



**TEMENOS<sup>TM</sup>**

**The Banking Software Company**

**Presentation to Deutsche Bank Salesforce**

**Zurich, 04 December 2007**

## DISCLAIMER

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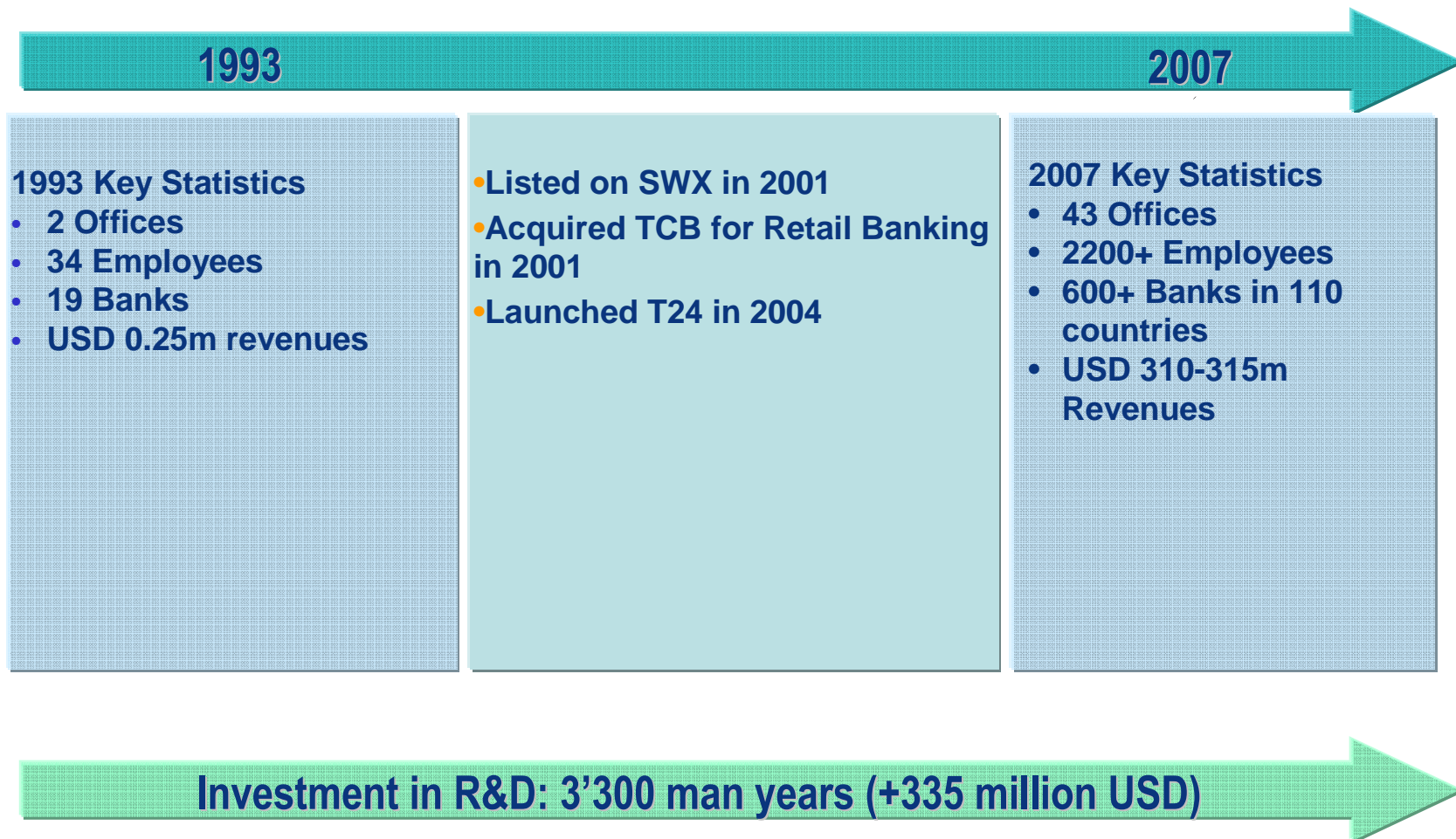
- Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors. In particular, the forward-looking financial information provided by the company in this conference call represents the company's estimates as of 1 December 2007. We anticipate that subsequent events and developments will cause the company's estimates to change. However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 1 December 2007.

