Financial Results & Business Update

Quarter and Half Year ended June 30th, 2005

PRESENTATION OVERVIEW

Agenda	Speaker	Position
Introduction	Max Chuard	Director
Business Update	Andreas Andreades	CEO
Financial Results	David Arnott	CFO

DISCLAIMER

– 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 3rd August 2005. 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 3rd August 2005.

Business Update

Andreas Andreades
CEO

OUR VISION

To become

The leading global brand in financial services software

TEMENOS TODAY

A leading global banking software company

A growing company with a firm foundation and strong financials

Supporting two product lines for core processing:
- T24: Private, Universal, Wholesale, Retail banks
- TCB: Large scale Retail banks

International Client Base
- 400+ institutions, 600+ live locations

Strategic alliances and key business partners

HQ Geneva, global presence through 34 offices

Listed on SWX Exchange (TEMN)

TEMENOS STRATEGY

Create the leading international banking software company

Become the provider of choice for the world's leading banks

Focus on four key banking segments

- **Retail**
- **Universal**
- **Wholesale**
- **Private**

Growth through both controlled acquisitions and organic activities

Strategic partnership approach

Achieve sustainable revenue growth

Create shareholder value

H1 RESULTS – KEY POINTS

- Strong start to the year has continued - excellent sales performance across the Group
  - **T24 ILF signings ahead of target at US$29 million, up 22% on 2004**
  - **Major TCB deal with Global Tier 1 Bank in final contract stage**
- Business model on target:
  - **Like for like T24 licensing up 16%**
  - **Maintenance up 24%**
  - **Services up 8%**
  - **Costs 2.5% below year ago (like for like: 3.5% when adjusted for currency impact)**
- Strengthening markets demonstrated by level of pipeline and conversions

SALES PERFORMANCE

- T24 has reached a 12 month run rate of USD 56 million; higher than full year target of USD 55 million
- H1 2005 comparatives unfavourable due to large TCB deal in H1 2004; deal volatility not controllable but not impacting fundamentals and performance
- During the quarter we signed a major Tier 1 Japanese Bank to run their domestic lending business, competing with specialised point solutions
- Retail and Universal banking reached 85% sales mix in the quarter with Private banking and Wholesale constituting the balance (2004: 83%). For the first half, Retail and Universal banking reached 80% sales mix (2004: 78%)
- Focus on growing market share successfully, with new business in the quarter representing 96% of Signings (2004: 85%)

COMPETITION

- Industry consolidation continuing as per our industry forecasts, latest event being Oracle acquiring I-Flex, and will probably continue in the future as key industry players emerge
- Pleased to see major software companies interested in our market segment confirming the opportunity in our vertical
- Consolidation is a healthy process for the industry
  - **Faster Tier 1 conversion and faster market growth**
  - **Better pricing in the medium to long term**
  - **Partner models becoming more defined and clear**
- TEMENOS has been consistently winning against I-Flex
- TEMENOS has richest product and broader distribution, as well as domain expertise to compete effectively against any combination of players

MARKET OUTLOOK

- Robust growth in core spending for Retail and Universal banks on a global basis
- Core system replacement today represents the number one or number two priority for CIO's of major institutions
- Key drivers are growth and strategic cost management
  - **Customer retention (refer to article in appendix)**
  - **Introduction of new products (refer to article in appendix)**
  - **Effective cross selling**
  - **Reduction of maintenance cost of legacy systems to allow strategic investment**
- Tier 1 western European banks are beginning to seriously evaluate core system replacement requirements
- Temenos is ready to service this significant market opportunity

