



ORC

January – December 2008

Thomas Bill, CEO
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Agenda

Company overview

Market trends and Orc Software solutions

Orc Software Q4, 2008

Financials

Future outlook

**Core focus is
trading and connectivity
solutions for the worldwide
financial industry**

Global Presence

277
employees

EMEA:

Stockholm
Amsterdam
Frankfurt
London
Milan
Moscow
Vienna
Paris

Americas:

New York
Chicago

Asia Pacific:

Hong Kong
Sydney

600+ customer sites worldwide
representing major investment
banks and financial institutions



Orc Solutions

Orc Trading >



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

Orc Algorithmic Trading

Server-based trading solution capable of running thousands of trading strategies simultaneously and offered with ultra low latency, native connectivity to 100+ markets.

Orc Market Making

Thousands of instruments quoted on multiple markets simultaneously.

Orc Advanced Trading

Advanced pricing, trading and hedging capabilities with limited risk exposure.

Orc Connect >



Fast, reliable access to liquidity pools. Orc CameronFIX and Orc CameronFAST enabled

Orc DMA for Brokerage

Sell-side solution for offering customers access to liquidity pools to trade directly on any market.

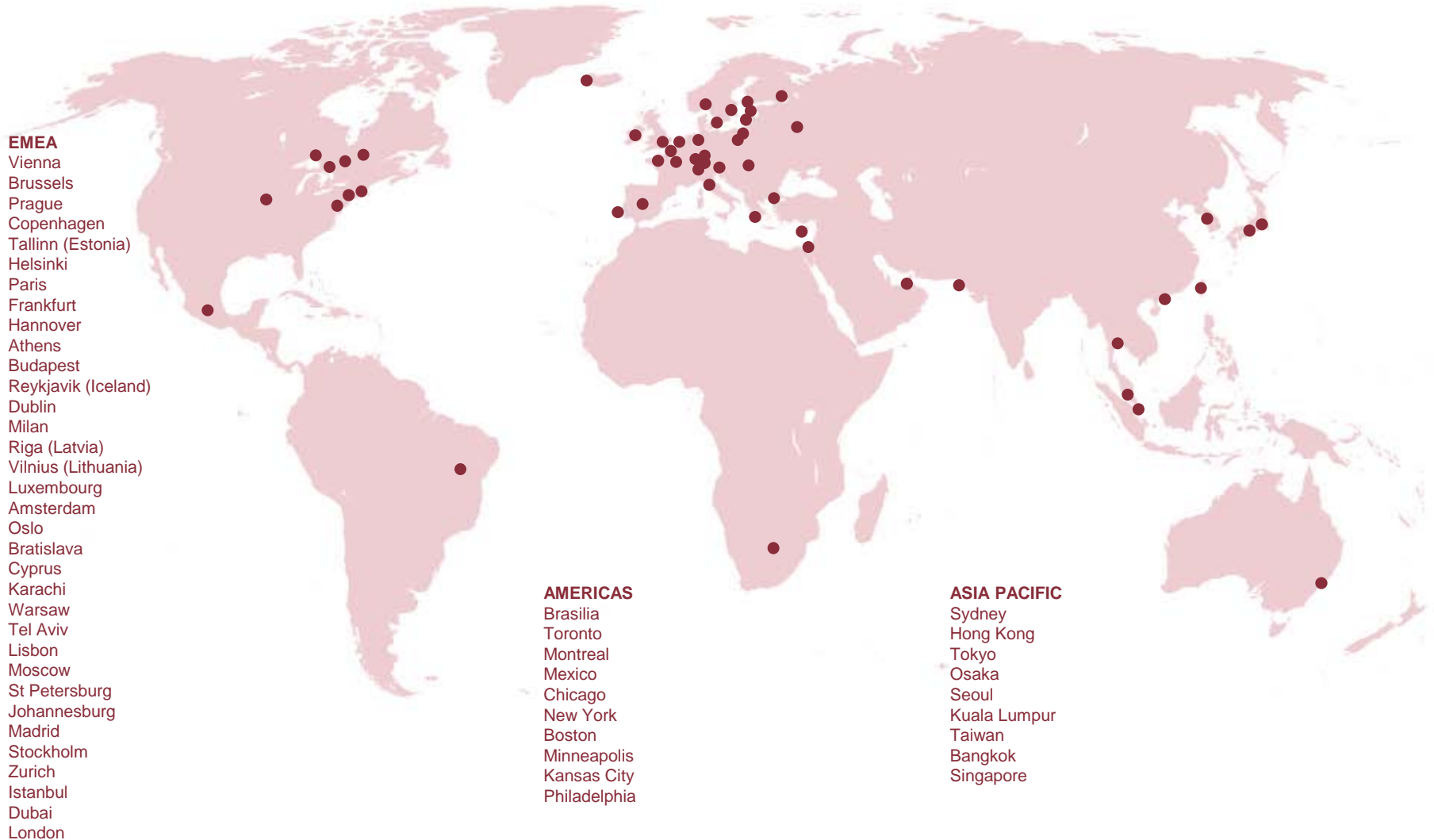
Orc Liquidity Access

The complete trading solution for fast, reliable access to derivatives and cash markets globally.

Orc CameronFIX Universal Server

High performance Financial Information eXchange Protocol (FIX) solution used to connect buy-side and sell-side firms and exchanges globally.

100+ Market Connections to Worldwide Exchanges



Customer License Model

- Subscription fees in advance
- Service and support included in subscription fee
- Solution updates included in subscription fee



Global Market Trends Affecting our Business

- Increased derivatives volumes and increased volatility
 - Continued strong demand for algorithmic/automated trading solutions

- OTC products becoming exchange traded and cleared
 - Will create opportunities for arbitrage and volatility trading
 - Will create demand for more real-time risk management solutions

- The division between buy- and sell-side continues to erode
 - A new market is opening up where buy-side firms are buying “sell-side systems”

- In-house built systems are being replaced by vendor solutions
 - Strong demand for “off-the-shelf” market connectivity
