



# Financial Results & Business Review

Quarter ended March 31st, 2004

- 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 April 28th, 2004. 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 April 28th, 2004.

## Agenda

## Speaker

## Position

Introduction

Max Chuard

Director

Business Update

Andreas Andreades

CEO

Financial results

David Arnott

CFO

Q&A

All



Business Update  
Andreas Andreades  
CEO

- Initial Licence Fee (ILF) signings for the quarter amounted to USD 15.7 million, an increase of USD 91.5% compared to the same period last year.
- During the quarter our revenues have grown 20.7% compared to the same period last year at USD 39.7 million compared to USD 32.9 million.
- Operating Costs for the quarter at USD 36.0 million compared to 31.8 million for the same period last year (up 13.2%). When adjusted for foreign exchange the operating costs have increased by 4.4% compared to the same period last year.
- Operating Profit of USD 4.7 million for the quarter compared to USD 1.1 million for the same period last year (+345.2%). EBITDA of USD 8.0 million for the quarter compared to USD 4.9 million for the same period last year (+61.7%).
- Net Profit of USD 4.1 million for the quarter compared to USD 1.2 million for the same period last year (+248.6%). Earnings Per Share for the quarter of USD 0.07 per share compared to USD 0.02 per share for the same period last year.
- Operating cash outflows of USD 1.4 million for the quarter compared to operating cash outflows of USD 3.4 million for the same period last year.
- Available cash for the quarter increased to USD 51.2 million compared to USD 25.0 million for the same period last year.

- We continue to see increased deal flows in Europe in all regions both for TEMENOS T24 and TEMENOS Corebanking.
- We continue to see strong demand in retail banking where we continue to gain market share in line with our plan.
- We have already signed USD 5.0 million of new licences in Q2 which put us in an excellent position to reach our Q2 ILF target of USD 16.0 million and our half year target of USD 31.7 million (which itself is 42.8% higher than last year). We maintain our full year ILF target of 68.0 million (+ 33.3% year on year)
- We continue to win the significant majority of deals in which we compete

The following new deals were signed during the quarter:

- Bank for Agriculture and Agricultural Cooperatives (BAAC) in Thailand with IBM and Thai Equipment Research
- Anglo Irish Bank Corporation in the UK and Ireland
- Overseas Private Investment Corp. in the US
- Banque de France in France
- Another significant Tier 1 Bank (as yet undisclosable)



Financial Results  
David Arnott  
CFO

## **Revenue**

- Licence revenues at USD 17.4 million for the quarter, up 40.9% compared to the same period last year
- Total revenues at USD 39.7 million for the quarter, up 20.7% compared to the same period last year

## **Operating Costs**

- Operating costs at USD 36.0 million up 13.2% on prior year

## **Cash Costs**

- Cash costs at USD 32.8 million up 17.1% on prior year

## **Operating profit**

- Operating profit, at USD 4.7 million for the quarter, compares to a USD 1.1 million for the same period last year

## **EBITDA**

- EBITDA at USD 8.0 million for the quarter compared to USD 4.9 million for the same period last year

## **Net Earnings**

- Net Earnings at USD 4.1 million for the quarter compared to USD 1.2 million for the same period last year

## **Earnings Per Share**

- Fully diluted EPS for the quarter of USD 0.07 per share compared to USD 0.02 per share for the same period last year

# Profit & Loss

USD million	Quarter ended March 31			Quarter ended Dec 31	
	2004	2003	<i>Growth</i>	2003	<i>Growth</i>
<b>Revenues</b>					
Licensing	17.4	12.4	40.9%	16.8	4.0%
Maintenance	8.9	7.3	21.5%	8.6	2.9%
Services	13.4	13.2	1.3%	13.5	(0.7)%
<b>Total Revenues</b>	<b>39.7</b>	<b>32.9</b>	<b>20.7%</b>	<b>38.9</b>	<b>2.1%</b>
<b>Expenses</b>					
Cost of Licences	1.9	1.0	88.0%	1.5	30.0%
Services	11.7	11.1	5.2%	13.3	(12.1)%
Software development	8.4	8.0	4.4%	6.4	30.4%
Sales and marketing	6.6	5.8	13.9%	6.0	10.3%
General and admin.	7.0	5.5	28.3%	6.7	5.0%
Amortisation of goodwill	0.4	0.4	3.5%	0.4	6.2%
<b>Total</b>	<b>36.0</b>	<b>31.8</b>	<b>13.2%</b>	<b>34.3</b>	<b>5.1%</b>
<b>Other operating income</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating profit</b>	<b>4.7</b>	<b>1.1</b>	<b>345.2%</b>	<b>4.6</b>	<b>2.2%</b>
<b>EBITDA</b>	<b>8.0</b>	<b>4.9</b>	<b>61.7%</b>	<b>7.4</b>	<b>7.4%</b>
<b>Net profit</b>	<b>4.1</b>	<b>1.2</b>	<b>248.6%</b>	<b>5.1</b>	<b>(18.8)%</b>