OUTLOOK

- T24 product established market leader, excellent pipeline in place
  - 12 months run rate at USD 56 million ahead of full year target, at 19% higher than year ago and approaching USD 60 million for the full year, up 28%
  - Full year target is at 10% growth compared to 2004 leaving room for upside
- TCB market space shared by very small number of competitors
  - Major TCB deal with Global Tier 1 Bank in final contract stage
  - Strong pipeline continues in EMEA as well as APAC
  - Expect at least 50% of our TCB deals from EMEA
  - Continue to expect 2-4 deals to be signed in 2005
- Despite TCB volatility, TCB pipeline and T24 performance allow us to be on track to deliver on our guidance of ILF signings of US$ 70 – 75 million
- In addition, excellent cost control and growth in maintenance and service revenues by USD 14 million allow us to reconfirm our outlook statement for 2005
- From mid-2005 onwards comparative licensing revenues will no longer contain revenues recognised under percentage completion, and our revenue growth will reflect our strong signings growth rates. This will drive stronger EPS growth after 2005
- Again, reconfirm realistic EPS growth of 20% to 25% for 2005 and acceleration in 2006

Financial Results

David Arnott
CFO

H1 2005 FINANCIAL HIGHLIGHTS

EBIT

- Like for like EBIT at US$ 2.6 million for the first half compared to US$ 2.6 million for the same period last year
- On a reported basis, EBIT at US$ 2.6 million for the first half compared to US$ 6.7 million for the same period last year, down 61.8%

Revenue

- Like for like Revenues at US$ 72.1 million for the first half compared to US$ 74.6 million for the same period last year, down 3.4%
- On a reported basis, Revenues at US$ 72.1 million for the first half, down 7.6% compared to the same period last year

Operating Costs

- Like for like Operating Costs at US$ 69.5 million for the first half compared to US$ 72.0 million for the same period last year, down 3.5%
- On a reported basis, Operating costs at US$ 69.5 million for the first half down 2.5% compared to the same period last year

EPS

- Like for like EPS at US$ 0.03 for the first half compared to US$ 0.03 for the same period last year
- On a reported basis, EPS at US$ 0.03 for the first half compared to US$ 0.04 for the same period last year

LIKE FOR LIKE

US$ millions	H1 05	H1 04	%
Signings	29	32	(9.4)%
Revenue – as reported	72.1	78.0	(7.6)%
T24 % of completion adjustment	n/a	(4.3)	
Currency impact	n/a	0.9	
Revenue Adjusted	**72.1**	**74.6**	**(3.4)%**
Operating Expenses – as reported	(69.5)	(71.3)	(2.5)%
Currency impact	n/a	(0.7)	
Operating Expenses Adjusted	**(69.5)**	**(72.0)**	**(3.5)%**
Operating Profit Adjusted	**2.6**	**2.6**	**0.0%**
EPS	**0.03**	**0.03**	**0.0%**

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PROFIT AND LOSS

US$ million	Quarter ended 30 June			Quarter end 31 March	
	2005	2004	*Growth*	*2005*	*Growth*
ILF Signings	**17**	**16**	**8.1%**	**12**	**44.2%**
Revenues					
Licensing					
T24 unbundled	10.9	12.4	(12.1)%	8.7	25.3%
T24 % completion	0.8	2.8	(71.4)%	0.9	(11.1)%
Total T24 Licensing	**11.7**	**15.2**	**(23.1)%**	**9.6**	**22.4%**
TCB	-	-	-	-	
Total Licensing Revenues	**11.7**	**15.2**	**(23.1)%**	**9.6**	**22.4%**
Maintenance	11.4	9.4	20.8%	11.3	0.5%
Services	14.1	12.6	11.7%	14.1	*0.3%*
Total Revenues	**37.2**	**37.3**	**(0.2)%**	**34.9**	**6.4%**
Total Expenses	**35.1**	**34.5***	**1.7 %**	**34.5**	**1.8%**
EBIT	**2.1**	**2.8**	**(23.9)%**	**0.5**	**338.6%**
EBITDA	**5.3**	**6.3**	**(15.4)%**	**4.0**	**33.1%**
Net Profit	**1.6**	**2.3**	**(31.9)%**	**0.0**	**n/a**
Diluted EPS (in US$ per share)	**0.03**	**0.04**	**(25)%**	**-**	**n/a**