# TEMENOS: A BRIEF OVERVIEW

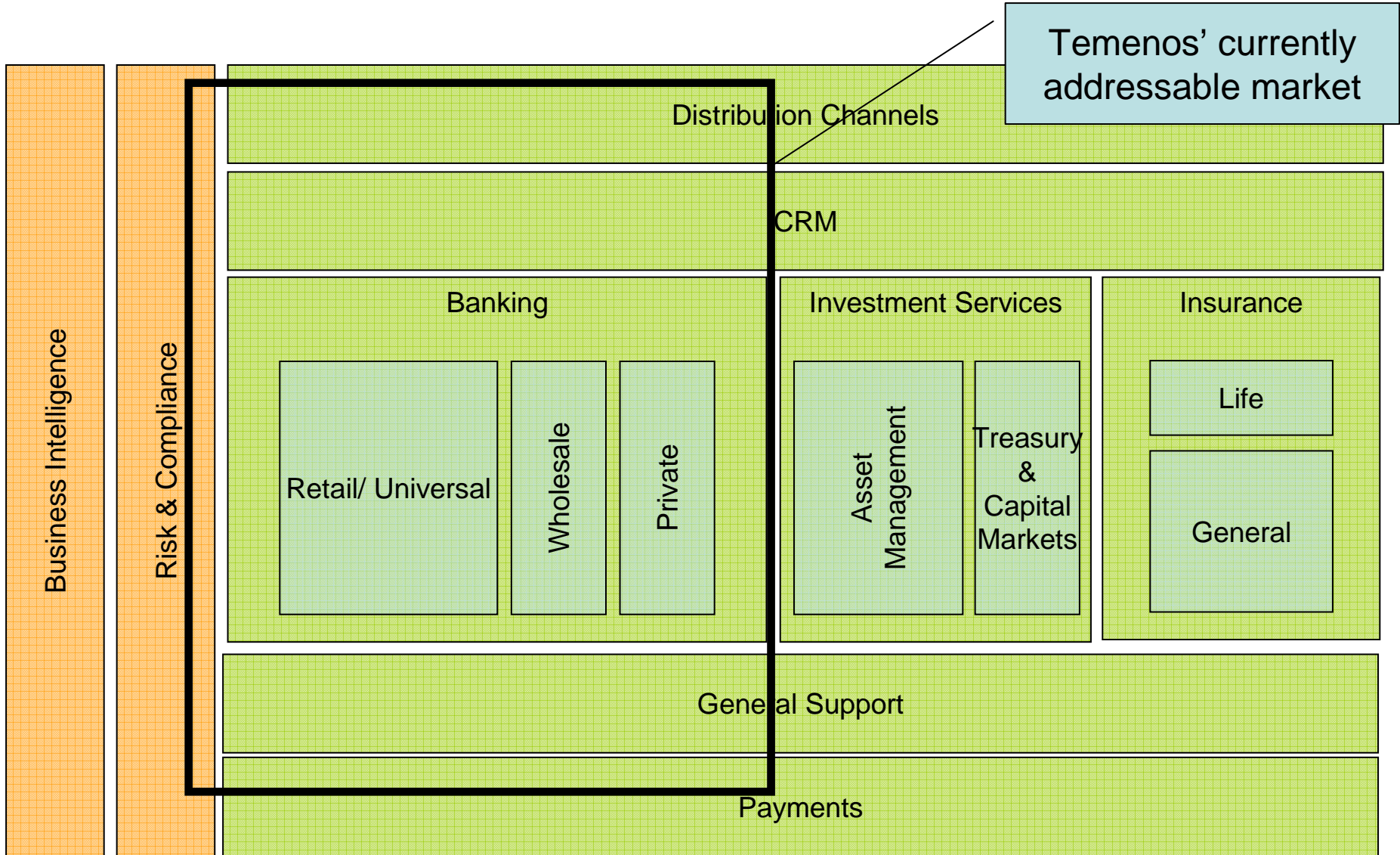


## OUR HISTORY

A vision transformed into the leading provider of banking software systems...



# OUR MARKET



# OUR COMPETITION

## Major players by segment

Vendor	Products	Retail	Private	Wholesale	Universal
TEMENOS	T24 TCB	[Dark Blue Bar]			
I-Flex	Flexcube	[Dark Blue Bar]		[Dark Blue Bar]	[Dark Blue Bar]
Misys	Equation, Midas, Bankmaster			[Light Blue Bar]	[Light Blue Bar]
Infosys	Finacle	[Dark Blue Bar]			[Dark Blue Bar]
Fidelity	Corebank, Systematics	[Dark Blue Bar]			
TATA Consulting	FNS	[Dark Blue Bar]			
SAP	Corebanking	[Dark Blue Bar]			

Source: IBS Market Report; Companies announcements, Temenos

## OUR VALUE PROPOSITION

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Temenos' products provide a **quick and clear return on investment** by:

- **Lowering cost**

- ⇒ Significantly lower infrastructure and maintenance costs through single integrated system

- **Enabling growth**

- ⇒ Cross-selling through single customer view
- ⇒ Business agility through faster time to market

- **Controlling risk**

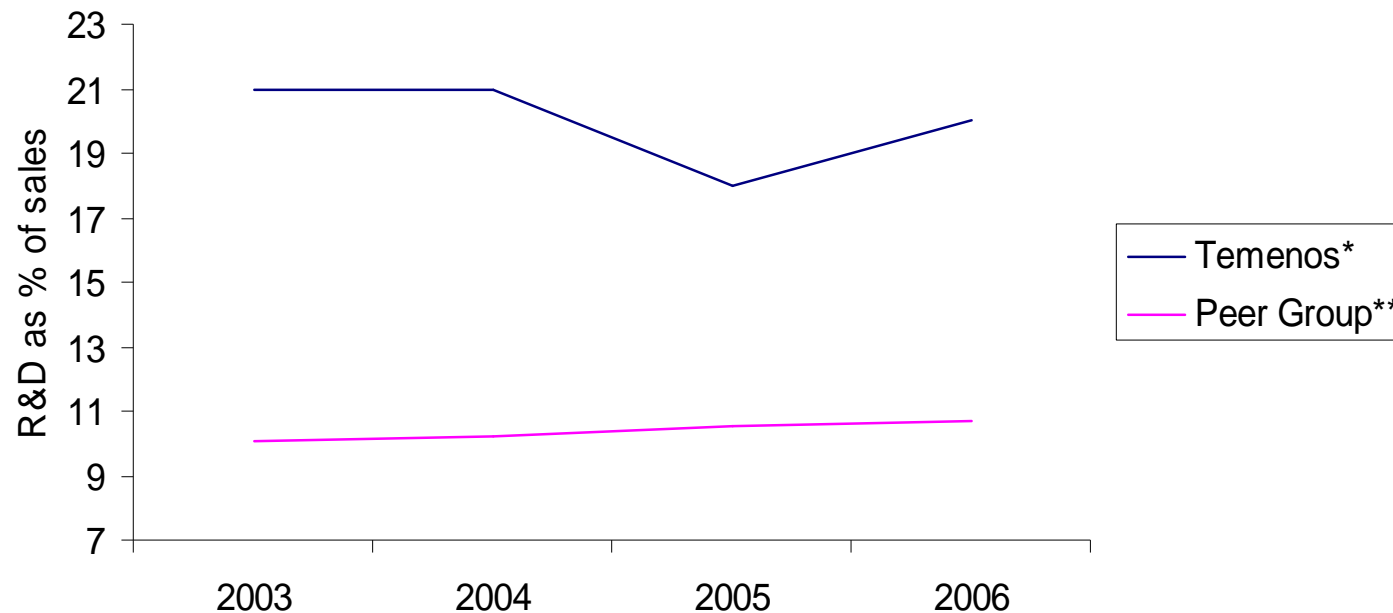
- ⇒ Modern platform, high R&D and perpetual upgrades minimise risk of technological obsolescence
- ⇒ Flexibility of systems enables our clients to adapt easily to changing risks and regulatory environment.

# TEMENOS: A PURE BUSINESS MODEL



## PRODUCT

- **High R&D** → to maintain openness and best-of-breed functionality



- **‘Model bank’** → to reduce installation time and complexity

\* Cash R&D: adjusted for difference between capitalised dev and amortisation

\*\* SAP, I-Flex (ex-Services), Misys (ex-Sesame)

Source: published company financial data

## SALES

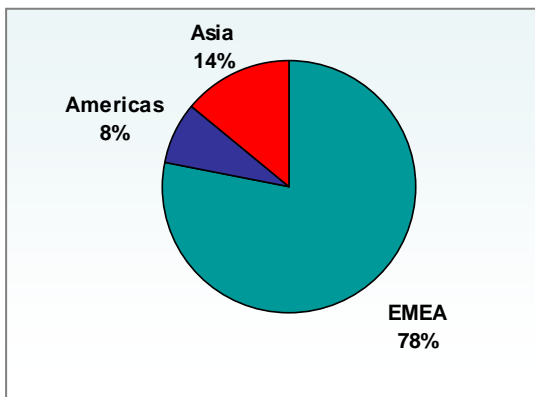
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- **Initial Licence Fees (ILFs):** we leverage a largely fixed cost infrastructure through licensing our products.
  
