



# Financial Results & Business Review

Quarter and Half year ended June 30th, 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 July 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 July 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

# Business Update at the half year stage

- Growing Initial Licence Fee (ILF) signings for the half year at USD 31.9m (2003: USD 22.2m) up 44%. On track to deliver on our full year target of USD 68.0 m (2003: USD 51.0m) up 33%
  - Growth in Retail, Universal banking and Private banking and accross both T24 and Corebanking, Gaining market share
  - Growth across all regions, with Asia Pacific and Europe leading the way
  - Median ILF Deal size at USD 2.6m (2003: USD 1.7m)
- Growing revenues at USD 77m (2003: USD 69.5m) up 11%:
  - Growing Licencing up 18%
  - Growing Maintenance up 21%
  - Services at 34% (2003:38%) of total revenues compared to target model of 30 – 35%, down 2%
- Operating Costs well leveraged at 69.8m (2003: 66.4 m) up 5%
- Operating Profit at USD 8.1m (2003: USD 3.m) up 164%
- EBITDA at USD 15.0m (2003: USD 10.8m) up 39%
- Available cash at USD 50.3m (2003: USD 30.7m)

The following new deals were signed during the first 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 U.S.
- Banque de France in France
- Another significant Tier 1 Bank (as yet undisclosable)

And the following during the second quarter:

- Sacombank in Vietnam
- United Nations Federal Credit Union (UNFCU) in the U.S.
- Raiffeisen Krekova Bana d.d. in Slovenia
- Joint Stock Commercial Bank for Social Development « Ukrsootsbank » in Ukraine
- Bank Botswana in Botswana

- We continue to see strong demand in Q3 where we target ILF at USD 11.0 million up 62% compared to last year and bringing nine months ILF at USD 42.9 million compared to USD 29.0 million for the same period last year (+47.9%). We maintain our full year ILF target at 68.0 million (+ 33.3% year on year)
- Our Corebanking pipeline is strong and we target closing 2-3 deals in the next 12 months and for the year 2005 we target one Corebanking deal per quarter
- We continue to win the significant majority of deals in which we compete and we are gaining market share especially in the retail banking segment



# Financial Results

## David Arnott

### CFO

## Revenue

- Revenues at USD 37.3 million for the quarter, up 1.9% compared to the same period last year
- Revenues at USD 77.0 million for the half year compared to USD 69.5 million for the same period last year, up 10.8%

## Operating costs

- Operating costs at USD 33.8 million for the quarter, down 2.1% on prior year
- Operating costs at USD 69.8 million for the half year compared to USD 66.4 million on prior year, up 5.2%

## Cash costs

- Cash costs at USD 31.4 million for the quarter compared to USD 31.2 million on prior year
- Cash costs at USD 64.8 million for the half year compared to USD 60.0 million on prior year

## **EBITDA**

- EBITDA at USD 7.0 million for the quarter compared to USD 5.9 million for the same period last year, up 20.0%
- EBITDA at USD 15.0 million for the first half year compared to USD 10.8 million for the same period last year, up 39.1%

## **Operating Profit**

- EBIT at USD 3.5 million for the quarter compared to USD 2.0 million for the same period last year, up 70.6%
- EBIT at USD 8.1 million for the first half year compared to USD 3.1 million for the same period last year, up 164.4%

## **Net Earnings**

- Net Earnings at USD 3.0 million for the quarter compared to USD 1.8 million for the same period last year, up 73.1%
- Net Earnings at USD 7.2 million for the half year compared to USD 2.9 million for the same period last year, up 143.7%

## **Earnings Per Share**

- Fully diluted EPS for the quarter of USD 0.05 per share compared to USD 0.03 per share for the same period last year
- Fully diluted EPS for the half year of USD 0.12 per share compared to USD 0.05 per share for the same period last year