*** Restated for impact of IFRS 2**

PROFIT AND LOSS

US$ million	H1 05	H1 04	Growth
ILF Signings	**29**	**32**	**(9.1)%**
Revenues			
Licensing			
T24 unbundled	19.6	16.9	16.0%
T24 % completion	1.7	6.0	(71.7)%
Total T24 Licensing	**21.3**	**22.9**	**(7.0)%**
TCB	-	10.8	n/a
Total Licensing Revenues	**21.3**	**33.7**	**(36.8)%**
Maintenance	22.7	18.3	*24.0%*
Services	28.2	26.0	8.3%
Total Revenues	**72.1**	**78.0**	**(7.6)%**
Total Expenses	**69.5**	**71.3***	***(2.5)%***
EBIT	**2.6**	**6.7**	***(61.8)%***
EBITDA	**9.3**	**13.5**	**(31.3)%**
Net Profit	**1.6**	**5.8**	**(71.9)%**
Diluted EPS (in US$ per share)	**0.03**	**0.1**	***(70.0)%***

*** Restated for impact of IFRS 2**

CURRENCY MOVEMENTS

US$ millions	Q2 05	Q2 04	%
Revenue – as reported	37.2	37.3	(0.0)%
Currency impact	n/a	0.3	
Revenue Adjusted for FX	**37.2**	**37.6**	**(1.1)%**
Operating Expenses – as reported	(35.1)	(34.5)	1.7%
Currency impact	n/a	(0.5)	
Operating Expenses Adjusted for FX	**(35.1)**	**(35.0)**	**(0.0)%**
Operating profit adjusted for FX	**2.1**	**2.6**	

- In excess of 90% of our foreign exchange exposure for 2005 is covered either through structural matching or financial instruments.

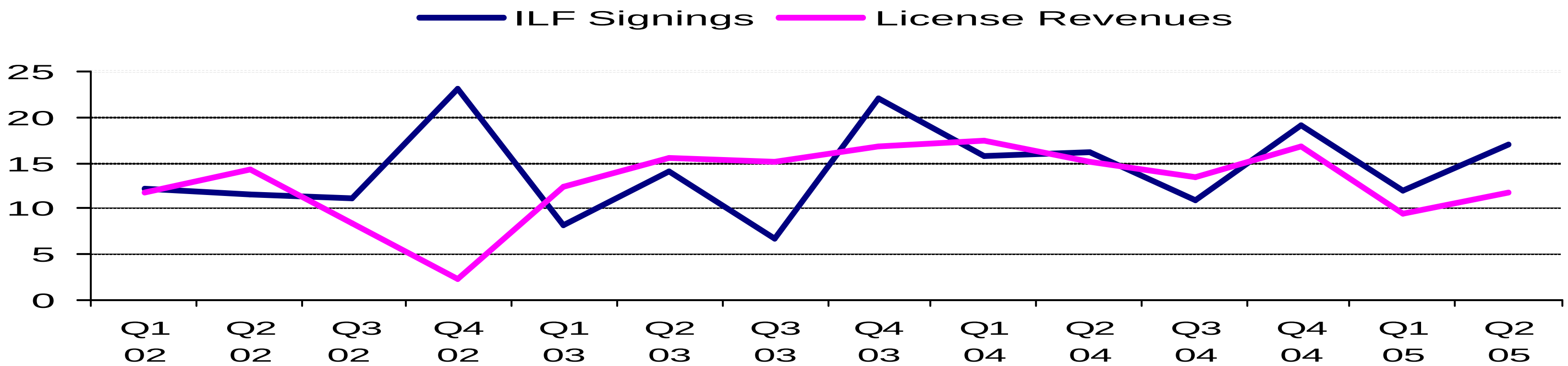
CURRENCY MOVEMENTS

US$ millions	H1 05	H1 04	%
Revenue – as reported	72.1	78.0	(7.6)%
Currency impact	n/a	0.9	
Revenue Adjusted for FX	**72.1**	**78.9**	**(8.6)%**
Operating Expenses – as reported	(69.5)	(71.3)	(2.5)%
Currency impact	n/a	(0.7)	
Operating Expenses Adjusted for FX	**(69.5)**	**(72.0)**	**(3.5)%**
Operating profit adjusted for FX	**2.6**	**6.9**	

- In excess of 90% of our foreign exchange exposure for 2005 is covered either through structural matching or financial instruments.