  - **Maintenance:** the provision of 24/7 helpdesk support and product upgrades. The most recurring and stable of software company's sales and for Temenos even more so:
    - ➡ we charge a standard rate of **21 per cent**
    - ➡ our customers sign minimum **5 year** maintenance contracts
    - ➡ entitlement to **annual upgrade release**
- } **low attrition**
- 
- **Services:** we support our client to implement **our** products.

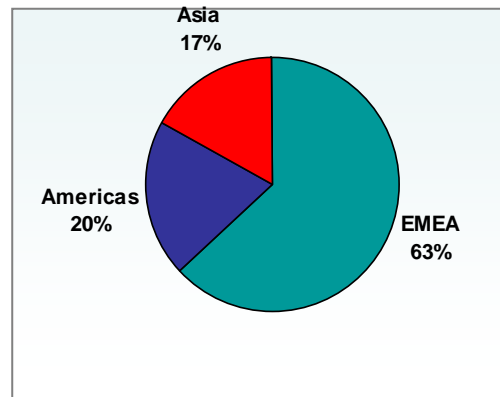
# SALES

- Temenos has changed where it sells...

Revenues - Full Year 2003

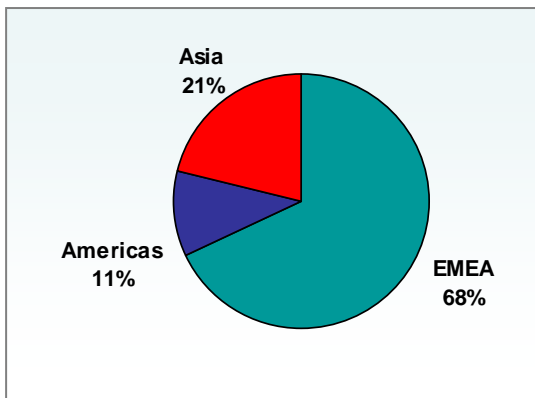


Revenues - LTM Q3 2007

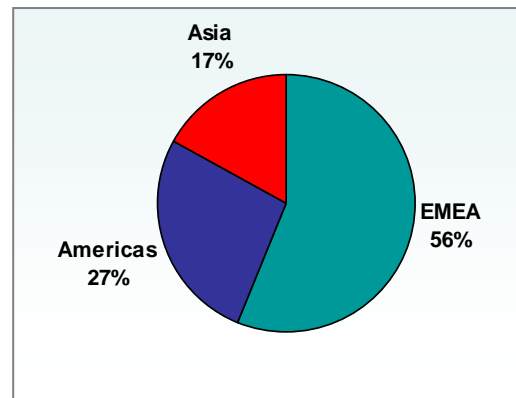


- **More global**
- **More diversified**

Licence Revenues - Full Year 2003



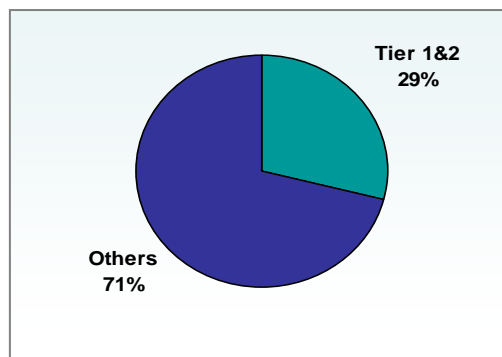
Licence Revenues - LTM Q3 2007



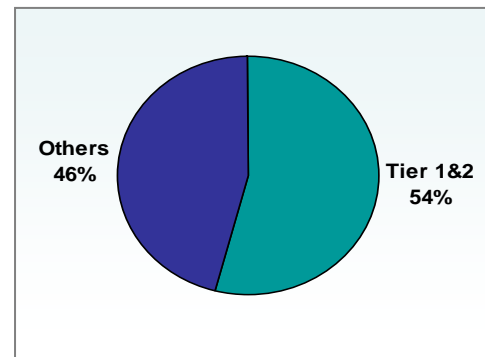
# SALES

- ... and to whom it sells

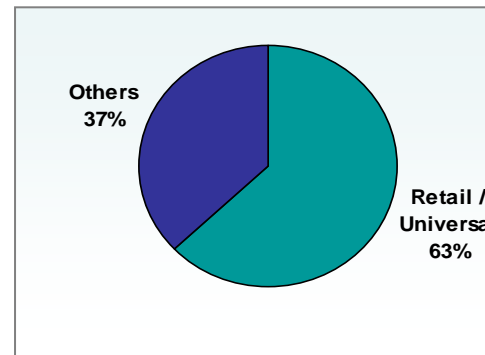
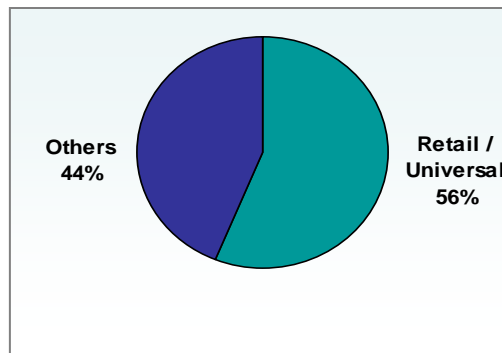
Licence Revenues - Full Year 2003