# Profit & Loss

USD million

Quarter ended June 30th

Quarter ended Mar 31st

	2004	2003	<i>Growth</i>	2004	<i>Growth</i>
<b>Revenues</b>					
Licensing	15.2	15.4	(0.9)%	17.4	(12.7)%
Maintenance	9.4	7.9	19.6%	8.9	5.9%
Services	12.6	13.3	(5.2)%	13.4	(5.7)%
<b>Total Revenues</b>	<b>37.3</b>	<b>36.6</b>	<b>1.9%</b>	<b>39.7</b>	<b>(6.1)%</b>
<b>Expenses</b>					
Cost of Licences	1.0	2.5	(60.8)%	1.9	(49.1)%
Services	11.8	12.5	(5.7)%	11.7	0.4%
Software development	7.5	7.6	(1.8)%	8.4	(10.3)%
Sales and marketing	6.8	5.3	28.9%	6.6	3.6%
General and admin.	6.3	6.2	1.3%	7.0	(10.3)%
Amortisation of goodwill	0.4	0.4	3.8%	0.4	0.0%
<b>Total</b>	<b>33.8</b>	<b>34.5</b>	<b>(2.1)%</b>	<b>36.0</b>	<b>(6.2)%</b>
<b>Other operating income</b>	-	-	-	-	-
<b>Operating profit</b>	<b>3.5</b>	<b>2.0</b>	<b>70.6%</b>	<b>4.7</b>	<b>(26.2)%</b>
<b>EBITDA</b>	<b>7.0</b>	<b>5.9</b>	<b>20.0%</b>	<b>8.0</b>	<b>(11.6)%</b>
<b>Net Earnings</b>	<b>3.0</b>	<b>1.8</b>	<b>73.1%</b>	<b>4.1</b>	<b>(26.4)%</b>

# Profit & Loss (Cont.)

USD million

6 months ended June 30th

	2004	2003	% Growth
<b>Revenues</b>			
Licensing	32.7	27.7	17.8%
Maintenance	18.3	15.2	20.5%
Services	26.0	26.5	(2.0)%
<b>Total Revenues</b>	<b>77.0</b>	<b>69.5</b>	<b>10.8%</b>
<b>Expenses</b>			
Cost of Licences	2.9	3.5	(17.6)%
Services	23.5	23.6	(0.6)%
Software development	15.9	15.4	2.8%
Sales and marketing	13.4	11.1	21.1%
General and admin.	13.4	11.7	14.0%
Amortisation of Goodwill	0.9	0.9	3.6%
<b>Total</b>	<b>69.8</b>	<b>66.4</b>	<b>5.2%</b>
<b>Operating profit</b>	<b>8.1</b>	<b>3.1</b>	<b>164.4%</b>
<b>EBITDA</b>	<b>15.0</b>	<b>10.8</b>	<b>39.1%</b>
<b>Net Earnings</b>	<b>7.2</b>	<b>2.9</b>	<b>143.7%</b>

# Currency Movements

USD millions	Q2 2004	Q2 2003	%
Revenue – as reported	37.3	36.6	1.9%
Foreign Exchange Impact *		0.8	
<b>Revenue Adjusted for FX</b>	<b>37.3</b>	<b>37.4</b>	<b>0.3%</b>
Operating Expenses			
– as reported	33.8	34.5	(2.1)%
Foreign Exchange Impact *		1.9	
<b>Operating Expenses Adjusted for FX</b>	<b>33.8</b>	<b>36.4</b>	<b>(7.1)%</b>
<b>Net Currency impact to EBITDA</b>		<b>(1.0)</b>	
EBITDA	<u>7.0</u>	<u>5.8</u>	20.0%
<b>EBITDA Adjusted for FX</b>	<b>7.0</b>	<b>4.8</b>	<b>45.8%</b>

