



## **Strong margin expansion and robust licence sales help Temenos to raise outlook for full year free cashflow by 60%**

Geneva, Switzerland, July 29, 2009 – Temenos Group AG (SIX: TEMN), the global provider of integrated core banking solutions, today reports second quarter results, for the three months to 30 June 2009, showing higher operating profits and much stronger cash generation than in the year before based on continued solid execution and a more competitive cost structure.

### **Q2 09 Financial and Operating highlights**

- Operating profit increased to USD10.5m (Q208: USD10.1m)
- Operating margin expansion of 230bps to reach 12.8% (Q208: 10.5%)
- Operating cashflow of USD21.3m (Q208: -USD8.1m), representing 117% of EBITDA
- Strong traction with new products: Insight, only launched in Q109, was sold 11 times in the quarter
- A significant tier 1 deal - the fourth tier 1 deal so far this year - with major US investment bank
- Resilient licence sales: excluding Metavante revenues and foreign exchange movements, licences were 5% higher than in the first half of 2008, despite a difficult comparative and a much tougher economic backdrop
- New release of T24 launched, including, inter alia, significant advancement of the product's SOA capabilities
- Two recent independent and influential industry reports confirm that T24, the most widely used core banking system in the World, retains its leadership status
- Amicable settlement of the dispute with Metavante, which enables Temenos to refocus on its strategic options to develop the US market

Commenting on the results, Temenos CEO Andreas Andreades said, "I am delighted with this set of results. We knew the environment would be difficult in 2009, but through early, decisive action and solid execution, we are delivering better profits and cashflow – while continuing to take market share – and so leaving ourselves with the flexibility and resources to exploit fully market opportunities.

The cost cutting has not compromised future growth. We have been able to reduce significantly our cost base without compromising our industry-leading R&D spend, a key plank of our business model, or services capacity; in fact, services headcount continues to grow.

Instead, the cost reduction has quickened the change in delivery model. For some time, we have been reshaping our delivery model to become more profitable and less working capital-intensive – through better processes, greater levels of offshoring, stricter payment terms – but the pace of change has been accelerated.



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We have taken up significantly our outlook for free cashflow generation in 2009, underlining the solidity of our current position, our capacity to take advantage of market opportunities, and the confidence with which we approach the second half of the year.”

## Revenue

Revenue for the second quarter was USD81.9m, down from USD95.9m in the same period last year, representing a decline of 15%. Licence revenue for the quarter was USD27.3m, 19% below the previous year. For the Last Twelve Months (LTM), total revenue was USD385.8m, up 1% on 2008, with licence revenue at USD140.3m, 13% behind the previous 12 months.

## Operating profit

Operating profit for the quarter was USD10.5m, compared with USD10.1m in the same period last year, an increase of 4%. The LTM operating profit of USD66.5m was flat on the twelve-month period to end of June 2008. Margin for the quarter was 12.8%, 230 basis points higher than in the prior year, with the LTM margin at 17.2%, 30 basis points lower than in the comparative period.

## Earnings per Share (EPS)

Adjusted EPS, which excludes amortisation of acquisition-related intangibles and restructuring charges, was USD0.16 in the quarter, up 7% from the prior year (USD0.15). The LTM adjusted EPS was USD1.14, 2% up on the previous 12 months.

## Cash

Operating cash was USD21.3m in the quarter, representing cash conversion - conversion of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) into operating cashflow – of 117% for the quarter. For the LTM cash conversion stands at 88%.

## Metavante agreement termination

As announced last week, Temenos and Metavante have reached settlement relating to the termination of their agreement to launch an advanced core banking platform using TEMENOS Core Banking (TCB) in the US market.

The amicable settlement resolves all issues associated with the agreement. As part of the settlement, Metavante received a license to continue its use of the Customer Information Management functionality of TEMENOS Core Banking for the development of next-generation core technology. Temenos continues to retain all rights in the development and investment done in TCB to date as a result of the agreement.

Both organisations have agreed that they will jointly pursue TEMENOS T24 (T24) deals in the US market on a non-exclusive basis and look forward to collaborating on further future opportunities.



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## Outlook

Temenos Group continues to expect full year EBIT margins of 19-20% (giving an EBITDA margin range of 27-28%) on a cost base of USD310m.

In addition, it expects full year maintenance revenues to be no less than USD118m and full year services to fall within the range of USD130-140m.

In terms of cash generation, Temenos increases its outlook to reflect stronger performance and also the proceeds from the Metavante settlement and now anticipates operating cash for the year of USD110m (previous outlook was USD80m) giving free cash of USD80m (the previous outlook was USD50m)

## Conference call

At 17.30 GMT/ 18.30 CET, today, July 29, Andreas Andreades, CEO, David Arnott, CFO, and Max Chuard, Director of M&A and IR, will host a conference call to present results and offer an update on business outlook.