Licence Revenues - LTM Q3 2007

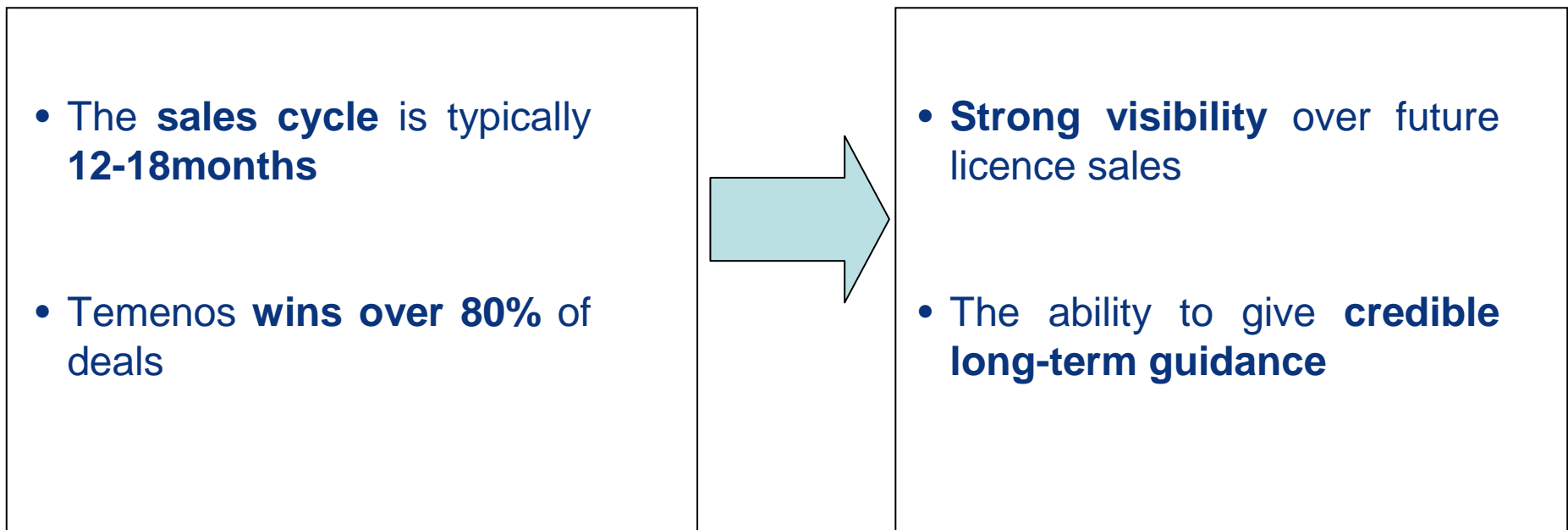


- Larger deal size
- More diversified



## VISIBILITY

In addition to maintenance and services, we have excellent visibility over licences:



So far, Temenos has seen **no effect on its pipeline** from the **sub-prime crisis** and so **reconfirms 2007 outlook**

# TEMENOS: CUTTING EDGE PRODUCTS



## TWO PRODUCTS

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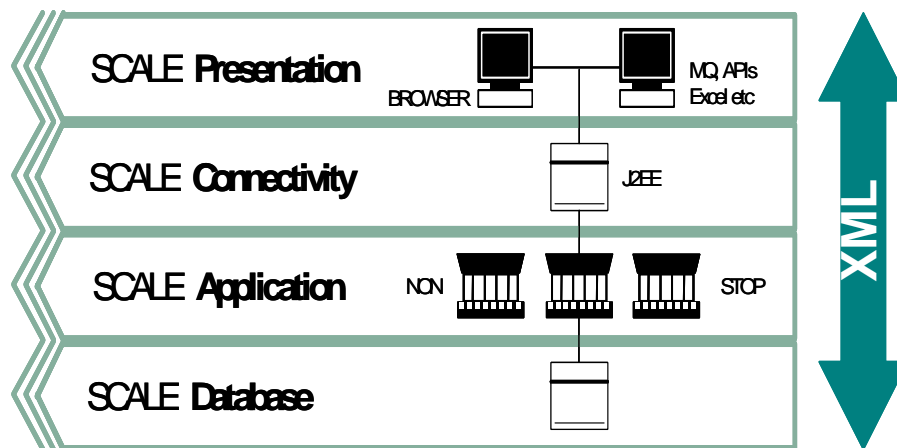
**TEMENOS T24™ (T24):** Private, Universal, Wholesale and Retail Banks

**COREBANKING (TCB):** Large scale Retail Banks, 10m accounts+

**Complementary,  
limited overlap**

## OPEN AND SCALABLE

Our products are rich in functionality,  
open and scalable



Diagrammatic representation of T24 architecture

*Scalable:*

- more servers can be added as volume of transactions and number of users rises

*Open:*

- built using industry standards, such as SOA/SOAP
- have the framework to be run on **any platform, any database**