 - Total addressable market for algorithmic engines is increasing

Case Study #1 – US proprietary trading firm

- 200+ staff
- Mostly used competitive solutions and in house solutions
- Competitive solutions lacked the speed and flexibility that we could offer
- Initial sales was for USD 5.0 k per month for 2 Orc Traders
- Successful experience with Orc led to further expansion of Orc and introduction to other trading groups within client
- The customer is now paying us USD 60 k per month as of end of 2008 for use of Orc Trader, Orc Liquidator and Cameron FIX
- Further growth opportunities in 2009

Case Study #2 – US proprietary trading firm

- 300+ staff
- Proprietary trading firm with a focus on both quantitative and qualitative trading models
- Starting small with Orc Traders for options quoting
- Orc Liquidator deal completed in Q4 2008, USD 20 k per month
- Account has grown steadily for us since 2005, it is producing USD 50 k per month
- Expectations are for this account to grow by 20% to 30% per year



Orc Software

Q4 2008



Orc Software Q4 2008

- Revenues SEK 147 m (Q4 2007, SEK 139 m)
- Restructuring cost SEK 24 m
- EBIT pre restructuring cost SEK 33 m (Q4 2007, SEK 36 m)
- EBIT SEK 9 m
- Positive currency effect SEK +16 m

- OBV end Q4: SEK 645 m (SEK +83 m Q3 to Q4)
- With Q3 FX rates SEK +8 m
- End Q4 2007: SEK 488 m (+SEK 157 mm Y-o-Y, +32%)

- The Board proposes a dividend of SEK 4 per share (4)

Orc Software Q4 2008

- Q4 2008 was the most turbulent in the financial markets since the great depression
- The trends supporting Orc remain strong
- The automatisisation of the trading industry is accelerating – a very strong quarter for Liquidator in all regions

- Q4 we won more new customers than in any other quarter in 2008

- The biggest deal of the year was closed in APAC with a large investment bank
- At the same time we lost a large global investment bank in APAC which has filed for bankruptcy

Orc Software Q4 2008

- Downsizings and cancellations reached high levels, but 60% of the churn came from four clients:
 - Global investment bank filed for bankruptcy
 - Merger of two European banks, both Orc customers (we prolonged the term)
 - Icelandic bank
 - North American bank (we terminated in order to renegotiate terms and conditions)

- The four biggest orders in the quarter:
 1. Investment Bank, APAC
 2. European trading firm
 3. European Bank, London
 4. US Trading firm