Listeners can access the conference call using the following dial in numbers:

+44 (0) 203 037 9105	(UK)
+1 866 966 5335	(USA)
0800 673 7932	(Germany)
0800 800 038	(Switzerland)

A transcript will be made available on the company website 24 hours after the call.

Presentation slides for the call can be accessed using the following link

<http://www.temenos.com/Investor-Relations/New-Presentations/>

## About Temenos

Founded in 1993 and listed on the Swiss Stock Exchange ([SWX: TEMN](#)), Temenos Group AG is a global provider of banking software systems in the Retail, Corporate & Correspondent, Universal, Private, Islamic and Microfinance & Community banking markets. Headquartered in Geneva with 52 offices worldwide, Temenos serves over 700 customers in more than 120 countries. Temenos' software products provide advanced technology and rich functionality, incorporating best practice processes that leverage Temenos' experience in over 600 implementations around the globe. Temenos' advanced and automated implementation approach, provided by its strong Client Services organisation, ensures efficient and low-risk core banking platform migrations. Temenos annually invests around 20% in R&D, significantly more than its peers, into a single fully packaged upgradeable software release, which ensures all Temenos customers benefit from modern technology and support indefinitely. Temenos is top of the IBS Sales League Table 2008, winner of the Best Core Banking Product category in Banking Technology magazine's Readers' Choice Awards 2008, winner of the Financial-i Leaders in Innovation award for the most innovative core banking systems solution 2008 and is listed in the American Banker top 100 FinTech companies.

For more information please visit [www.temenos.com](http://www.temenos.com)



*Any statements in this press release about future expectations, plans and prospects for the company and statements containing the words “believes”, “anticipates”, “plans”, “expects”, “will” and similar expressions, 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 press release represents the company’s estimates as today’s date. 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. These forward-looking statements should not be relied upon as representing the company’s estimates of its future financial performance as of any date subsequent to today’s date.*

**For more information, please contact:**

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## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars  
except earnings per share

## consolidated income statement

	Three months to 30 June 2009	Three months to 30 June 2008	Twelve months to 30 June 2009	Twelve months to 30 June 2008
<b>Revenues</b>				
Software licensing	27,343	33,755	140,317	161,170
Maintenance	28,495	23,735	110,091	88,478
Services	26,109	38,465	135,358	130,768
<i>Total revenues</i>	<u>81,947</u>	<u>95,955</u>	<u>385,766</u>	<u>380,416</u>
<b>Operating expenses</b>				
Sales and marketing	19,623	16,619	76,662	77,262
Services	24,376	37,482	120,217	122,224
Software development and maintenance	16,603	20,258	71,901	70,266
General and administrative	10,865	11,455	50,480	44,076
<i>Total operating expenses</i>	<u>71,467</u>	<u>85,814</u>	<u>319,260</u>	<u>313,828</u>
<b>Operating profit</b>	<u>10,480</u>	<u>10,141</u>	<u>66,506</u>	<u>66,588</u>
<b>Other income (expenses)</b>				
Net financing and interest expenses	(2,178)	(764)	(7,795)	(3,339)
Foreign exchange (loss) gain - net	(821)	(844)	1,555	6,073
<i>Total other income (expenses)</i>	<u>(2,999)</u>	<u>(1,608)</u>	<u>(6,240)</u>	<u>2,734</u>
<b>Profit before taxation</b>	<u>7,481</u>	<u>8,533</u>	<u>60,266</u>	<u>69,322</u>
Taxation	(137)	47	1,615	454
<b>Profit for the period</b>	<u>7,344</u>	<u>8,580</u>	<u>61,881</u>	<u>69,776</u>
Attributable to:				
Equity holders of the Company	7,514	8,661	61,610	69,804
Minority interest	(170)	(81)	271	(28)
	<u>7,344</u>	<u>8,580</u>	<u>61,881</u>	<u>69,776</u>
<b>Earnings per share (in US\$):</b>				
<i>basic</i>	0.13	0.15	1.06	1.21
<i>diluted</i>	0.12	0.14	0.99	1.09
<i>adjusted</i>	0.16	0.15	1.14	1.12



