the leader
- High churn at 2009 levels
  - A few larger downsizings brought the level up
  - We do not expect churn to remain at this level for the rest of the year

# Orc Software Q2 2010: Transaction Services

- Major restructuring
  - Reorganization, cost cutting
  - New strategies
    - Business
    - Marketing
    - Product development
  - Clients initiatives to increase profitability
- Additional revenue models
- 14 new clients
- Moderate pick up in volumes
- Lower transaction margin Q1/Q2 result of different customer mix

# Orc Software Q2 2010

- The four biggest downsizings/terminations in the quarter :
  1. Global Trading Firm (EMEA)
  2. Local Bank (EMEA)
  3. Local Trading Firm (Americas)
  4. Local Trading Firm (Americas)
  
- The four biggest orders in the quarter:
  1. Regional Bank (EMEA)
  2. Global Trading Firm (APAC)
  3. Local Trading Firm (Americas)
  4. Local Bank (EMEA)

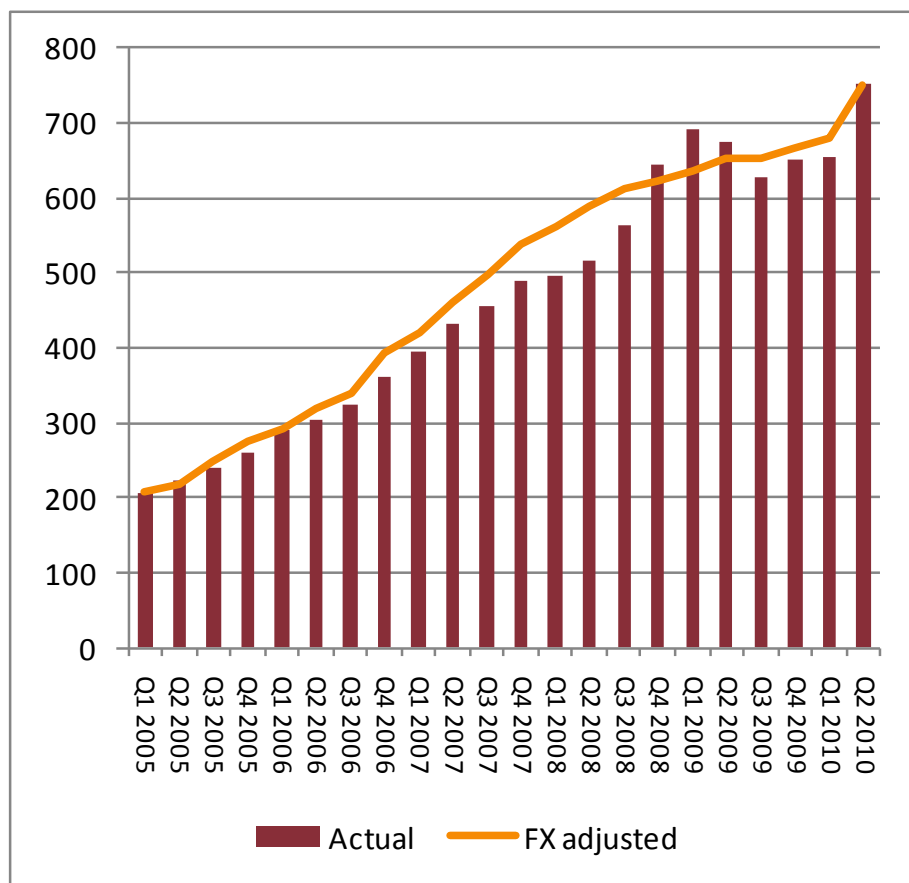
# Milestones

	COMPLETED BY	STATUS
<ul style="list-style-type: none"> <li>▪ <b>New organization in place</b></li> </ul>	Q2 2010	
<ul style="list-style-type: none"> <li>▪ <b>Revenue synergies</b> <ul style="list-style-type: none"> <li>▪ First Orc/Neonet customer win</li> <li>▪ New combined product offering, full cross selling</li> <li>▪ Increase recurring revenues                             <ul style="list-style-type: none"> <li>▪ Bundle transactions and technology</li> </ul> </li> <li>▪ New packaging, branding</li> </ul> </li> </ul>	Q2 2010	
	Q3 2010	
	Q1 2011	
	Q3 2010	
<ul style="list-style-type: none"> <li>▪ <b>Cost synergies</b> <ul style="list-style-type: none"> <li>▪ Cost synergies reached                             <ul style="list-style-type: none"> <li>▪ Review of Neonet business, cost cutting, restructuring</li> </ul> </li> </ul> </li> </ul>	Q4 2010	
	Q3 2010	
<ul style="list-style-type: none"> <li>▪ <b>Total synergies SEK of 130 m reached</b></li> </ul>	2012	