Q4 efficiency program

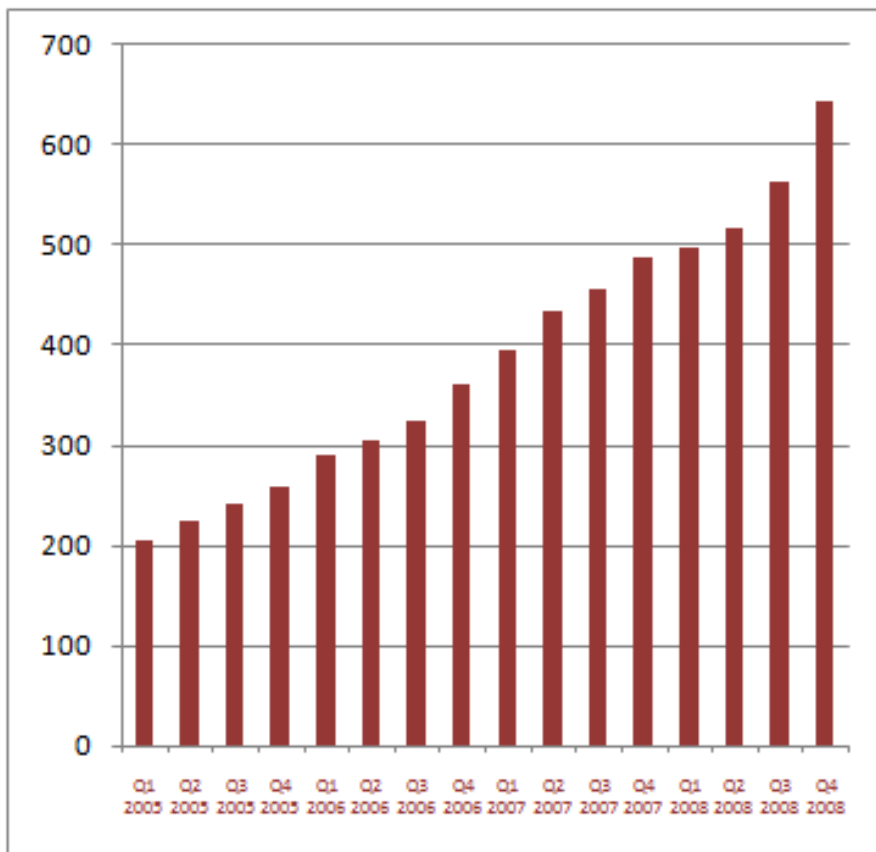
- Implemented during December
- We want to increase margins, or if the markets situation deteriorate, we will protect our margins
 - After several years of expansion it is natural to consolidate
- No change in strategy – just a more efficient operations
 - Engineering at fewer sites
 - Support in Europe concentrated to Stockholm and London
 - Support in North America concentrated to New York and Chicago
- Head count reduction of approximately 45 (-15%)
- Three offices closed
 - St. Petersburg (Engineering)
 - Toronto (Engineering and Services)
 - Zurich (Services)
- Savings of 40 MSEK per annum. Full effect during late H1 2009
- Restructuring charge in Q4, 24 MSEK



Financials



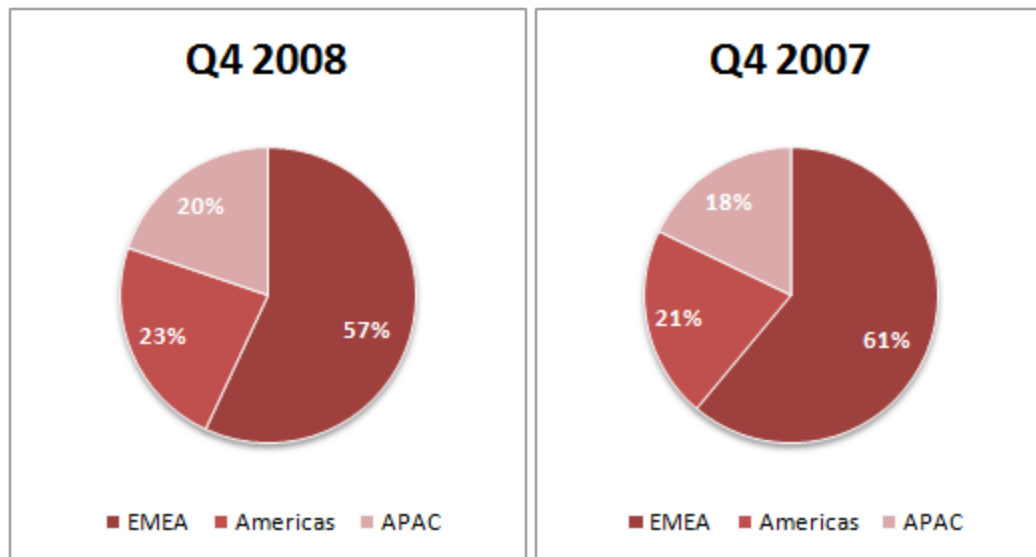
Annualized value of existing customer contracts (Order Book Value)