**\* Adjusted to Q2 2004 rate**

- 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

# Currency Movements

USD millions	H1 2004	H1 2003	%
Revenue – as reported	77.0	69.5	10.8%
Foreign Exchange Impact *		1.6	
<b>Revenue Adjusted for FX</b>	<b>77.0</b>	<b>71.1</b>	<b>8.3%</b>
Operating Expenses			
– as reported	69.8	66.4	5.2%
Foreign Exchange Impact *		3.6	
<b>Operating Expenses Adjusted for FX</b>	<b>69.8</b>	<b>70.0</b>	<b>(0.3)%</b>
<b>Net Currency impact to EBITDA</b>		<b>(2.0)</b>	
EBITDA	<u>15.0</u>	<u>10.8</u>	39.1%
<b>EBITDA Adjusted for FX</b>	<b>15.0</b>	<b>8.8</b>	<b>70.5%</b>

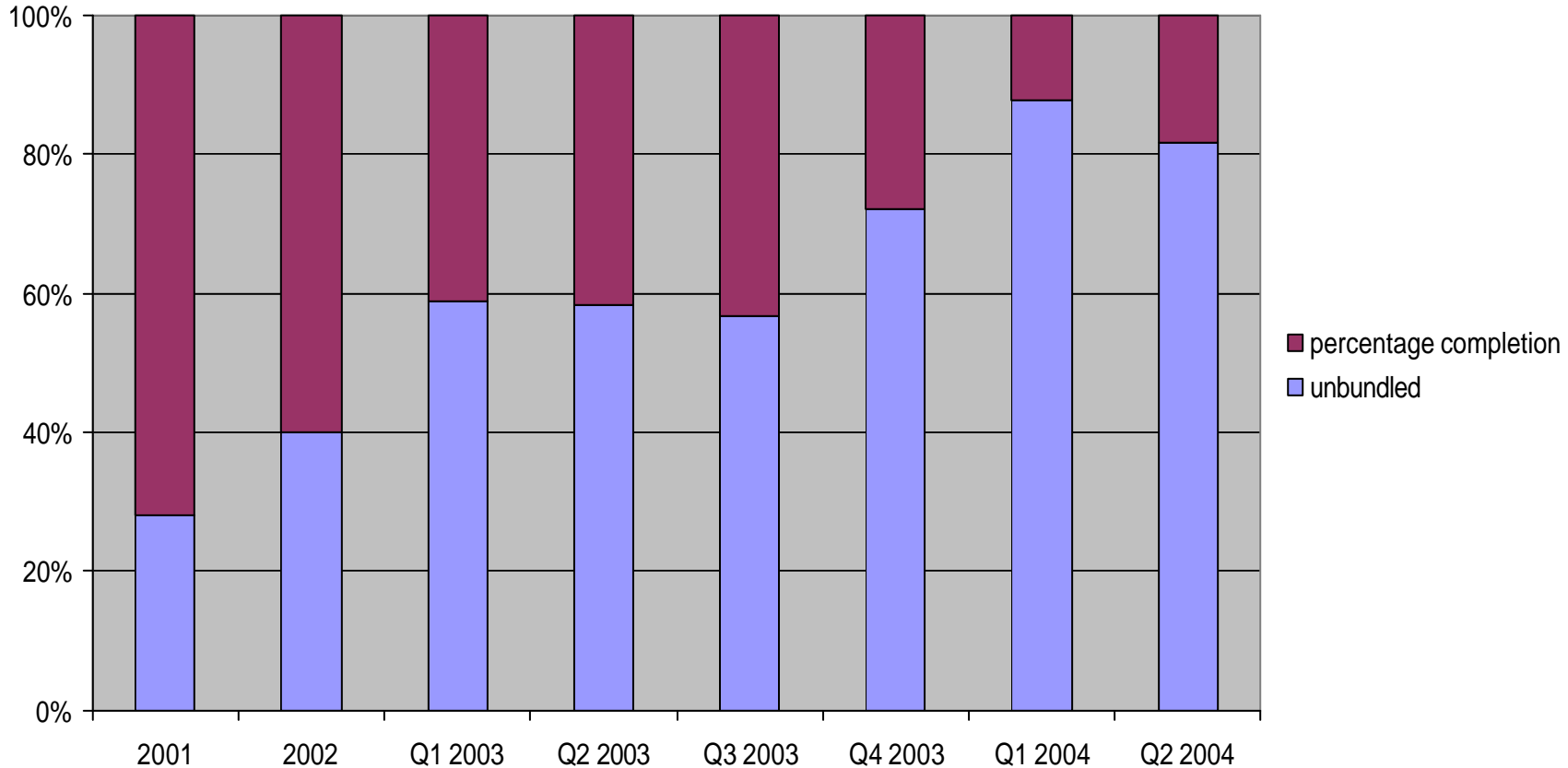
**\* Adjusted to H1 2004 rate**

- 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

USD million	Q2 2004	Q1 2004	Q2 2003
Total Cost- As reported	33.8	36.0	34.5
Capitalised development	1.2	0.7	0.6
Depreciation & Amortisation	(3.6)	(3.3)	(3.8)
<b>Total Cash Cost</b>	<b>31.4</b>	<b>33.4</b>	<b>31.2</b>
Foreign Exchange Impact*	n/a	0.9	1.8
<b>Total Cash Cost Adjusted for FX</b>	<b>31.4</b>	<b>34.3</b>	<b>33.0</b>

\* Adjusted to Q2 2004 rate

# Licencing Revenue Recognition



Matured product offering and business model as well as more use of third partners enables us to recognise revenues more on a milestone basis rather than percentage of completion

USD million	H1 2004	H1 2003	Target
Revenues	26.0	26.5	
Costs	23.5	23.6	
