

BELZBERG TECHNOLOGIES INC.

Management's Discussion and Analysis

March 31, 2003

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for the three months ended March 31, 2003

The following discussion and analysis provides a review of Belzberg's results for the first quarter of 2003 compared to the first quarter of 2002. This discussion should be read in conjunction with the unaudited consolidated interim financial statements and related notes in the quarterly report and the MD&A, consolidated financial statements and related notes in Belzberg's annual report for the year ended December 31, 2002. All monetary amounts are reported in Canadian dollars.

This report contains forward-looking statements that involve risk and uncertainties. These statements can be identified by the use of forward-looking terminology such as (but not limited to) "may," "will," "expect," "anticipate," "estimate," "plans," "continue," "believe," or the negative thereof or other variations thereon or comparable terminology referring to future events or results. The Corporation's results could differ materially from those anticipated in these forward-looking statements as a result of numerous factors. The corporation wishes to caution readers not to place undue reliance on such forward-looking statements that speak only as of the date made.

General

Belzberg Technologies Inc. is a leading provider of exchange connectivity, trade execution, order management, and routing software for the financial industry. In addition to its technology, through one of its wholly owned subsidiaries, an agency-only broker-dealer, Belzberg offers low cost trade execution. The Company's customers include broker-dealers and their customers, who use Belzberg's trading software to buy and sell equities and stock options on a variety of stock exchanges, Electronic Communications Networks (ECNs), or Nasdaq market maker trade management systems. Belzberg products enable traders to execute and manage large volumes of transactions at high speed, and with great reliability and security.

Financial Summary and Results of Operations

Belzberg Technologies Inc.		
Consolidated Statements of Operations		
(\$000's except per share information)	Three months ended March 31,	
	2003	2002
Revenue	\$ 6,009	\$ 7,102
Cost of revenue	3,558	3,774
Gross margin	2,451	3,328
Operating expenses	3,303	3,718
Loss from operations		
before undernoted items	(852)	(390)
Amortization	734	489
Interest expense, net	50	115
Restructuring charges	273	843
Loss before income taxes	(1,909)	(1,837)
Income taxes	-	17
Net loss	\$ (1,909)	\$ (1,854)
Basic and diluted loss per common share	\$ (0.14)	\$ (0.17)

Revenues

For the three months ended March 31,

(\$000's)	2003			2002		
	Canada	USA	Total	Canada	USA	Total
Subscription fees	\$ 1,535	\$ 837	\$ 2,372	\$ 1,728	\$ 1,124	\$ 2,852
Transaction fees - core	462	1,787	2,249	443	2,559	3,002
Transaction fees - brokerage	-	1,145	1,145	-	998	998
Other revenue	215	28	243	203	47	250
Total revenue	\$ 2,212	\$ 3,797	\$ 6,009	\$ 2,374	\$ 4,728	\$ 7,102

Total revenue decreased from \$7.1 million in the first quarter of 2002 to \$6.0 million in the first quarter of 2003, a decrease of 15%. Q1 2003 saw industry trading volumes decline due to uncertainty surrounding the economy and geopolitical events, which impacted our transaction fee revenue, and on a year over year basis saw some of our clients reduce the number of terminals on their desktops, reducing subscription fee revenue. Despite adding 17 new customers in the quarter, overall business declined as these new clients did not start to trade until the latter part of the quarter, and did not make up for the shortfall in the existing business.

Subscription fee revenue, which is based on customers paying a fixed monthly fee for each terminal connected to the Belzberg Gateway, decreased by 17% in the first quarter of 2003 to \$2.4 million as compared to \$2.9 million the first quarter of 2002 and accounted for 39% of total revenues in the first quarter of 2003 as compared to 40% of total revenues in the first quarter of 2002.

Transaction fee revenue from the core business, which includes customers paying a fee per transaction routed through the Belzberg Gateway, decreased by 25% in the first quarter of 2003 to \$2.2 million as compared to \$3.0 million in the first quarter of 2002 and accounted for 37% of total revenues in the first quarter of 2003 as compared to 42% of total revenues in the first quarter of 2002.

Transaction fee revenue from the brokerage operation, that executes on an agency basis exchange traded equity and index options on the Chicago Board Options Exchange, increased by 15% in the first quarter of 2003 to \$1.1 million as compared to \$1.0 million in the first quarter of 2002 and accounted for 19% of total revenues in the first quarter of 2003 as compared to 14% of total revenues in the first quarter of 2002.

Other revenue that includes software development fees, installation fees, information distribution fees and revenue from connectivity to the Belzberg Gateway, was \$0.2 million for both the first quarter of 2003 and 2002 and accounted for 4% of total revenues in both quarters.

Gross Profit and Gross Margin

For the three months ended March 31,

(\$000's)	2003	2002
Revenue	\$ 6,009	\$ 7,102
Cost of Revenue	3,558	3,774
Gross Profit	\$ 2,451	\$ 3,328
Gross Margin %	41%	47%

Gross margin as a percentage of sales declined to 41% in the first quarter of 2003, from 47% in the first quarter of 2002. The decline in margin is attributable to the decline in revenue and the increased costs from expanding capacity and connectivity to new markets as well as a change in the sales mix that now includes some lower margin business. The Company expects margins on the core business to improve as the cost cutting initiatives undertaken in the first quarter begin to take effect and as the Company begins to realize the full effects of self-clearing that were not fully realized in the first quarter.