# Currency Movements

USD millions	Q1 2004	Q1 2003	%
Revenue – as reported	39.7	32.9	20.7%
Currency impact		1.2	
<b>Revenue Adjusted for FX</b>	<b>39.7</b>	<b>34.1</b>	<b>16.4%</b>
Operating Expenses			
– as reported	36.0	31.8	13.2%
Currency impact		2.7	
<b>Operating Expenses Adjusted for FX</b>	<b>36.0</b>	<b>34.5</b>	<b>4.3%</b>
<b>Net Currency impact</b>		<b>(1.5)</b>	

- Structural match improving. We expect less than 20% net exposure in 2005
- For 2004, 90% of our residual exposure, relative to our budget rates, is covered by hedging instruments

# Cash Cost

USD million	Q1 2004	Q4 2003	Q1 2003
Total Cost- As reported	36.0	34.3	31.8
Capitalised development	0.7	1.1	0.7
Depreciation & Amortisation	(3.3)	(2.8)	(3.9)
<b>Total Cash Cost</b>	<b>33.4</b>	<b>32.6</b>	<b>28.6</b>
Foreign Exchange Impact*	n/a	0.7	2.7
<b>Total Cash Cost Adjusted for FX</b>	<b>33.4</b>	<b>33.3</b>	<b>31.3</b>