FX Adjustment	n/a	(0.6)	
<b>Adjusted Margin</b>	<b>2.5</b>	<b>2.3</b>	
Adjusted Margin (%)*	9.8%	8.8%	15% - 17%
Adjusted Margin (%) **	11.9%	10.2%	
<b>% Services to Total Revenues</b>	<b>33.8%</b>	<b>38.2%</b>	<b>30% - 35%</b>

\*Adjusted to H1 2004 rate

\*\* Adjusted to plan rate

# Balance Sheet

USD million	June 04	Mar 04	Dec 03	Sept 03	June 03	Mar 03
Receivables	34.7	34.4	39.7	35.0	37.9	37.9
Accrued revenue	38.7	35.8	31.0	26.4	27.3	22.0
Less Deferred revenue	<u>(27.9)</u>	<u>(31.1)</u>	<u>(35.9)</u>	<u>(23.9)</u>	<u>(36.5)</u>	<u>(33.3)</u>
<b>Net</b>	<b>45.5</b>	<b>39.1</b>	<b>34.8</b>	<b>37.5</b>	<b>28.7</b>	<b>26.6</b>
Cash	25.3	26.2	31.7	21.7	25.7	17.5
Unutilised facility	25.0	25.0	15.0	15.0	15.0	15.0
Less Debt	<u>(0.0)</u>	<u>(0.0)</u>	<u>(5.0)</u>	<u>(7.5)</u>	<u>(10.0)</u>	<u>(7.5)</u>
<b>Available Cash</b>	<b>50.3</b>	<b>51.2</b>	<b>41.7</b>	<b>29.2</b>	<b>30.7</b>	<b>25.0</b>

- Deferred revenues reflect the seasonality of our maintenance invoicing

# Q2 2004 Cash flow

USD million	Qtr ended June 30th		
	2004	2003	Last 12months
<b>Cash at beginning of period</b>	<b>26.2</b>	<b>17.5</b>	<b>25.7</b>
Operating cash flow	0.3	8.3	10.4
Capital spending	(1.4)	(0.8)	(2.8)
Debt repayment	-	-	(10.0)
Other (Financing costs, FX impact, and minority interest etc)	0.2	0.7	2.0
<b>Cash at end of period</b>	<b>25.3</b>	<b>25.7</b>	<b>25.3</b>