Financials

# Technology - Annualized Contract Value (ACV)

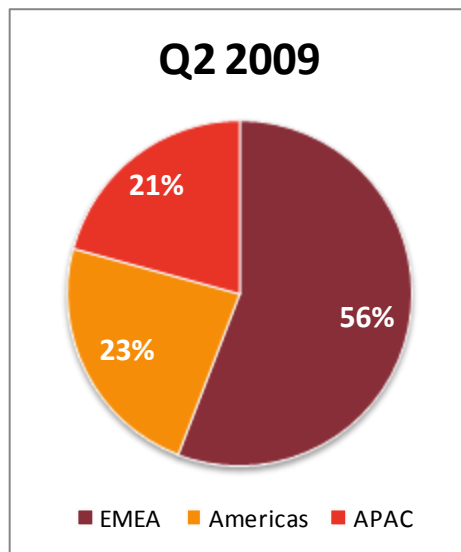
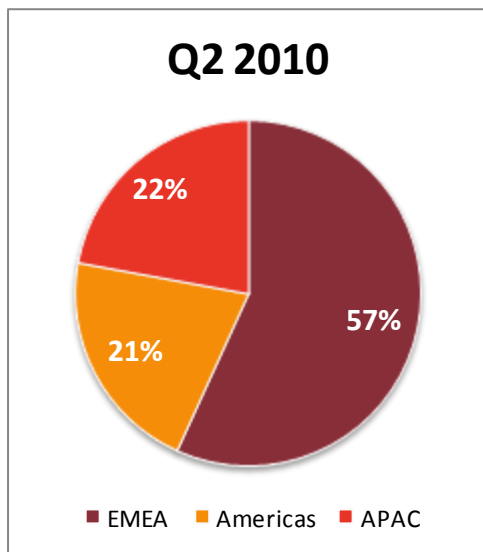


- Amounts to SEK 751 m at end of Q2 2010
  - Contracted revenue for the coming twelve months
  - Equals **73%** on Proforma Operating expenses in 2009\*
  - SEK 54 m XG Technology (Neonet), 52 m at merger
- Up 11% compared to end of Q2 2009
  - Up 16% FX adjusted
- Up 15% compared to Q1 2010
  - Up 11% FX adjusted

\*) Excluding NRI and Amortization on acquired intangibles

# Technology - Regional ACV

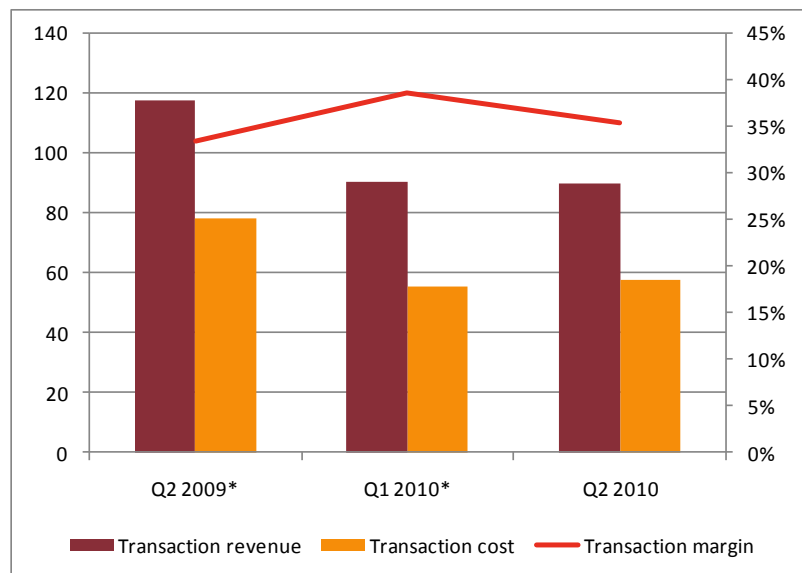
SEK million	Q2 2010	Q2 2009	Change	%	
EMEA	426,2	376,6	49,6	13%	Whereof XG (Neonet) SEK 54.3 m
Americas	158,4	157,8	0,6	0%	
APAC	166,0	140,2	25,8	18%	
<b>Total</b>	<b>750,6</b>	<b>674,6</b>	<b>76,0</b>	<b>11%</b>	