## ONE SOURCE CODE

- **Upgrade is simple**

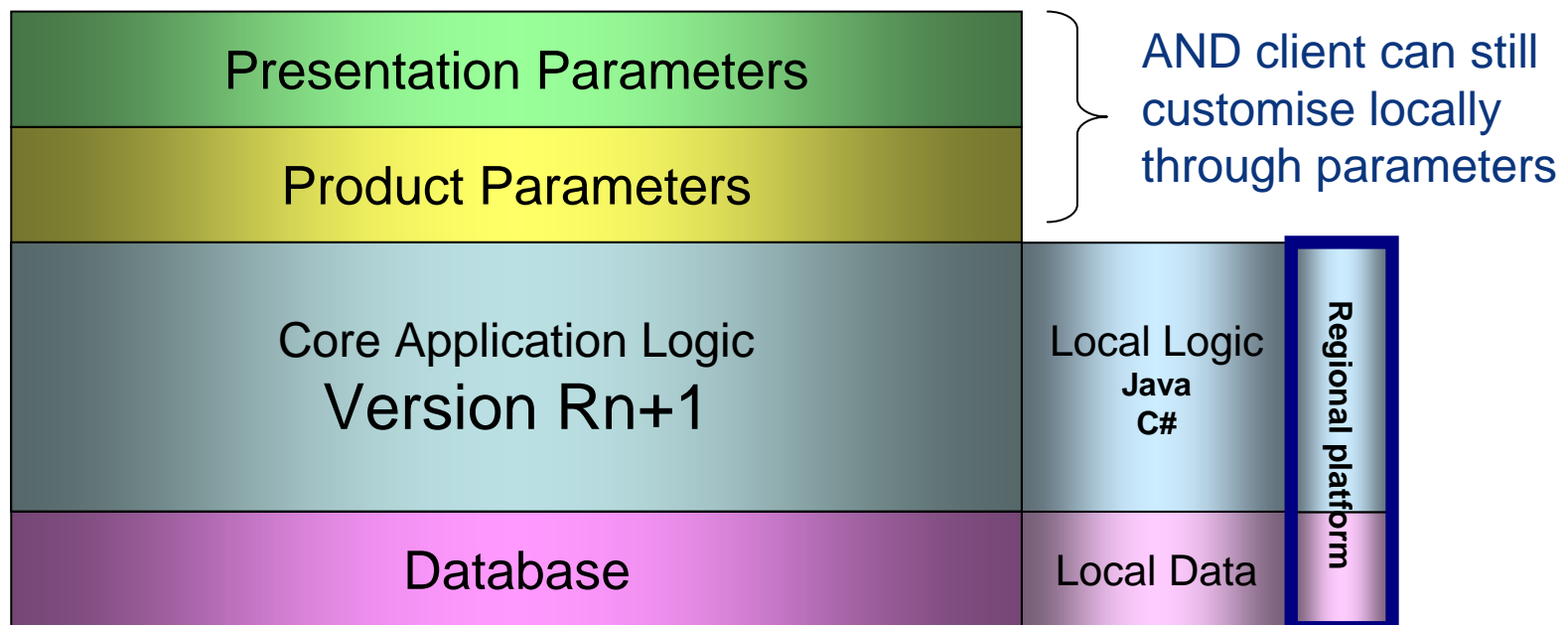
⇒ Client gets continual enhancements

⇒ No services input for client or Temenos

- **Upgrade is annual**

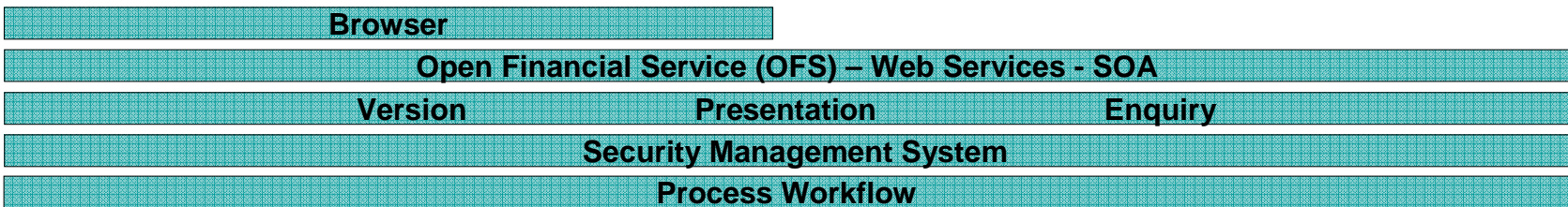
⇒ Temenos maintains all clients on latest versions

**High  
maintenance  
and high  
margin on  
maintenance**



# UNPARALLELED BREADTH OF FUNCTIONALITY

Available in component form To leverage investment in SOA environment  
 Allows product to be tailored to different clients



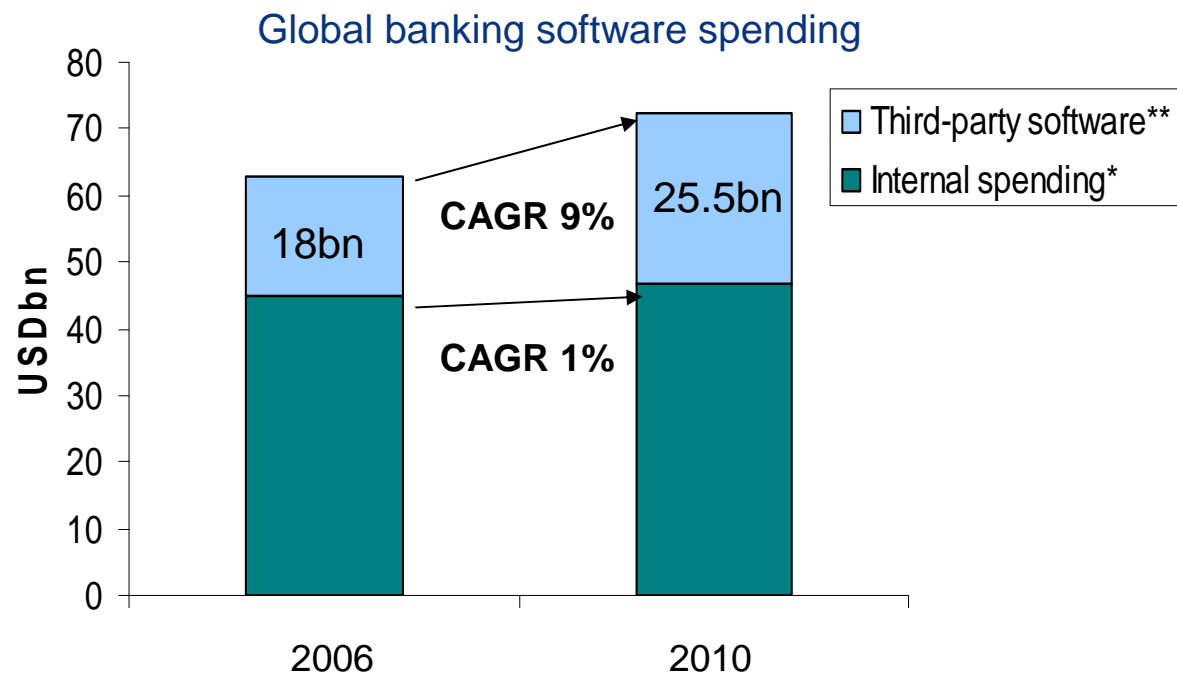
<b>Components</b>	Trade Finance	Advices	Branch Resilience	Teller	Order book	Modeling	Capital Markets
	Guarantees	Statements	Analytics	Propensity	Asset Managmnt	Performance	FRA
	Commercial Loans	Sweeps/DD/SO	Contact log	Product Catalog	Custody	Brokerage	FX
	Cash Mgt.	Savings	360 View	Case Mgmt.	Corp. Actions	Settlement	Money Market
	Leasing	Card management	Customer	Campaigns	Margin trading	Fiduciary deposits	Swaps
	Syndicated loans	Deposits/savings	Euro	Document mgt.	IAS39	Market Risk	Futures/options
	Bills	Accounts	Past Due	Image	Multi Time Zone	Basel II	Repos
	Discount loans	Mortgages	Funds Transfer	Confo Matching	Multi Company	Dev Tool Kit	NDF
	Cheques	Consumer Loans	SWIFT	Nostro Recs	Multi Language	Database Mgt	DataWarehouse
	Standing Orders	Direct Debits	MI/Profitability	General Ledger	Limits	Collateral	
	OLTP Data Store			OLAP Data Store (Data Warehouse)			