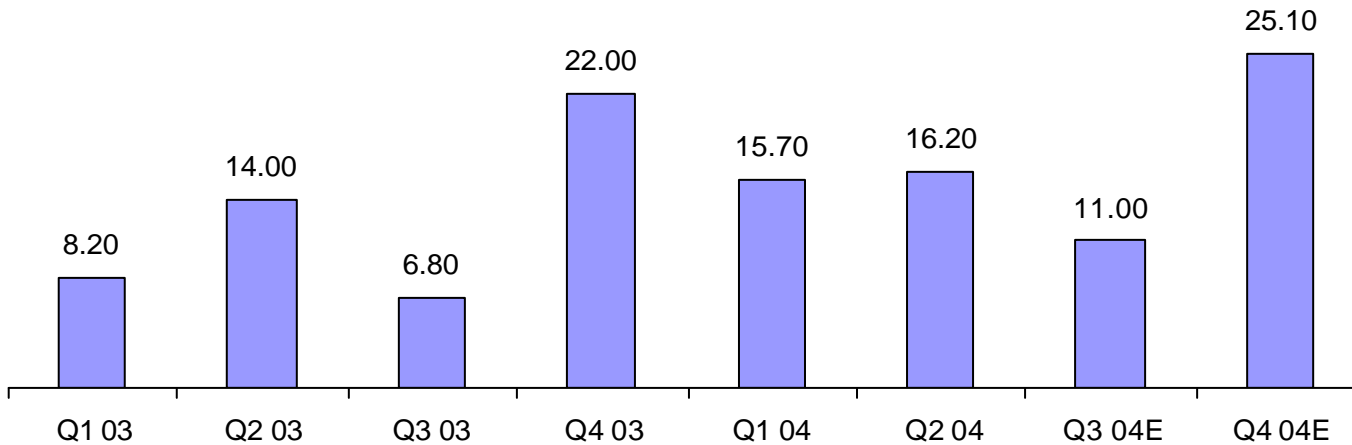
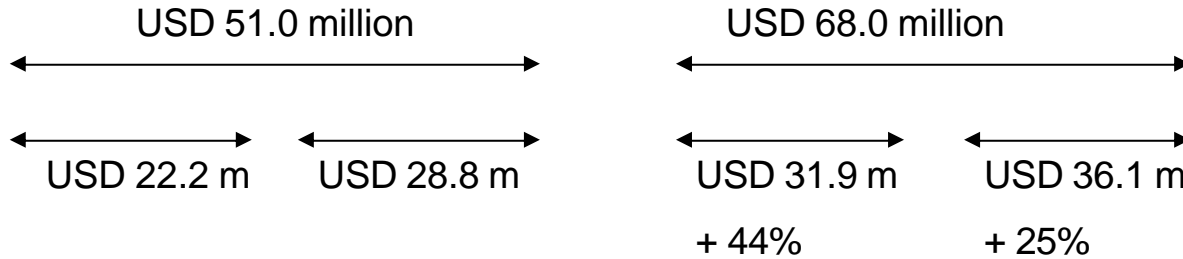
Quarter	Amount
Q1 2004	(1.4)
Q2 2004	0.3
Q3 2004	
Q4 2004	
<b>TOTAL</b>	

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 for the quarter impacted by the timing of cash flows around the end of the quarter
- On target for USD 20 million operating cashflow generation for 2004.