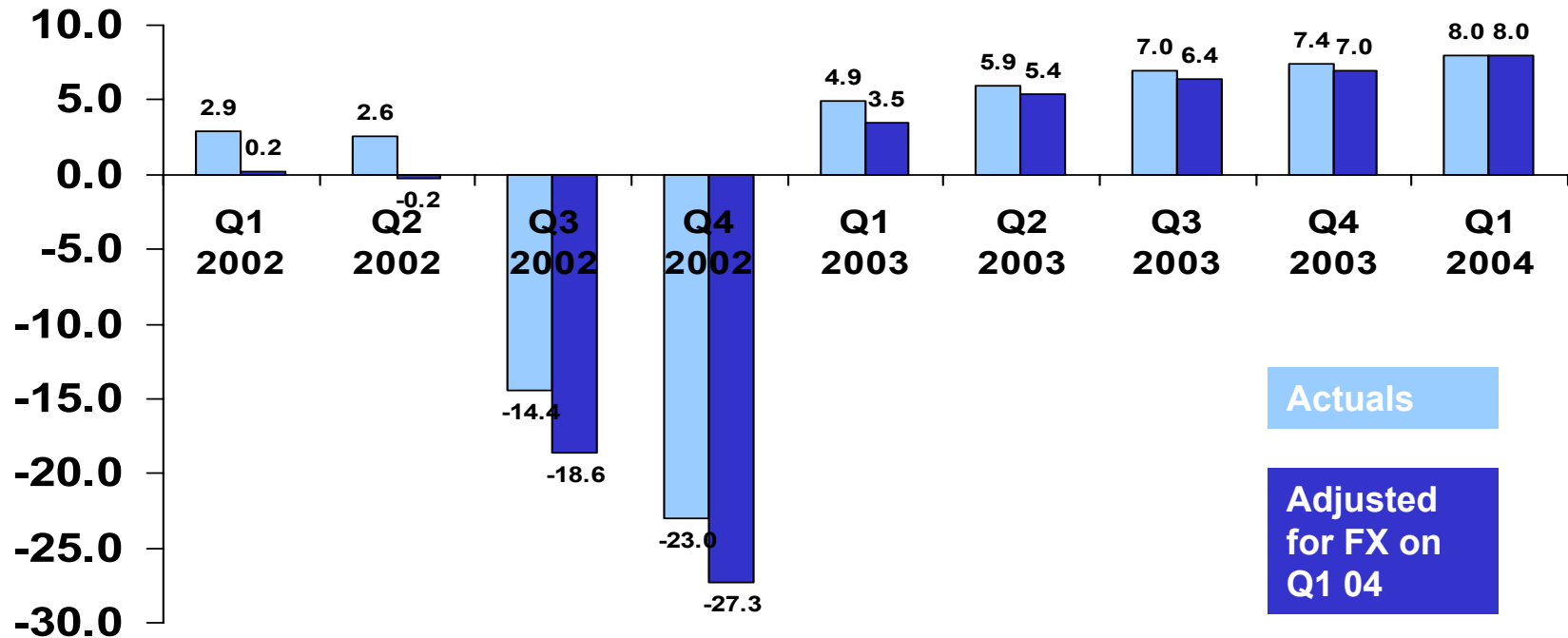
\* Adjustment to Q1 2004 rate

USD million	Q1 2004	Q4 2003	Q1 2003
EBIT- As reported	4.7	4.6	1.1
Depreciation & Amortisation	3.3	2.8	3.8
<b>EBITDA</b>	<b>8.0</b>	<b>7.4</b>	<b>4.9</b>
Foreign Exchange Adjustment *	n/a	(0.4)	(1.5)
<b>EBITDA Adjusted for FX</b>	<b>8.0</b>	<b>7.0</b>	<b>3.4</b>
* Adjustment to Q1 2004 rate			

# EBITDA (cont.)

USD million

## Quarterly EBITDA



- TEMENOS has generated USD 8.0 million of EBITDA for the quarter compared to USD 4.9 million for the same period last year

# Balance Sheet

USD million	March 2004	Dec 2003	March 2003	Dec 2002
Receivables	34.4	39.7	37.9	20.5
Accrued revenue	35.8	31.0	22.0	20.3
Less Deferred revenue	<u>(31.1)</u>	<u>(35.9)</u>	<u>(33.3)</u>	<u>(22.2)</u>
<b>Net</b>	<b>39.1</b>	<b>34.8</b>	<b>26.6</b>	<b>18.6</b>
Cash	26.2	31.7	17.5	24.0
Unutilised facility / debt	25.0	15.0	15.0	15.0
Less Debt	<u>(0.0)</u>	<u>(5.0)</u>	<u>(7.5)</u>	<u>(5.0)</u>
<b>Available Cash</b>	<b>51.2</b>	<b>41.7</b>	<b>25.0</b>	<b>34.0</b>

- In February 2004 we renegotiated a US\$25m working capital facility, and repaid the remaining US\$5million of debt

# Q1 2004 Cash flow

US\$ million	Qtr ended March 31st		
	2004	2003	Last 12months
<b>Cash at beginning of period</b>	<b>31.7</b>	<b>24.0</b>	<b>17.5</b>
Operating cash flow	(1.4)	(3.4)	18.4
Capital spending	(0.8)	(2.8)	(3.9)
Debt repayment	(5.0)	(0.0)	(10.0)
Other (Financing costs, FX impact, and minority interest etc)	1.7	(0.3)	4.2
<b>Cash at end of period</b>	<b>26.2</b>	<b>17.5</b>	<b>26.2</b>

# Operating Cash Flows

USD million	Q1 2004	Q1 2003	Last 12 months
Profit before Taxation	4.4	1.3	15.8
Working Capital changes	(9.4)	(8.4)	(10.6)
Depreciation & Amortisation	3.3	3.9	13.8
Other (FX, etc)	0.3	(0.2)	(0.6)
<b>Operating Cash Flows</b>	<b>(1.4)</b>	<b>(3.4)</b>	<b>18.4</b>

- We are operating cash flow positive for the last 12 months, generating USD 18.4 million of operating cashflows.

