



Financial Results & Business Review

Quarter ended June 30th, 2003

- 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 31st, 2003. 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 31st, 2003.

Agenda

Speaker

Position

Introduction

George Koukis

Chairman

Financial results

David Arnott

CFO

Q&A

Executive Team:

George Koukis

Chairman

Andreas Andreades

CEO

David Arnott

CFO

Max Chuard

Director



Introduction
George Koukis
Chairman

- The Board of Directors has appointed Andreas Andreades as the new Chief Executive Officer of TEMENOS Group effective immediately
- The Company has returned to growth and profitability
- Positive Performance for the quarter and half year
- Software markets remain challenging and we continue to experience pressure on pricing
- We remain operationally focused and are committed to balance of year targets



Financial Results
David Arnott
CFO

Revenue

- Revenues at USD 36.6 million for the quarter, up 2.7% compared to the same period last year
- Revenues at USD 69.5 million for the half year compared to USD 66.7 million for the same period last year, up 4.1%.

Operating costs

- Operating costs at USD 34.5 million down 2.7% on prior year
- Operating costs at USD 66.4 million for the half year compared to USD 66.0 million on prior year, up 1%.

Cash costs

- Cash costs at USD 30.6 million compared to USD 32.8 million for prior year, ie a reduction of 6.7%

Operating profit

- Operating profit for the quarter of USD 2.0 million, compared to USD 0.1 million for the same period last year and EBITDA for the quarter of USD 5.9 million, up 109.4% compared to same period last year

Net Earnings

- Net Income for the quarter of USD 1.8 million compared to USD 1.4 million for the same period last year.

Balance Sheet

- Through good project execution and good working capital control, we have reversed our negative 1st quarter cash trend, and generated USD 5.3 million of operating cash and USD 1.7 million net cash in the first half year. This has contributed to a stronger balance sheet as of the end of June.

Profit & Loss

USD million	Quarter ended: June 30th :			Mar 31st:		
	2003	2002	% Growth	2003	Growth	%
Revenues						
Licensing	15.4	14.1	9.1%	12.4	24.2%	
Maintenance	7.9	7.2	9.9%	7.3	7.7%	
Services	13.3	14.3	(7.2)%	13.2	0.8%	
Total Revenues	36.6	35.6	2.7%	32.9	11.1%	
Expenses						
Cost of Licences	2.5	1.2	113.3%	1.0	144.2%	
Services	12.5	13.2	(5.4)%	11.1	12.1%	
Software development	7.6	6.9	10.1%	8.0	(4.6)%	
Sales and marketing	5.3	8.7	(39.1)%	5.8	(8.5)%	
General and admin.	6.7	5.3	21.3%	5.9	12.6%	
Total	34.5	35.5	(2.7)%	31.8	8.4%	
Operating profit (loss)	2.0	0.1	1536.3%	1.1	92.7%	
EBITDA	5.9	2.8	109.4%	4.9	20.2%	
Net profit / (loss)	1.8	1.4	27.3%	1.2	48.3%	

Profit & Loss

USD million

First Half :

	2003	2002	% Growth
Revenues			
Licensing	27.7	25.9	7.1%
Maintenance	15.2	13.4	13.0%
Services	26.5	27.4	(3.1)%
Total Revenues	69.5	66.7	4.1%
Expenses			
Cost of Licences	3.5	1.9	84.1%
Services	23.6	25.1	(6.1)%
Software development	15.6	13.4	16.5%
Sales and marketing	11.1	15.1	(26.8)%
General and admin.	12.6	10.4	20.7%
Total	66.4	66.0	0.6%
Operating profit (loss)	3.1	0.7	318.3%
EBITDA	10.8	5.7	90.2%
Net profit / (loss)	2.9	0.5	464.2%

Currency movements

USD millions	Q2 2003	Q2 2002	%
Revenue – as reported	36.6	35.6	2.8%
Currency impact		2.1	
Revenue adjusted	36.6	37.7	(2.9)%
Operating Expenses			
– as reported	34.5	35.5	(2.8)%
Currency impact		4.6	
Operating Expenses	34.5	40.1	(14.0)%
- adjusted			
Net Currency impact		(2.5)	

Approximately 75% of revenues are in USD compared to 25% for the costs side

Residual exposure to currency movements, relative to our budget rates, is covered by hedging instruments