Operating Expenses

For the three months ended March 31,

(\$000's)	2003	2002
Sales and marketing	\$ 922	\$ 772
Research and development	1,056	1,160
Administration	1,271	1,478
Foreign exchange loss	54	6
Non-recurring Philadelphia expenses	-	302
Total operating expenses	\$ 3,303	\$ 3,718

Sales and Marketing Expenses

Sales and marketing expenses increased by \$0.1 million or 19% to \$0.9 million in the first quarter of 2003 as compared to \$0.8 million in the first quarter of 2002. The increased expense is primarily due to additional headcount as well as certain consulting costs incurred in the first quarter of 2003 that did not occur for the full first quarter of 2002.

Research and Development Expenses

Research and development expenses decreased by \$0.1 million or 9% to \$1.1 million in the first quarter of 2003 as compared to \$1.2 million in the first quarter of 2002. The decreased expense is primarily due to headcount reductions.

Administration Expenses

Administration expenses decreased by \$0.2 million or 14% to \$1.3 million in the first quarter of 2003 as compared to \$1.5 million in the first quarter of 2002. The primary factors that contributed to the decreased expenses were headcount reductions, lower senior management compensation and reduced professional fees.

Foreign Exchange Loss

The Company incurred a foreign exchange loss of \$54,000 in the three months ended March 31, 2003 compared to a foreign exchange loss of \$6,000 in the three months ended March 31, 2002. The exchange loss resulted from a substantial appreciation of the Canadian dollar against the U.S. dollar in the first quarter of 2003 that was mostly hedged with forward exchange contracts. The Company uses forward exchange contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. During the three month period ended March 31, 2003, the Company realised a gain of \$505,000 (March 31, 2002 – nil) on the settlement of forward exchange contracts and entered into new forward exchange contracts for the purchase of Cdn\$7.5 million at US\$.6670 maturing in March 2004. As at March 31, 2003, had the Company settled the contracts, a loss of approximately \$7,000 would have been incurred.

Non-Recurring Philadelphia Expenses

Non – recurring Philadelphia expenses relate primarily to the salaries and office rental costs of the Philadelphia operation incurred in the first quarter of 2002 prior to the decision to close the office on March 1, 2002. (refer to “Restructuring Charges” below).

Other Expenses

For the three months ended March 31,

(\$000's)	2003	2002
Amortization of capital assets	\$ 734	\$ 489
Interest expense, net	50	115
Restructuring charges	273	843
Other expenses, net	\$ 1,057	\$ 1,447

Amortization of Capital Assets

Amortization of capital assets increased by \$0.2 million or 50% to \$0.7 million in the first quarter of 2003 as compared to \$0.5 million in the first quarter of 2002. The increase in first quarter of 2003 is primarily related to the building out of the communication infrastructure of the Company as well as the implementation of new accounting software in 2003.

Net Interest Expense

Net Interest expense decreased by \$65,000 to \$50,000 in the first quarter of 2003 as compared to \$115,000 in the first quarter of 2002. The decrease resulted from interest income being earned on higher cash balances in 2003 as compared to 2002 as well as a reduction in interest expense from the buy out of certain capital leases that matured in 2003.

Restructuring Charges

During the three months ended March 31, 2003, the Company continued to execute on its plan to reduce its operating costs by terminating certain employees.

On March 1, 2002, the Company closed its Philadelphia office and ended its relationship with its President and other employees. The Company recorded a restructuring charge of \$0.8 million relating to employee severance and lease termination costs.

Net Loss

A net loss of \$1.9 million was incurred for the quarter ended March 31, 2003 as compared to a net loss of \$1.9 million in the comparable quarter of 2002. Basic and diluted loss per share for the quarter ended March 31, 2003 was \$0.14 as compared to a loss of \$0.17 per share for the first quarter of 2002.

Liquidity and Capital Resources

Cash flow used by operations was \$2.0 million in the first quarter of 2003 compared to \$0.2 million in the first quarter of 2002.

The Company utilized \$0.3 million of cash for investing activities in the first quarter of 2003 compared to \$0.9 million for the first quarter of 2002. Investing activities in the first quarter of 2003 consisted of the acquisition of capital assets while investing activities in the first quarter of 2002 consisted of a final payment of \$0.3 million owing from the 2001 acquisition of Robert C. Sheehan & Associates, Inc. and \$0.6 million for the acquisition of capital assets.

The Company utilized \$0.6 million of cash for financing activities in the first quarter of 2003 compared to utilizing \$0.2 million for the first quarter of 2002. Financing activities in the first quarter of 2003 consisted of repayment of bank debt and capital lease obligations of \$0.5 million and the repurchase of 25,000 common shares under a normal course issuer bid for \$0.1 million. Financing activities in the first quarter of 2002 consisted of repayment of bank debt and capital lease obligations of \$0.5 million offset by additional bank borrowings of \$0.3 million to finance leasehold improvements.

As at March 31, 2003, the Company had cash and cash equivalents amounting to \$10.2 million, and had working capital of \$9.9 million. The Company believes that its current cash resources and cash flow from operations will be sufficient to meet its normal working capital requirements capital expenditure requirements for the current year.