- Amounts to SEK 645 m at end of 2008
 - Contracted revenue for the coming twelve months
 - **Equals 137% on Operating expenses in 2008**
- Up 32% compared to end of 2007
 - Up 15% FX adjusted
- Up 15% compared to Q3 2008
 - Up 1,4% FX adjusted

Regional Order Book Value

SEK million	Q4 2008	Q4 2007	Change	%
EMEA	368	298	70	23%
Americas	149	103	46	45%
APAC	128	87	41	47%
Total	645	488	157	32%



Consolidated Income Statement

SEK million	Q4 2008	Eff. Progr.	Adj. Q4 2008	Q4 2007	Change	%	FY 2008	Eff. Progr.	Adj. FY 2008	FY 2007	Change	%
System revenue	146		146	130	16	12%	552		552	481	71	15%
Other revenue	1		1	9	-8	-89%	12		12	28	-16	-57%
Net revenue	147	0	147	139	8	6%	564	0	564	509	55	11%
Cost of goods sold	-10		-10	-9	-1	11%	-37		-37	-28	-9	32%
External expenses	-50	7	-43	-32	-11	34%	-157	7	-150	-112	-38	34%
Personnel costs	-87	11	-76	-65	-11	17%	-289	11	-278	-240	-38	16%
Capitalized work	4		4	5	-1	-20%	15		15	17	-2	-12%
Depreciation etc	-11	6	-5	-5	0	0%	-25	6	-19	-20	1	-5%
FX revaluation	16		16	3	13		22		22	-1	23	
Operating expenses	-138	24	-114	-103	-11	11%	-471	24	-447	-384	-63	16%
Operating income	9	24	33	36	-3	-8%	93	24	117	125	-8	-6%
Net financial income	1		1	0	1		3		3	14	-11	-79%
Income before tax	10	24	34	36	-2	-6%	96	24	120	139	-19	-14%
Tax	-6		-6	-13	7		-31		-31	-38	7	
Net income	4	24	28	23	5	21%	65	24	89	101	-12	-12%
Operating margin	6%		22%	26%	-4%		16%		21%	25%	-4%	