ILF Signings vs License Revenues

In USD million	Q1 02	Q2 02	Q3 02	Q4 02	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04	Q4 04	Q1 05	Q2 05	**Total**
ILF Signings	12.1	11.5	11.2	23.2	8.2	14.0	6.8	22.0	15.7	16.2	11.1	19	12	17	**200**
Maintenance Carve Out															**32**
License Revenues	11.8	14.1	8.4	2.3	12.4	15.4	15.2	16.8	18.4	15.2	13.5	16.7	9.6	11.7	**181**



- Signings convert into revenues successfully
- Around 18% maintenance carve-out on T24
- No significant backlog movement over 3 year period
- Like for like comparison on licensing appropriate

Q2 2005 CASH FLOW

US$ million	Qtr ended June 30,		
	2005	**2004**	**FY 2004**
Net cash at beginning of period	**19.3**	**26.2**	**26.7**
Operating cash flow	2.4	0.3	15.9
Capital spending*	(3.7)	(1.5)	(12.5)
Net financing costs	(0.5)	0.5	0.2
Other (FX impact, etc)	(0.2)	(0.2)	0.5
Net Cash at end of period	**17.3**	**25.3**	**30.8**

* Investing activities in 2004 as reported under IFRS include $3.4m ($3m per year until 2008) relating to financing of our purchase of Temenos Eastern Europe. In substance this is a financing activity.

OUTLOOK - 2005

- We continue to guide on 2005 Fully Diluted Earnings Per Share (EPS) to grow in the range of 20-25% compared to 2004

- We continue to target two to four TCB deals for the year

- The outlook is based on:
  - ILF signings in the range of US$ 70-75 million
  - Tax rate of 16%

OUTLOOK – 2005 Assumptions

•We continue to see strong growth in maintenance and service revenues for the second half of the year, reaching total revenues of USD 165 – 170 million

•We expect costs to be higher for the second half compared to the first half on higher variable costs that flex with signings and increased investment to support our 3 year growth plan, with full year costs of USD 143 – 148 million

•Licensing revenues anticipated to grow like for like in the range of 10-15%, based on leverage from H2 signings (USD 43.5 million, 60% of FY target) and the impact of deals closed in H1 to be recognised in July which contribute 6 cents per share to EPS

Repatriation of Group Intellectual Property to Switzerland

- We have reached an agreement with the Federal and Cantonal Swiss tax authorities to transfer the group's Intellectual Property from the Netherlands Antilles to Geneva.
- This will take place during the second half of 2005
- The key benefits of this agreement are:
  - Lower tax rates
  - Transparent tax structure consistent with Group Corporate Governance
- TEMENOS estimated effective tax rate:

Period	New	Old	Benefit
2005	16%	16%	-
06-08	12%-13%	18%	5%-6% p.a
09-14	10%-11%	18%	7%-8% p.a
Beyond 2014	16%-17%	18%	1%-2% p.a

Appendix

CASH COST

US$ million	Q2 2005	Q1 2005	Q2 2004
Total Cost- As reported	35.1	34.5	34.5
Capitalised development	2.1	1.6	1.2
Depreciation & Amortisation	(3.2)	(3.5)	(3.5)
Option Costs	(0.8)	(0.7)	(0.7)
Total Cash Cost	**33.2**	**31.9**	**31.5**
Foreign Exchange Impact*	n/a	(0.8)	0.5
Total Cash Cost Adjusted for FX	**33.2**	**31.1**	**32.0**

* Adjusted to Q2 2005 rate, including impact of hedging

CASH COST

US$ million	H1 2005	H1 2004
Total Cost- As reported	69.5	71.3
Capitalised development	3.8	1.9
Depreciation & Amortisation	(6.7)	(6.8)
Option Costs	(1.6)	(1.4)
Total Cash Cost	**65.0**	**65.0**
Foreign Exchange Impact*	n/a	0.7
Total Cash Cost Adjusted for FX	**65.0**	**65.7**