# TEMENOS OPERATES IN A GROWTH MARKET...



## MARKET TRENDS

### Spend on third party software growing much faster than internal development...



Source: Gartner Group, Temenos estimates

\*Includes in-house maintenance, development and implementation

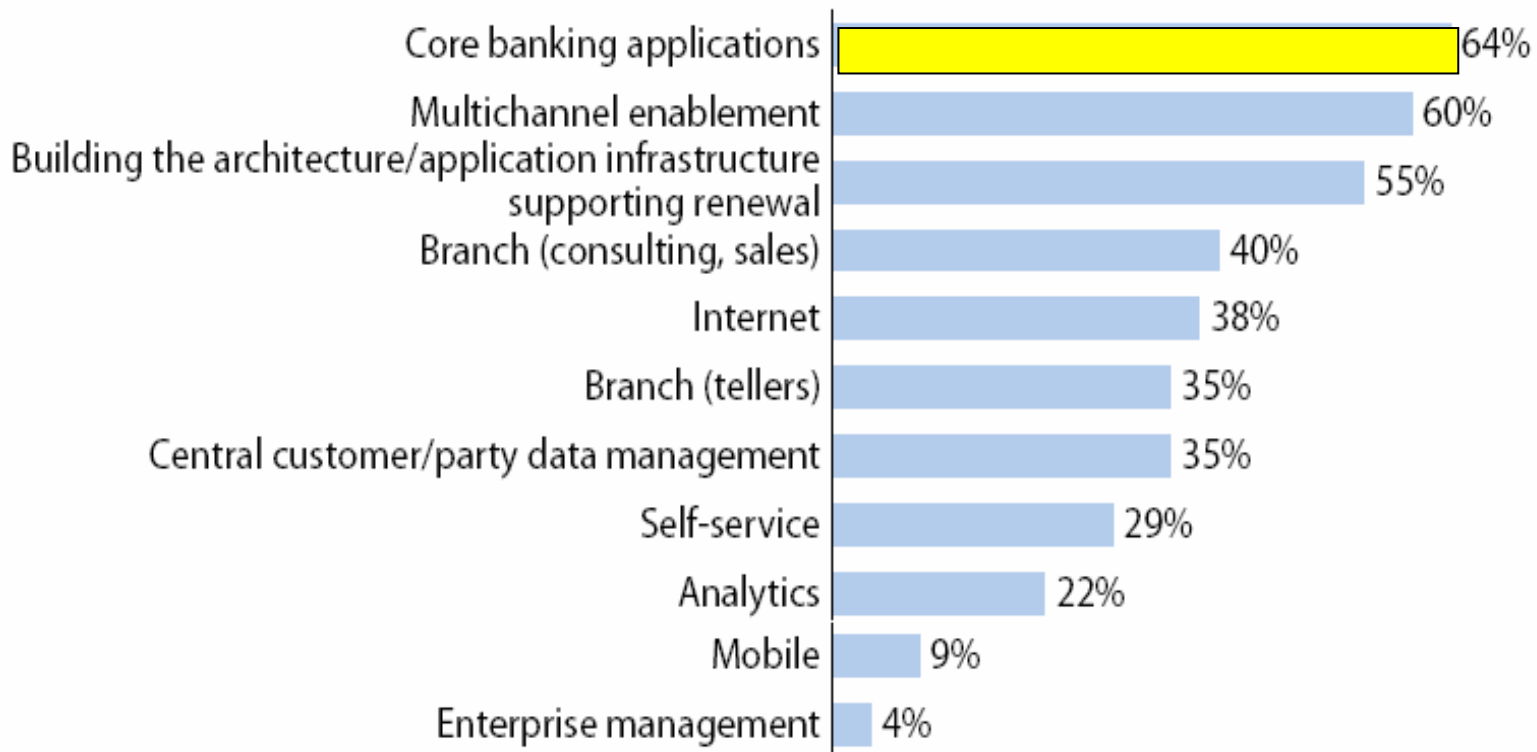
\*\*Includes licence and maintenance only

- Third-party software gaining bigger proportion of banks' software budget
- **External software** spending growing at **9% CAGR** vs. **1% CAGR** for internal spending
- Budget shift towards external software driven by replacement of legacy systems
- Systems replacement/transformation essential for **compliance** and **competitive** needs

## MARKET TRENDS

... and industry analysts believe core banking system is top IT priority for banks

**“Which will be the initial focal points of your financial services platform?”**



Source: European Financial Services Architecture Strategy Survey 2007

Source: Forrester Research, Inc.

**...BUT TEMENOS' EARNINGS  
WILL GROW FASTER THAN  
MARKET**



## GROWING SALES COVERAGE



- A key growth driver remains the growth in sales coverage
- Temenos now operates from **43 offices** in **33 countries**
- This gives us the broadest reach among our peers and creates a significant **barrier to entry**

# ARC

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## What is it?

- Suite of front-office functionality
- Encompassing CRM, workflow processing, multi-channel banking
- Interfaces directly with T24 (same platform, same database)

## What is the potential?

- ARC has so far been sold to 16 clients (7 clients in Q3)
- Longer term, we believe that ARC has the potential to generate the same levels of revenue as T24

## METAVANTE AGREEMENT

- ⇒ **Agreement**
  - Metavante will distribute and install TCB in the US
  - Temenos will receive royalties on all revenue
  - minimum contractual revenue of USD102m (2007- 2012)
  
- ⇒ **Product**
  - companies will jointly develop version of TCB for US market
  - componentised, deployable in Java and COBOL
  
- ⇒ **Potential**
  - US banks behind European counterparts
  - Metavante has relationship with 92 of top 100 US banks
  - Metavante has wide distribution network
  - Metavante further incentivised through warrants (see appendix) to achieve upside potential

- US Distribution agreement for TCB
- USD102m minimum revenue

# MISYS REPLACEMENT PROGRAMME

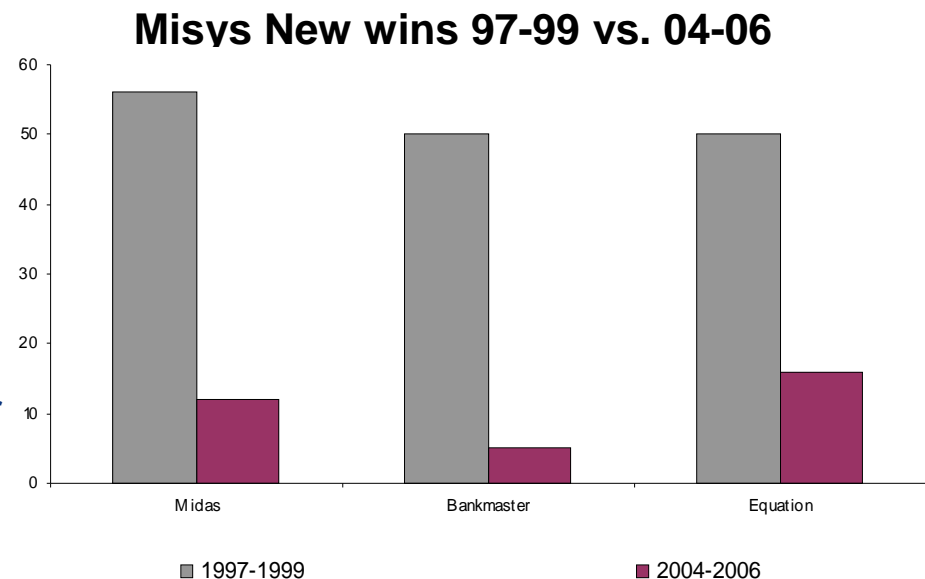
## What is it?

- a low risk, cost-efficient and fast-track upgrade path to T24 for existing Misys users
- Initially launched for Equation users, now available for Midas users.