Comments

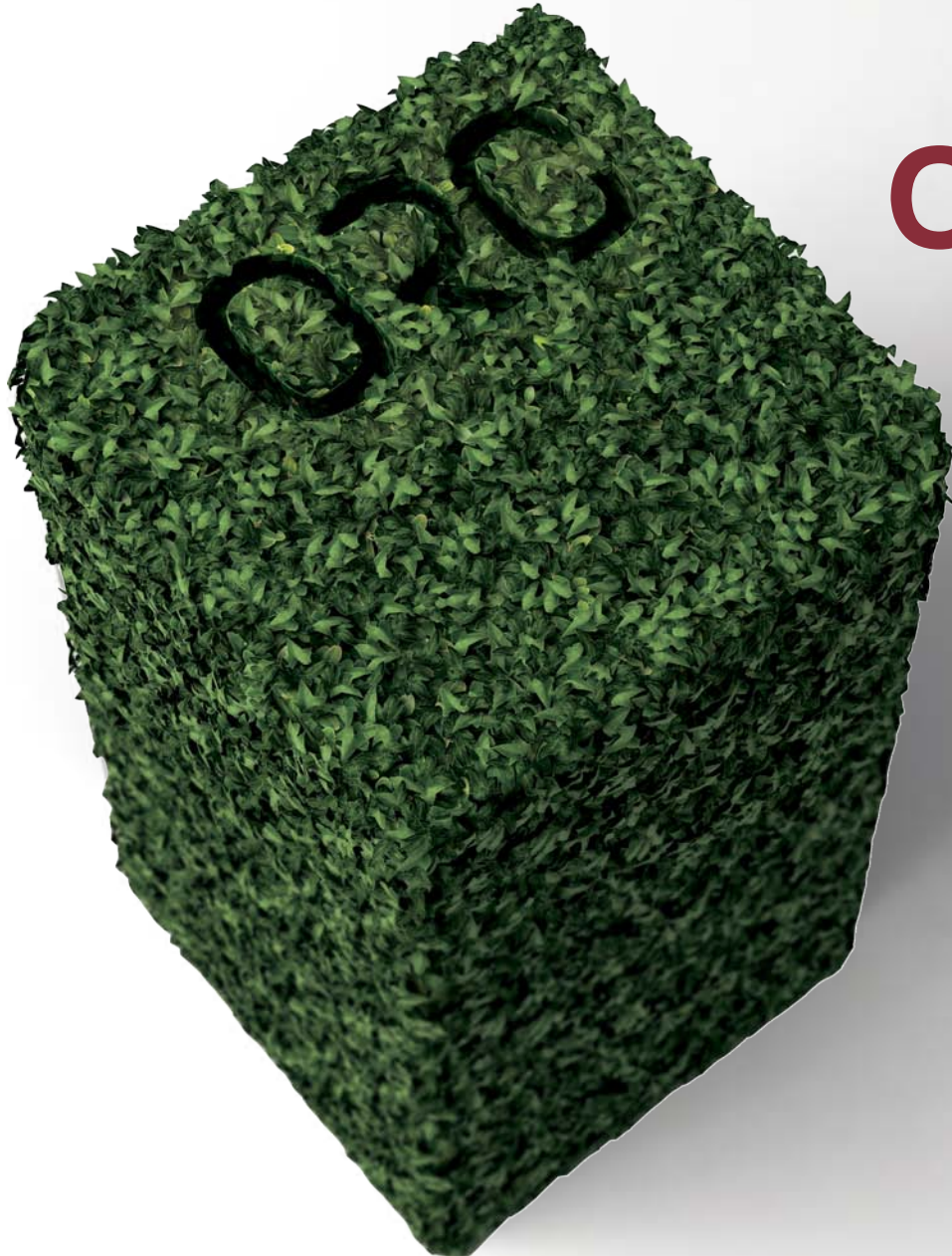
System revenue	Increase in recurring revenue: Quarter 17% and FY 20%
Other revenue	Less of consulting etc, more system rev.
Net revenue	Q4 2008 has been affected with SEK -5 m from renegotiated contracts, creating better terms. OBV effect SEK -10 m
Cost of goods sold	Deconsolidation of E2E
External expenses	Bad debt provisions (SEK 5 m), consultants and marketing
Personnel costs	Increase in number of employees
FX revaluation	Revaluation of Balance Sheets items, e.g. A/R, Cash etc
Net financial income	2007 Capital gain from divestment of Infront AS SEK 16m
Tax	Divestment of Infront, tax free

Balance Sheet

SEK million	Dec 31, 2008	Dec 31, 2007	Change	Comments
Fixed assets	316	314	2	Capitalized dev, Equipment - Depreciation etc Note: AUD depreciation effects on Cameron acquisition
Current receivables	200	163	37	Sales increase Note: USD and EUR appreciation effect on A/R etc
Cash and equivalents	103	126	-23	Profit - Dividends - Increase in current receivables
	619	603	16	
Equity	332	335	-3	Profit - Dividends
Long-term liabilities	47	49	-2	Deferred tax
Current liabilities	240	219	21	Sales increase Note: USD and EUR appreciation effect on A/P etc
	619	603	16	
Equity/Assets ratio	54%	56%	-2%	

Cash flow

	2008	2007	Change	Q4 2008
EBIT	93 260	125 602	-32 342	8 910
Restructuring reserve	24 363	0	24 363	24 363
Depreciation etc, excl. Restructuring res.	19 318	20 565	-1 247	4 635
	<i>136 941</i>	<i>146 167</i>	<i>-9 226</i>	<i>37 908</i>
Taxes paid	-60 737	-28 368	-32 369	-9 916
Change in Working Capital	-12 782	-18 437	5 655	22 720
Dividend paid	-60 809	-30 404	-30 405	0
Investments, incl. Capitalized development	-37 002	-18 496	-18 506	-12 040
Other items	4 663	765	3 898	1 027
Cash flow	-29 726	51 227	-80 953	39 699



Outlook



Outlook

- The risk level is currently high
- Even under current volatile market conditions the trends working in Orc's favor remain strong
- Orc's solution are well suited to current market conditions
- Based on current market conditions, Orc's revenue model and the implemented efficiency program
 - Orc will increase the order book value during 2009
 - Orc will increase revenues compared to 2008
 - Orc will increase earnings compared to 2008

ORC

www.orcsoftware.com