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## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 June 2009	31 March 2009	31 December 2008	30 June 2008
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	76,136	68,646	65,600	45,136
Trade receivables	261,138	275,197	279,357	227,856
Other receivables	24,157	21,479	21,112	17,812
<b>Total current assets</b>	<b>361,431</b>	<b>365,322</b>	<b>366,069</b>	<b>290,804</b>
<b>Non-current assets</b>				
Property, plant and equipment	14,524	13,674	14,618	15,591
Intangible assets	194,123	183,394	188,855	98,080
Trade receivables	11,200	8,225	8,200	20,627
Other receivables	1,337	1,251	1,344	1,292
Deferred tax assets	35,687	36,677	38,912	26,966
<b>Total non-current assets</b>	<b>256,871</b>	<b>243,221</b>	<b>251,929</b>	<b>162,556</b>
<b>Total assets</b>	<b>618,302</b>	<b>608,543</b>	<b>617,998</b>	<b>453,360</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	83,488	92,143	108,986	71,468
Deferred revenues	84,994	85,676	84,624	65,587
Income taxes payable	5,572	6,931	11,162	20,346
Borrowings	14,195	13,775	13,277	1,002
<b>Total current liabilities</b>	<b>188,249</b>	<b>198,525</b>	<b>218,049</b>	<b>158,403</b>
<b>Non-current liabilities</b>				
Borrowings	174,115	172,535	173,169	130,430
Deferred tax liabilities	9,213	9,011	9,686	3,795
Income taxes payable	8,411	10,132	9,870	-
Trade and other payables	2,995	2,573	2,614	469
<b>Total non-current liabilities</b>	<b>194,734</b>	<b>194,251</b>	<b>195,339</b>	<b>134,694</b>
<b>Total liabilities</b>	<b>382,983</b>	<b>392,776</b>	<b>413,388</b>	<b>293,097</b>
<b>Shareholders' equity</b>				
Share capital	174,122	174,122	174,122	170,867
Treasury shares	(17,388)	(20,450)	(20,677)	(17,856)
Share premium	(76,317)	(73,286)	(77,217)	(98,428)
Fair value and other reserves	(28,761)	(40,893)	(42,938)	(16,167)
Retained earnings	183,182	175,668	170,583	121,572
<b>Total shareholders' equity</b>	<b>234,838</b>	<b>215,161</b>	<b>203,873</b>	<b>159,988</b>
<b>Minority interest</b>	<b>481</b>	<b>606</b>	<b>737</b>	<b>275</b>
<b>Total liabilities and equity</b>	<b>618,302</b>	<b>608,543</b>	<b>617,998</b>	<b>453,360</b>

**TEMENOS**

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**TEMENOS GROUP AG****consolidated cash flow statement**

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2009	Three months to 30 June 2008	Twelve months to 30 June 2009	Twelve months to 30 June 2008
<b>Cash flows from operating activities</b>				
Profit before taxation	7,481	8,533	60,266	69,322
<u>Adjustments:</u>				
Depreciation and amortisation	7,732	5,392	28,127	19,206
Other non-cash items	5,538	2,652	16,286	6,113
<u>Changes in working capital:</u>				
Trade and other receivables	6,724	(9,587)	(30,370)	(86,388)
Trade and other payables	(5,564)	(7,948)	(2,452)	18,285
Deferred revenues	(602)	(7,132)	11,395	19,527
<i>Cash generated from operations</i>	<b>21,309</b>	(8,090)	<b>83,252</b>	46,065
Income taxes paid	(1,740)	(902)	(5,123)	(3,909)
<i>Net cash generated from (used in) operating activities</i>	<b>19,569</b>	(8,992)	<b>78,129</b>	42,156
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(903)	(710)	(2,936)	(7,260)
Disposal of property, plant and equipment	25	5	108	59
Purchase of intangible assets	(714)	(2,149)	(4,250)	(3,063)
Disposal of intangible assets	-	-	-	1
Capitalised development costs	(5,226)	(4,944)	(20,899)	(18,402)
Acquisitions, net of cash acquired	(545)	(9)	(71,448)	(3,722)
Cash effect from financial instruments	627	(1,357)	(5,360)	1,201
Interest received	36	233	246	1,471
Others, net	-	-	(52)	-
<i>Net cash used in investing activities</i>	<b>(6,700)</b>	(8,931)	<b>(104,591)</b>	(29,715)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares, net of related expenses	-	15	-	17
Proceeds / (repayment) of debt	(6,874)	-	62,709	-
Cash impact of debt refinancing	-	-	9,178	-
Acquisition of treasury shares	-	-	(4,303)	(33,154)
Interest payments	(261)	(41)	(3,967)	(2,305)
Payment of financial instrument related expenses	(371)	(2,881)	(3,207)	(3,319)
Payment of finance lease liabilities	(133)	(124)	(476)	(470)
<i>Net cash generated from (used in) financing activities</i>	<b>(7,639)</b>	(3,031)	<b>59,934</b>	(39,231)
<b>Effect of exchange rate changes</b>	<b>2,260</b>	(424)	<b>(2,472)</b>	3,406
<b>Increase (decrease) in cash and cash equivalents in the period</b>	<b>7,490</b>	(21,378)	<b>31,000</b>	(23,384)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>68,646</b>	66,514	<b>45,136</b>	68,520
<b>Cash and cash equivalents at the end of the period</b>	<b>76,136</b>	45,136	<b>76,136</b>	45,136