* Adjusted to H1 2005 rate, including impact of hedging

RESEARCH & DEVELOPMENT

US$ million	Q2 2005	Q1 2005	Q2 2004
R&D costs – As reported	5.7	6.6	7.5
FX Adjustment*	n/a	-	-
Adjusted R&D costs	**5.7**	**6.6**	**7.5**
Capitalised Development costs	2.1	1.6	1.2
Non Cash items	(2.6)	(2.8)	(2.2)
Adjusted cash R&D costs	**5.2**	**5.4**	**6.5**

* Adjusted to Q2 2005 rate

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RESEARCH & DEVELOPMENT

US$ million	H1 2005	H1 2004
R&D costs – As reported	12.3	15.9
FX Adjustment*	n/a	0.1
Adjusted R&D costs	**12.3**	**16.0**
Capitalised Development costs	3.8	1.9
Non Cash items	(5.4)	(4.4)
Adjusted cash R&D costs	**10.7**	**13.5**

* Adjusted to Q2 2005 rate

General & Administrative

USD million	Q2 2005	Q1 2005	Q2 2004
G&A costs – As reported	6.9	6.3	7.0
FX Adjustment	n/a	(0.2)	0.1
	6.9	**6.1**	**7.1**

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

General & Administrative

USD million	H1 2005	H1 2004
G&A costs – As reported	13.2	14.8
FX Adjustment	n/a	0.4
	13.2	**15.2**

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

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BALANCE SHEET

US$ million	June 2005	March 2005	June 2004	March 2004
Receivables	56.7	62.4	36.6	34.5
Accrued Revenues	23.0	19.7	36.7	35.8
Less Deferred revenue	(26.5)	(29.0)	(27.9)	(31.1)
Net	**53.3**	**53.1**	**45.4**	**39.2**
Other net current liabilities	(26.7)	(27.9)	(25.6)	(24.9)
Working Capital	**26.6**	**25.2**	**19.8**	**14.3**

- Net working capital flat on March 2005, absorbing seasonal decrease in deferred maintenance revenues
- Total of receivables and accrued declines by $2.4m with subsequent $8m reduction in receivables in first week of July
- Accrued/receivables split reflects timing of when invoices can be issued, but the underlying trend remains that Accrued revenues will decrease as payment terms become calendar rather than event driven

QUARTERLY OPERATING CASHFLOWS

2005	US$m.
Q1	(7.7)
Q2	2.4
TOTAL	

2004	US$m.
Q1	(1.4)
Q2	0.3
Q3	(5.6)
Q4	22.6
TOTAL	**15.9**

2003	US$m.
Q1	(3.4)
Q2	8.3
Q3	(1.4)
Q4	12.9
TOTAL	**16.4**

ARTICLE

- **Power of New Systems; IBK and Woori Bank Reduced the Time Taken to Develop New Product from 20 to 2-3 Days.**
- Date: 2005-04-19 B2 [Economics Section]   Reporter: Hong-Soo Kim

- In mid March, when the Korean public were heated about the Dok-do or Dok island issue in Japan, another heated race was being played in financial industry; the competition to rapidly develop and launch a “Dok-do” savings product.

- The concept of the product is that banks contribute part of the revenues from the product sales to the “Dok-do protection foundation”, aiming to market the product capitalizing on the enthusiasm toward the island. The product promised to become such a “best seller” that many banks jumped into the race to release the product into the market first.

- The result was a landslide victory for Industrial Bank of Korea and Woori Bank. IBK launched “Dok-do is our land”, a savings product for the first time in the market on the 21st March, reaping 1 trillion won (US$ 1 billion) of deposits within 15 days from its release.

- Woori Bank released a similar product on the following day, securing 420 billion won (US$ 420 million). Such big scales of deposit are rarely seen in products with the feature to promote public interest. The rest of the commercial banks couldn’t do anything but to see the two banks preoccupy the market for the product.

- The secret that enabled the two banks to launch the product before other banks lay in their Next Generation Systems.

- With legacy systems, it takes more than 20 days to develop new products, whereas they are able to do the same within 2-3 days with the new system. Woori Bank and IBK invested 210 billion won (US$ 210 million) and 50 billion won (US$ 50 million) respectively to implement Next Generation Systems during a period of approximately two years.
  Hong-Soo Kim, Reporter (Blog site: hongsu.chosun.com)