# Quarterly Operating Cashflows

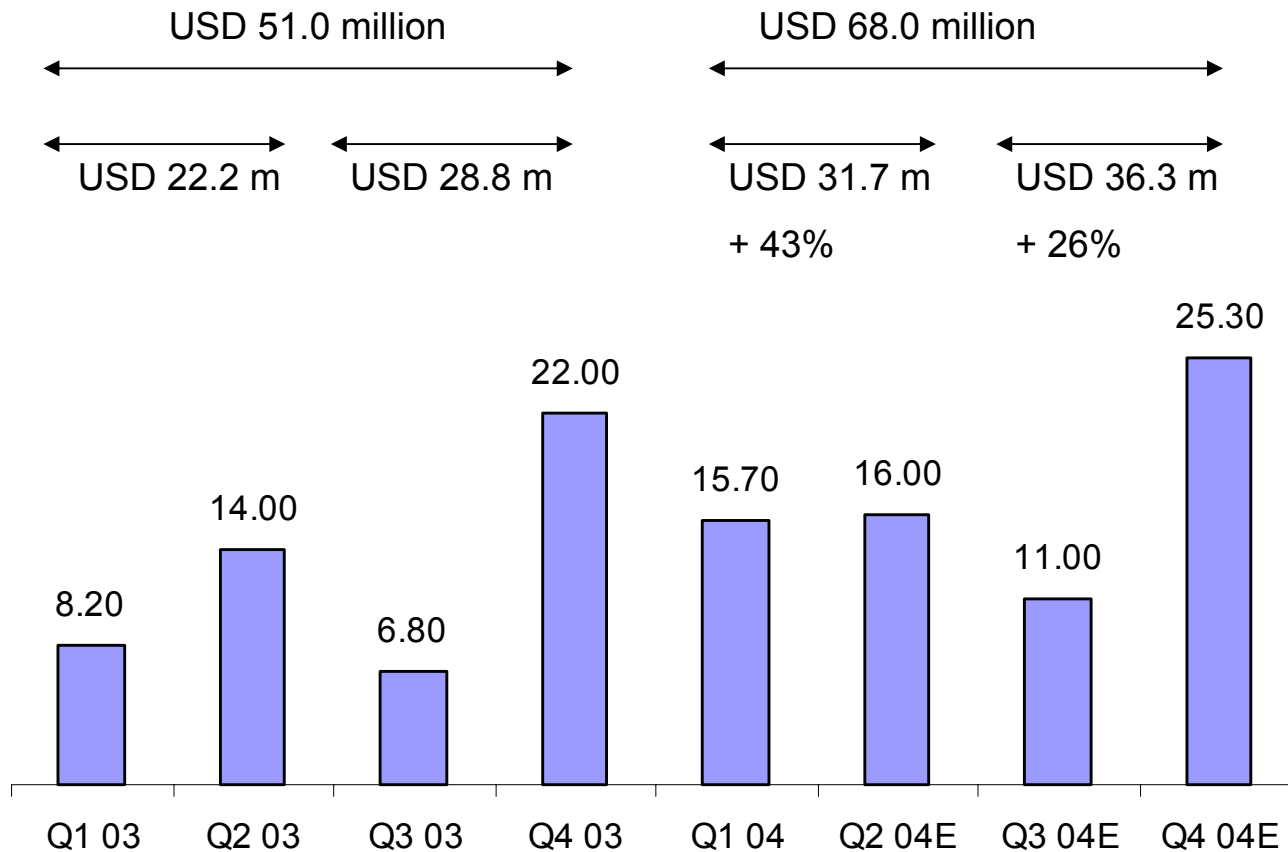
Quarter	Amount
Q1 2004	(1.4)
Q2 2004	
Q3 2004	
Q4 2004	
<b>TOTAL</b>	

Quarter	Amount
Q1 2003	(3.4)
Q2 2003	8.3
Q3 2003	(1.4)
Q4 2003	12.9
<b>TOTAL</b>	<b>16.4</b>

Quarter	Amount
Q1 2002	(4.5)
Q2 2002	4.1
Q3 2002	(12.8)
Q4 2002	8.4
<b>TOTAL</b>	<b>(4.8)</b>

- Operating cashflow on target reflecting seasonality within the year. We are on course to achieve our target of USD 20 million operating cashflow generation for 2004.