## What is the potential?

So far in 2007, 4 customers have migrated and target for year is 8. But:

- Misys has large installed base
- Migrations to date highly successful
- Misys is no longer offering functional upgrades
- A large number of Misys customer face 10-year licence renewals over next couple of years



Source: IBS Journal

## ACTIS.BSP/ GERMAN MARKET

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### Our target:

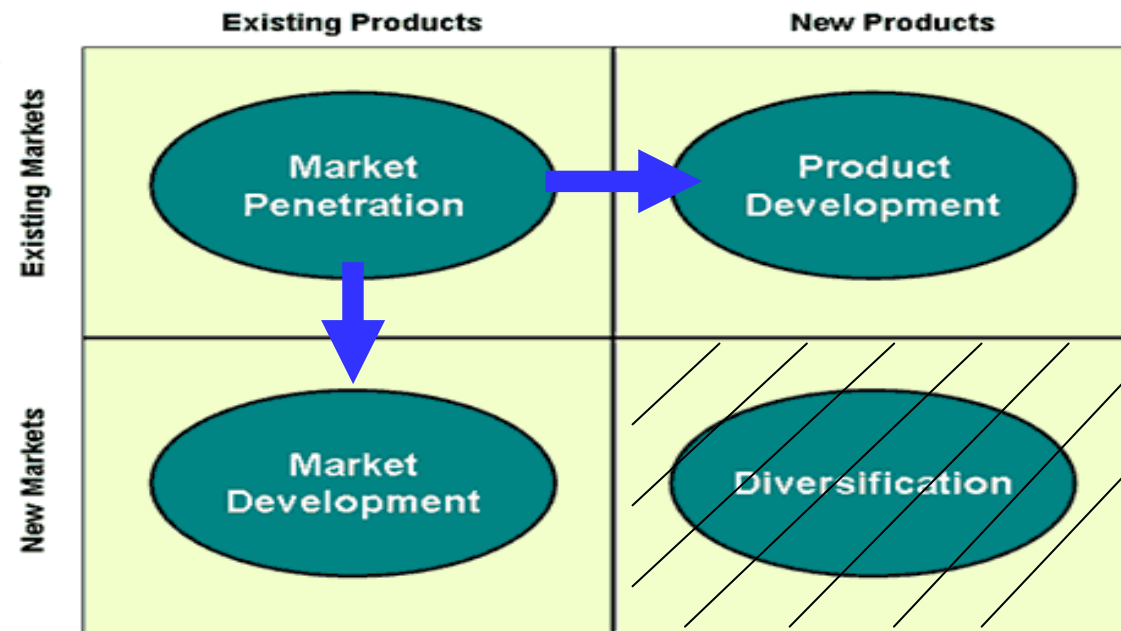
- To double existing client base over 3-5yrs
- EBITDA USD11m by 2011

### Our progress:

- **2 T24 deals** in Germany by end of 2007
- Our business case assumed a first T24 deal in 2008
- Actis clients happy to upgrade to T24 over time – licence upside and no risk of attrition

## ACQUISITION UPDATE

- To complement accelerating organic growth model to achieve leadership in growing market. Targeting companies with revenues of USD20-50m to:
  - Strengthen delivery capability and distribution in key markets
  - Acquire client base
  - Enhance product



- We have already compiled a shortlist of companies representing a good fit

## SERVICES UPDATE

### IMPROVING SALES AND MARGINS

- **New Head of Services**
  - Introducing tighter KPIs, processes and project execution
- **Model Bank**
  - Used in projects from Q4 2006 onwards
  - Proven to shorten implementation timeframes by 50%.
- **TEMENOS Application Management**
  - Up to 40% of 2007 services profit growth to come from Application Management

#### Q3 2007:

- Revenue up by 37% yoy; by 48% on LTM basis
- Margin at 8% (up from 3% in prior year)

Margin expectation of **10-15%** for **2008** (unchanged).

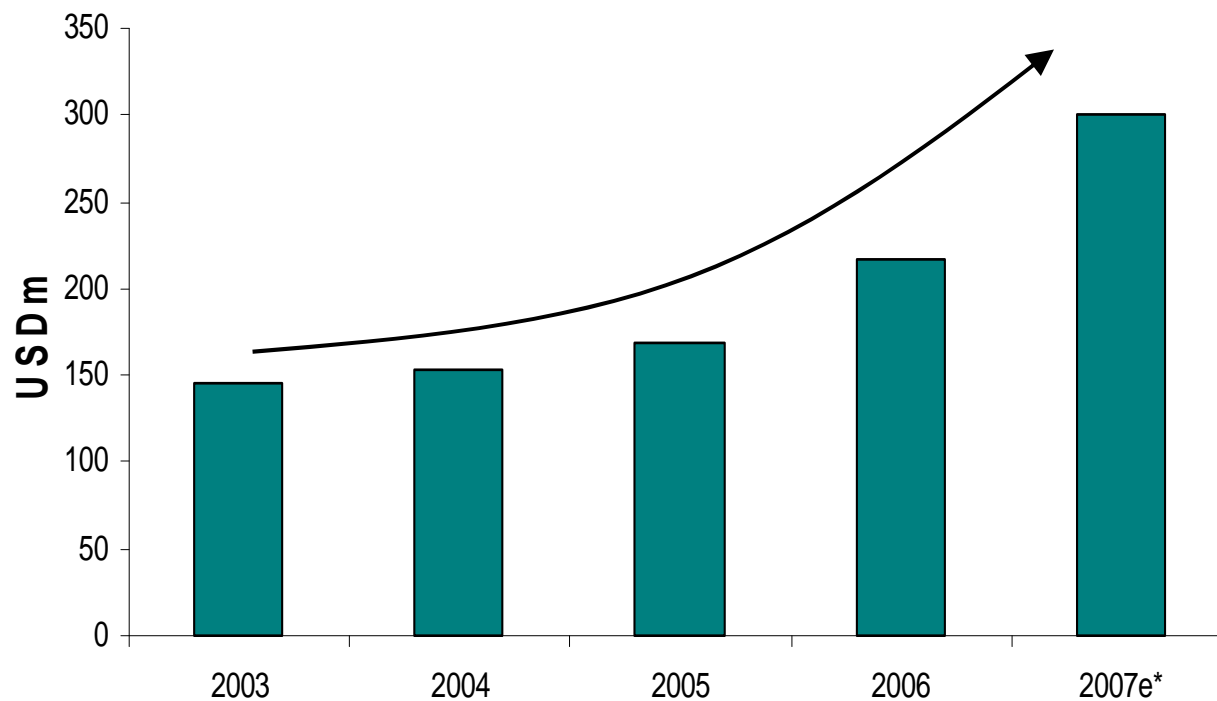
# OUR RECENT SUCCESS



## ACCELERATING REVENUE GROWTH

- ⇒ Larger average deal size
- ⇒ Better sales coverage and execution
- ⇒ Growing market share