Cash Cost

USD million	Q2 2003	Q1 2003	Q2 2002
Total Cost- As reported	34.5	31.8	35.5
Restructuring charges / One-Off charges	<u>1.1</u>	<u>0.3</u>	<u>0.2</u>
Total Cost Adjusted	33.4	31.5	35.3
Depreciation & Amortisation	3.9	3.8	2.7
Total Cash Cost Adjusted	29.5	27.7	32.6
Foreign Exchange Impact *	n/a	1.2	4.6
Total Cash Cost Adjusted for FX	29.5	28.9	37.2

* Adjustment to Q2 2003 rate

EBITDA

USD million	Q2 2003	Q1 2003	Q2 2002
EBIT- As reported	2.0	1.1	0.1
Restructuring charges / One-Off charges	<u>1.1</u>	<u>0.3</u>	<u>0.2</u>
EBIT Adjusted	3.1	1.4	0.3
Depreciation & Amortisation	3.9	3.8	2.7
EBITDA Adjusted	7.0	5.2	3.0
Foreign Exchange Adjustment *	n/a	(0.7)	(2.5)
EBITDA Adjusted for FX	7.0	4.5	0.5

* Adjustment to Q2 2003 rate

Research & Development

USD million	Q2 2003	Q1 2003	Q2 2002
R&D costs – As reported	7.6	8.0	6.9
Capitalised Development costs	0.5	0.7	2.0
Non Cash items	<u>(2.7)</u>	<u>(2.6)</u>	<u>(1.5)</u>
	5.4	6.1	7.4
<i>T24</i>	64%	67%	87%
<i>Corebanking</i>	36%	33%	13%

•Cash R&D costs significantly reduced and in line with target

USD million	Q2 2003	Q1 2003	Q2 2002
Revenues	13.3	13.2	14.3
Costs	12.5	11.1	13.2
Margin	0.8	2.1	1.1
Margin (%)	6.3%	15.8%	8.1%

- Asia revenue down compared to budget due to slow progress on projects throughout the region due to SARS related project suspensions and travel restrictions
- Q 2 cost committed for services capacity increase

USD million	Q2 2003	Q1 2003	Q2 2002
S & M costs – As reported	5.3	5.8	8.7
Restructuring/ One-Off charges	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>
	5.2	5.8	8.7

- Upside leverage possible out of present infrastructure

USD million	Q2 2003	Q1 2003	Q2 2002
G&A costs – As reported	6.2	5.5	5.3
Restructuring / One-Off charges	<u>0.6</u>	<u>0.2</u>	<u>0.2</u>
	5.6	5.3	5.1

- Higher than prior year, reflecting the impact of prior year investment in Corebanking and CIS offices

Balance Sheet

USD million	June 2003	March 2003	June 2002
Receivables	37.9	37.9	30.5
Accrued revenue	27.3	22.0	37.5
Less Deferred revenue	<u>(36.5)</u>	<u>(33.3)</u>	<u>(18.4)</u>
Net	28.7	26.6	49.6
Cash	25.7	17.5	53.9
Unutilised facility	15.0	15.0	15.0
Less Debt	<u>(10.0)</u>	<u>(7.5)</u>	<u>(10.0)</u>
Available Cash	30.7	25.0	58.9

- Improvement in receivables and deferred revenue reflects achievement of key project milestones and recent ILF signings
- Accrued revenues reflects stronger project management

Q2 2003 Cash flow

US\$ million	Qtr ended June 30,		
	2003	2002	Last 12months
Cash at beginning of period	17.5	53.1	53.9
Operating cash flow	8.7	4.1	0.9
Capital spending	(0.7)	(3.9)	(8.2)
Debt repayment & financing costs	(0.1)	(0.1)	(21.5)
FX impact	0.3	0.6	0.6
Cash at end of period	25.7	53.8	25.7

- We have reversed our negative cash trend and have been able to strengthen our balance sheet

Operating Cash Flows

USD million	Q2 2003	H1 2003	Last 12 months
Operating Earnings	2.2	3.5	(46.3)
Working Capital changes	2.9	(5.5)	28.6
Depreciation & Amortisation	3.9	7.7	15.3
Other (FX, etc)	(0.3)	(0.4)	3.3
Operating Cash Flows	8.7	5.3	0.9

Quarterly Operating Cashflows

Quarter	Amount
Q1 2003	(3.4)
Q2 2003	8.7
Q3 2003	
Q4 2003	
TOTAL	5.3

Quarter	Amount
Q1 2002	(4.5)
Q2 2002	4.1
Q3 2002	(12.8)
Q4 2002	8.4
TOTAL	(4.8)