# TEMENOS Signings targets



USD million	Start of the Year	Movement	End of the Year
<b>Previous Gross Revenue Guidance</b>	<b>150.0 – 160.0</b>		
<b>based on USD 51.0 million ILF signings</b>			
Revenue upside due to higher ILF signings		+ 6.0	
Foreign Exchange		+ 2.0	
<b>New Gross Revenue Guidance</b>			<b>158.0 – 168.0</b>
<b>based on USD 60.0 million ILF signings</b>			
<b>Previous Operating Profit Guidance</b>	<b>15.0 – 20.0</b>		
Revenue upside due to higher ILF signings		+5.0	
Foreign Exchange		-1.0	
Additional costs in line with revised 2005 target		-2.0	
<b>New Operating Profit Guidance</b>			<b>17.0 – 22.0</b>
<b>EBITDA Guidance</b>	<b>30.0 – 35.0</b>	<b>+2.0</b>	<b>32.0 – 37.0</b>
<b>EPS Guidance (USD per share)</b>	<b>0.23 – 0.29</b>	<b>+0.03</b>	<b>0.26 – 0.32</b>

# TEMENOS 2004 Operating Costs Run Rate



Guidance (USD million)	Implied Guidance	Expectations
<b>Previous Implied Cost Guidance</b>	<b>130.0 – 145.0</b>	<b>139.0</b>
Forex		+ 3.0
Additional Costs in line with revised 2005 target		+ 2.0
<b>New Implied Cost Guidance</b>	<b>136.0 – 151.0</b>	<b>144.0</b>

USD million	Q1 04	Assumption	FY04 Run Rate
<b>Operating Costs</b>	<b>36.0</b>	<b>4 x 36.0</b>	<b>144.0</b>

## 2004

- We target revenues for 2004, gross of third party licence, in the range of USD 158 million to USD 168 million.
- We target to deliver an EBITDA in the range of USD 32-37 million in 2004 and an EBIT in the range of USD 17-22 million in 2004.
- We target to deliver EPS of USD 0.26 –0.32 per share.

# Additional slides

USD million	Q1 2004	Q4 2003	Q1 2003
Revenues	13.4	13.5	13.2
FX Adjustment	n/a	0.1	0.5
<b>Adjusted revenues</b>	<b>13.4</b>	<b>13.6</b>	<b>13.7</b>
Costs	11.7	13.3	11.1
FX Adjustment	n/a	0.2	0.9
<b>Adjusted costs</b>	<b>11.7</b>	<b>13.5</b>	<b>12.0</b>
<b>Adjusted Margin</b>	<b>1.7</b>	<b>0.1</b>	<b>1.7</b>
Adjusted Margin (%)	12.7%	0.1%	12.4%

- Services margin reflects seasonality and project phasing

# Research & Development

USD million	Q1 2004	Q4 2003	Q1 2003
R&D costs – As reported	8.4	6.4	8.0
FX Adjustment	n/a	0.3	0.8
<b>Adjusted R&amp;D costs</b>	<b>8.4</b>	<b>6.7</b>	<b>8.8</b>
Capitalised Development costs	0.7	1.1	0.7
Non Cash items	<u>(2.2)</u>	<u>(1.5)</u>	<u>(2.6)</u>
<b>Cash R&amp;D costs</b>	<b>6.8</b>	<b>6.3</b>	<b>6.9</b>
Less: Funded development	<u>(0.5)</u>	<u>(1.2)</u>	<u>(1.6)</u>
	<b>6.3</b>	<b>5.1</b>	<b>5.3</b>
<i>T24</i>	71%	70%	80%
<i>Corebanking</i>	29%	30%	20%

USD million	Q1 2004	Q4 2003	Q1 2003
S & M costs – As reported	6.6	6.0	5.8
FX Adjustment	<u>n/a</u>	<u>0.1</u>	<u>0.5</u>
	<b>6.6</b>	<b>6.1</b>	<b>6.3</b>

- Quarter on quarter impacted by seasonality and investment in new territories

USD million	Q1 2004	Q4 2003	Q1 2003
G&A costs – As reported	7.0	6.7	5.5
FX Adjustment	<u>n/a</u>	<u>0.1</u>	<u>0.4</u>
	<b>7.0</b>	<b>6.8</b>	<b>5.9</b>

- We have largely absorbed growth led investment initiatives within the existing cost base