# Transaction Services

	Q2 2010	Q1 2010*	Change	%	Q2 2009*	Change	%
Transaction revenue	89,6	90,3	-0,7	-1%	117,5	-27,9	-24%
Transaction cost	-57,9	-55,5	-2,4	4%	-78,2	20,3	-26%
<i>Transaction net</i>	<i>31,7</i>	<i>34,8</i>	<i>-3,1</i>	<i>-9%</i>	<i>39,3</i>	<i>-7,6</i>	<i>-19%</i>
Transaction margin	35,4%	38,5%	-3,2%		33,4%	1,9%	

\*) From Neonet's Interim Report pre merger



- Trading volumes still low compared to 2007-2008
- Margin increase 2009 – 2010
  - Increased MTF trading, negotiations with market places
- Margin decrease Q1 – Q2
  - Relative volumes from low margin customers higher
- Plan to increase revenue and raise margins initiated

# Consolidated Income Statement

SEK million	Q2 2010	Q2 2009	Change	%
System revenue	188	178	10	6%
Transaction revenue	90		90	n/a
Other revenue	5	3	2	67%
<b>Operating revenue</b>	<b>283</b>	<b>181</b>	<b>102</b>	<b>56%</b>
Cost of goods sold	-9	-10	1	-10%
Transaction cost	-58		-58	n/a
External expenses	-81	-35	-46	131%
Personnel costs	-122	-77	-45	58%
Capitalized work	14	1	13	1300%
Depreciation etc	-24	-6	-18	300%
FX revaluation	7	-11	18	
<b>Operating expenses</b>	<b>-273</b>	<b>-138</b>	<b>-135</b>	<b>98%</b>
<b>Operating income</b>	<b>10</b>	<b>43</b>	<b>-33</b>	<b>-77%</b>
Net financial income	0	0	0	
<b>Income before tax</b>	<b>10</b>	<b>43</b>	<b>-33</b>	<b>-77%</b>
Tax	-4	-11	7	
<b>Net income</b>	<b>6</b>	<b>32</b>	<b>-26</b>	<b>-81%</b>
<b>Operating margin</b>	<b>4%</b>	<b>24%</b>	<b>-20%</b>	
<b>NRI</b>	<b>-29</b>		<b>-29</b>	<b>n/a</b>
<b>EBIT excl NRI</b>	<b>39</b>		<b>39</b>	<b>n/a</b>
<b>OPEX margin excl NRI</b>	<b>14%</b>		<b>14%</b>	<b>n/a</b>