Quarter	Amount
Q1 2001	2.2
Q2 2001	1.7
Q3 2001	(5.9)
Q4 2001	1.7
TOTAL	(0.3)

- Q2 inflows driven by good cashflow management
- Half Year Operating Cashflows behind plan

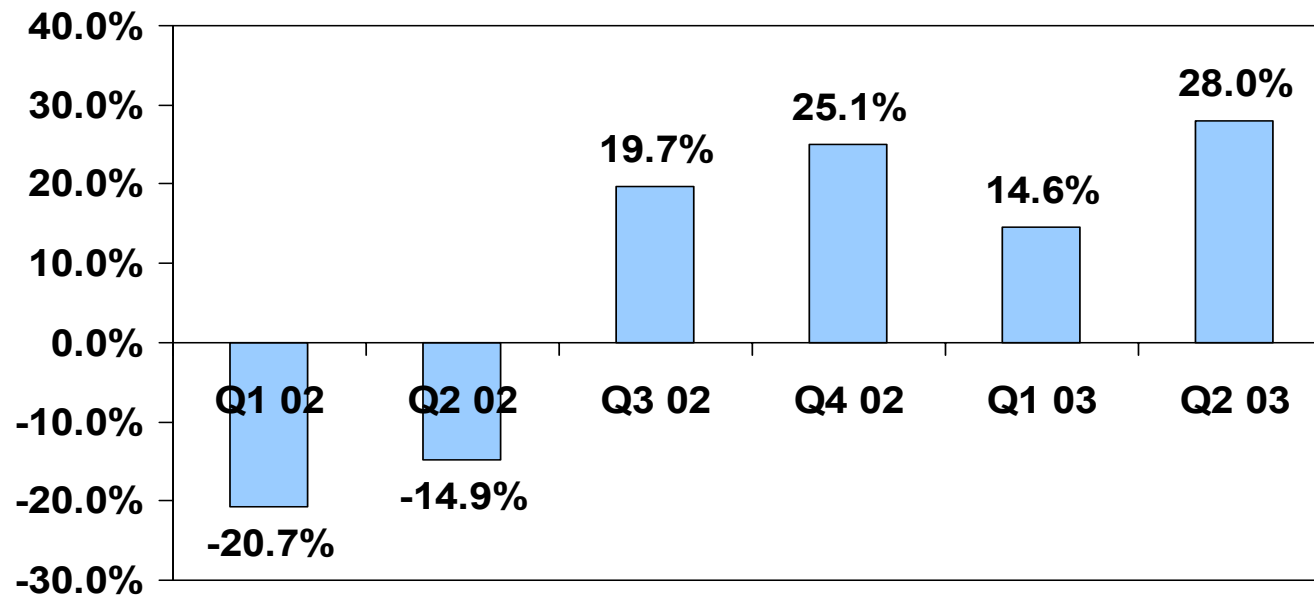
Q2 2003 ILF Backlog

USD million	Quarter Ended	June 30th,	March 31st
			<u>2003</u>
Backlog at the start of the Quarter		27.5	32.9
ILF revenue booked		(14.4)	(10.7)
Signings (ILF value)		11.5	6.9
Backlog movement – more than 12 month		0.9	(1.9)
Foreign Exchange effect		0.1	0.3
Closing Backlog		25.6	27.5

- Backlog marginally down due ILF signings seasonality

%

12 months signings run rate



- Growing and sustainable signings

Global Technology Ltd

- In July 2003 Global Technology Banking Division, our distributor in South Africa, was put into liquidation
- Temenos has established a 100% owned subsidiary in South Africa
- TEMENOS effective July 1 operates in Africa directly from a clean base in order to protect margins and cash flows
 - 51 employees
 - 31 clients
- Positive earnings and cash flows for 2003

- We reached approximately 100% visibility of our targeted 2003 revenues from business closed to date.
- Pipeline remains strong; continuing challenging spending among our clients and prospects.
- We are confident to reach our EBIT of USD 10 million and EBITDA of approximately USD 25 million compared to USD (31.9) last year
- We believe that our revenue target net of third parties licences fees of USD 130 million for the year could be exceeded due to potential upside arising from contracts to be signed during Q3 and Q4, to the extent recognised in the current fiscal year
- We believe that we will reach our guidance cost of USD 120 million (net of cost of licence costs) based on a Q2 run rate of USD 28.5 million (net of cost of licence and the calendarised impact of restructuring and hedging activities taken during the quarter)
- We continue to remain cautious on the business environment and we will fund growth initiatives for end of the year and 2004 within existing cost base.