2003-2007\*  
 Sales +105%  
 CAGR 20%



\*Based on 2007 company guidance

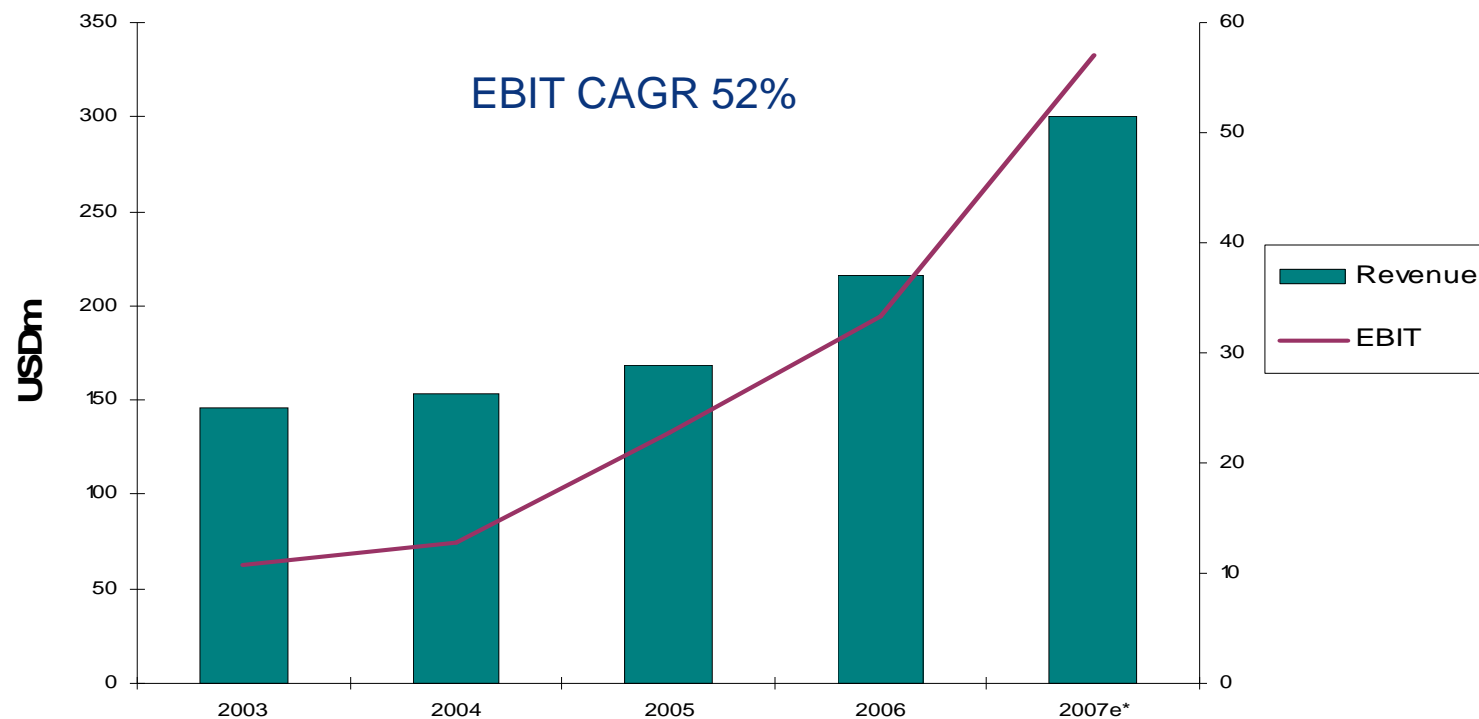
## EVEN FASTER GROWTH IN EBIT

- ⇒ Protecting increases in maintenance
- ⇒ Improving services margins through model bank, etc
- ⇒ More cross-selling
- ⇒ Exploiting economies of scale

2003-2007\*

Sales +105%

EBIT +432%



\*Based on 2007 company guidance

# THE NEXT TWO YEARS



## THE NEXT 2 YEARS – OUR STRATEGIC PLAN

### **CONTINUED STRONG REVENUE GROWTH OFF A HIGHER BASE...**

20 - 25% organic revenue growth p.a for 2008 and 2009

### **... PLUS MARGIN EXPANSION**

2% to 3% margin improvement each year through:

- increasing cumulative maintenance at an accelerated growth rate
- leveraging the significant TCB investment we have already made
- improving services margin
- growing our US revenue mix
- G&A and infrastructure economies of scale

**SIGNIFICANT  
AND  
SUSTAINED  
EPS GROWTH**

## THE NEXT 2 YEARS – OUR STRATEGIC PLAN

### **CONTINUED STRONG CASH CONVERSION...**

We expect to convert **75% of EBITDA** into cash in 2008

### **... PLUS STOCK BUY BACKS TO LIMIT DILUTION**

We will continue to use free cash flow to buy back shares.

This way we can limit stock option dilution to 3% of net earnings

**SIGNIFICANT  
AND  
SUSTAINED  
VALUE  
CREATION**



# APPENDICES

## 2007 OUTLOOK

	Previous	Update	Revised	yoy $\Delta$
Licences	125-130	10	135-140	38%-43%
Revenue	300	10-15	310-315	43%-46%
Costs	(243)	(8-13)	(256)	
EBIT	57	2	59	77%
EBIT margin	19%		19%	400bps
Adjusted EPS*	0.89	3 cents	0.92	61%

We have increased our 2007 outlook to reflect:

- Q3 Outperformance
- Better visibility
- Investment to prepare business for 2008

\*Adjusted for amortisation of acquired intangibles

All nos. in USDm, except EPS USD

## EFFECTIVE TAX RATE

- Temenos has significant unrecognised deferred tax assets (DTAs). These arise from:
  - **losses carried forward**
  - **agreement reached with the Swiss authorities in 2005 to repatriate the group's IP to Switzerland.**

US\$ m.	Total DTA	of which:	
		recognised	unrecognised
Deferred tax asset arising from:			
Loss carryforwards	<b>35.8</b>	1.5	34.3
Swiss IP repatriation agreements	<b>47.8</b>	3.9	43.9
	<b>83.6</b>	<b>5.4</b>	<b>78.2</b>
		6%	94%

- Unrecognised deferred tax assets become recognisable as we continue to demonstrate sustained profitability
- For roughly next 5 years, we expect to be able to reduce the group tax rate to **zero** by offsetting DTAs against the yearly tax charges.
- Thereafter, we expect a tax rate of around 11%

# METAVANTE AGREEMENT

## Potentially exercisable warrants (2007-12)

Cumulative Revenue target -Temenos	Cumulative warrants exercisable*
USD128m	1m
USD145m	2m
USD195m	2.5m

\*At CHF19.9