## Comments

Increase in recurring revenue **9%**

SEK 16 m NRI

SEK 13 m NRI, Neonet model change, More employees

Neonet model change, More R&D activity

Amortization on intangibles from merger

Rev. of Balance Sheets items, e.g. A/R etc

**Neonet consolidated for the first time from this quarter**

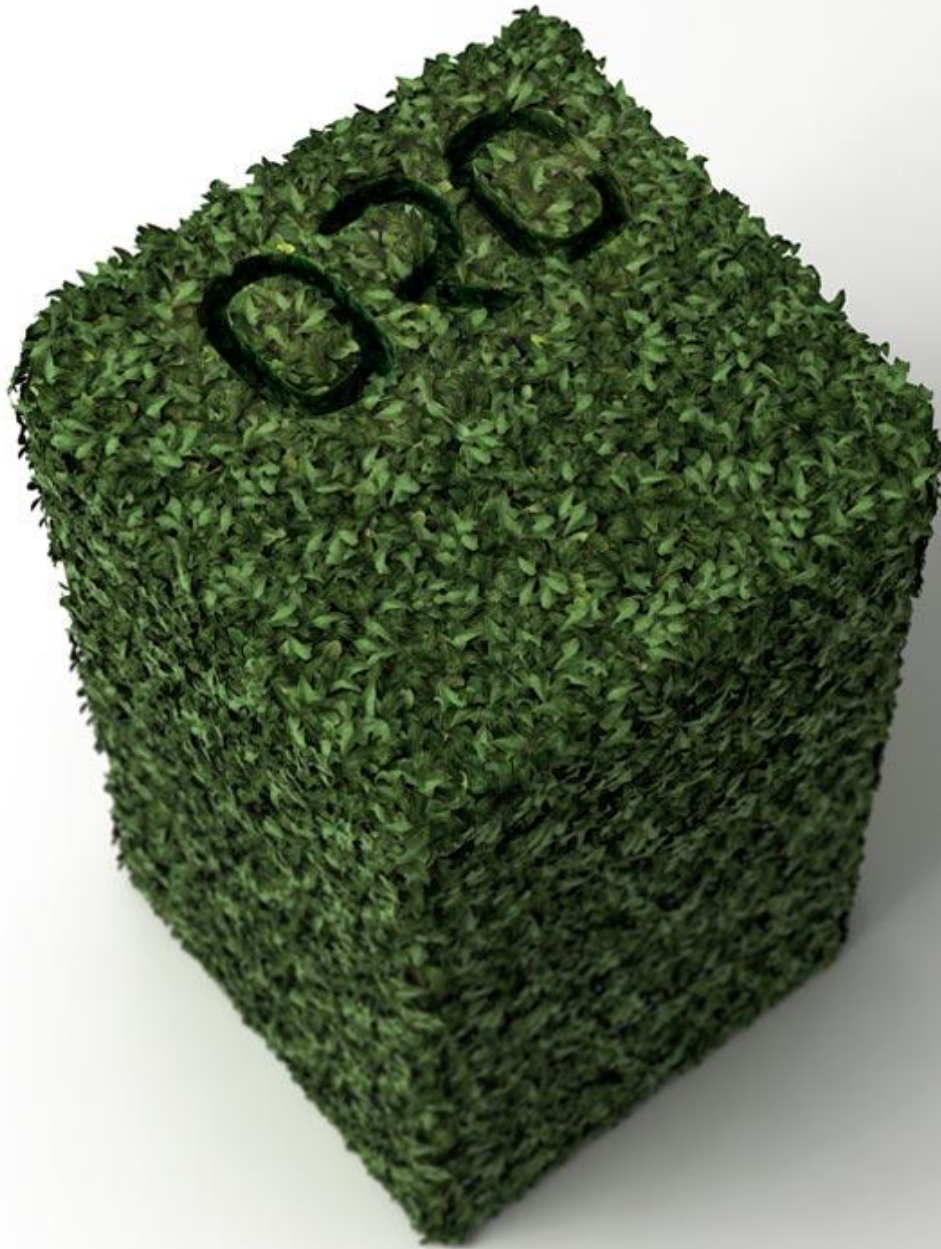
# Adjusted Consolidated Income Statement

SEK million	Q2 2010	Adjustments	Adj. Q2 2010
System revenue	188		188
Transaction revenue	90		90
Other revenue	5		5
<b>Operating revenue</b>	<b>283</b>	<b>0</b>	<b>283</b>
Cost of goods sold	-9		-9
Transaction cost	-58		-58
External expenses	-81	16	-65
Personnel costs	-122	13	-109
Capitalized work	14		14
Depreciation etc	-24		-24
FX revaluation	7		7
Cost synergies		10	10
<b>Operating expenses</b>	<b>-273</b>	<b>39</b>	<b>-234</b>
<b>Operating income</b>	<b>10</b>	<b>39</b>	<b>49</b>
Operating margin	4%		18%

# Balance Sheet

SEK million	June 30, 2010	March 31, 2010	Change	Comments
Goodwill	1 034	168	866	Neonet consolidated for the first time from this quarter
Other fixed assets	841	120	721	
Current financial assets	33		33	
Current receivables	170	140	30	
Cash and equivalents	192	356	-164	
	<b>2 270</b>	<b>784</b>	<b>1 486</b>	
Equity	1 708	475	1 233	
Long-term liabilities	146	55	91	
Current financial liabilities	26		26	
Current liabilities	390	254	136	
	<b>2 270</b>	<b>784</b>	<b>1 486</b>	
Equity/Assets ratio	75%	61%	15%	

- Dividend paid SEK 155 m
- NRI SEK 29 m
- Cash paid to Neonet shareholders SEK 13 m



# Outlook

# Outlook

- We have secured the 40 MSEK annual cost synergies and are confident in our new combined offering
- We are taking big steps to improve the profitability in the Transaction business
- We are moving towards having an operating margin of at least 20% in a weak market and a 35%+ operating margin in a strong market



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