# TEMENOS Signings targets



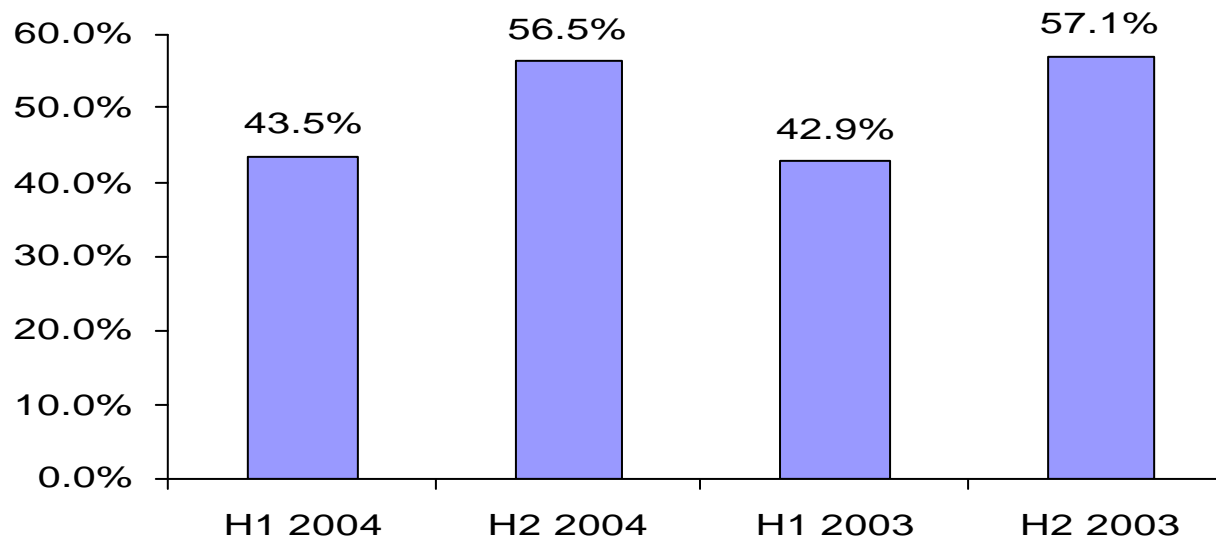
## 2004

- We continue to target revenues for 2004, gross of third party licence, in the range of USD 158 million to USD 168 million.
- We continue to 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 continue to target to deliver EPS of USD 0.26 –0.32 per share.



# EBITDA – Reconciliation to the midpoint of the Guidance

H1 2004	H2 2004	2004	H1 2003	H2 2003	2003
15.0 m	19.5 m	34.5 m	10.8 m	14.4 m	25.2 m
43.5%	56.5%	100.0%	42.9%	57.1%	100.0%



USD million	Q2 2004	Q1 2004	Q2 2003
R&D costs – As reported	7.5	8.4	7.6
FX Adjustment	n/a	(0.1)	0.6
<b>Adjusted R&amp;D costs</b>	<b>7.5</b>	<b>8.3</b>	<b>8.2</b>
Capitalised Development costs	1.2	0.7	0.5
Non Cash items	<u>(2.2)</u>	<u>(2.2)</u>	<u>(2.7)</u>
<b>Cash R&amp;D costs</b>	<b>6.5</b>	<b>6.8</b>	<b>6.0</b>
Less: Funded development	<u>(0.1)</u>	<u>(0.5)</u>	<u>(1.0)</u>
	<b>6.4</b>	<b>6.3</b>	<b>5.0</b>
<i>T24</i>	64%	71%	84%
<i>Corebanking</i>	36%	29%	16%

USD million	Q2 2004	Q1 2004	Q4 2003
S & M costs – As reported	6.8	6.6	5.3
FX Adjustment	<u>n/a</u>	<u>0.0</u>	<u>0.3</u>
	<b>6.8</b>	<b>6.6</b>	<b>5.6</b>

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

USD million	Q2 2004	Q1 2004	Q2 2003
G&A costs – As reported	6.3	7.0	6.2
FX Adjustment	<u>n/a</u>	<u>0.0</u>	<u>0.3</u>
	<b>6.3</b>	<b>7.0</b>	<b>6.5</b>

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