

Financial Results & Business Update

Quarter ended December 31st, 2004

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 February 23, 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 February 23, 2005.

Presentation Overview

Agenda

Introduction

Business Update

Financial Results

Speaker

Max Chuard

Andreas Andreades

David Arnott

Position

Director

CEO

CFO

Business Update

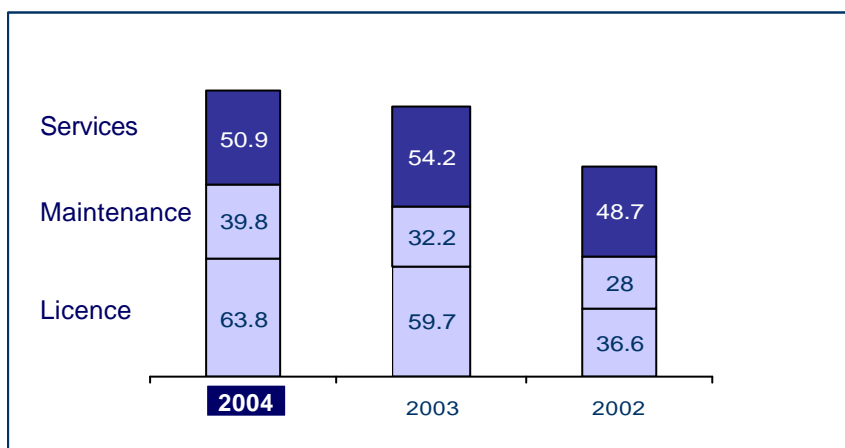
Andreas Andreades
CEO

Business Update

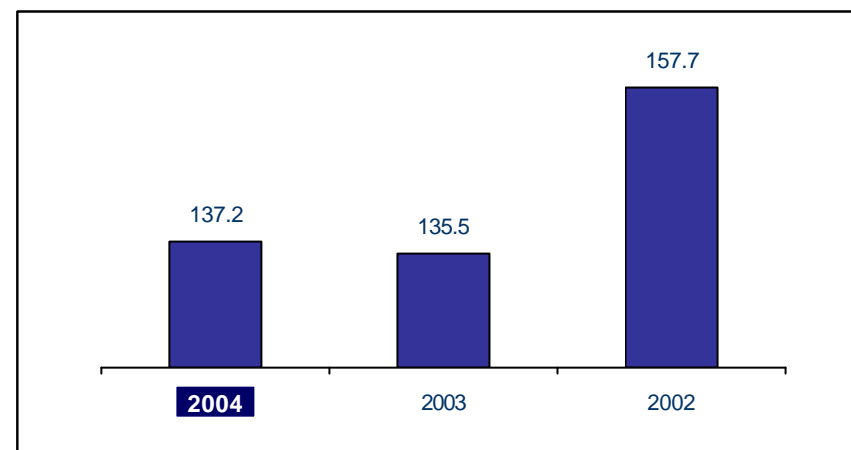
- Fully diluted EPS for the full year 2004 of USD 0.26 per share (2003: USD 0.19) up 36.8%
- EBIT for the full year 2004 at USD 17.4m (2003: USD 10.7m) up 62.5%
- Growing Initial Licence Fee (ILF) signings for the full year 2004 at USD 62.0m (2003: USD 51.0m) up 22%
 - **Growth in Retail, Universal banking and Private banking and across both T24 and Corebanking, gaining market share**
 - **ILF signings growth at +189% in Asia Pacific, 22% in Europe and flat in America**
 - **Median ILF Deal size at USD 2.6m (2003: USD 2.2m) up 18%**
- Growing revenues for full year 2004 at USD 154.6m (2003: USD 146.2m) up 5.7% (up 4.0% when adjusted for currency impact):
 - **Growing Licensing up 6.9%**
 - **Growing Maintenance up 23.5%**
 - **Services at 33% (2003:37%) of total revenues compared to target model of 30 – 35%, down 6.1%**
- Operating Costs for the full year 2004 well leveraged at USD 137.2m (2003: USD 135.5 m) up 1.3% (down 1.7% when adjusted for currency impact)
- Available mid term funding at USD 70.0m (2003: USD 41.7m)

Business Update (Cont.)

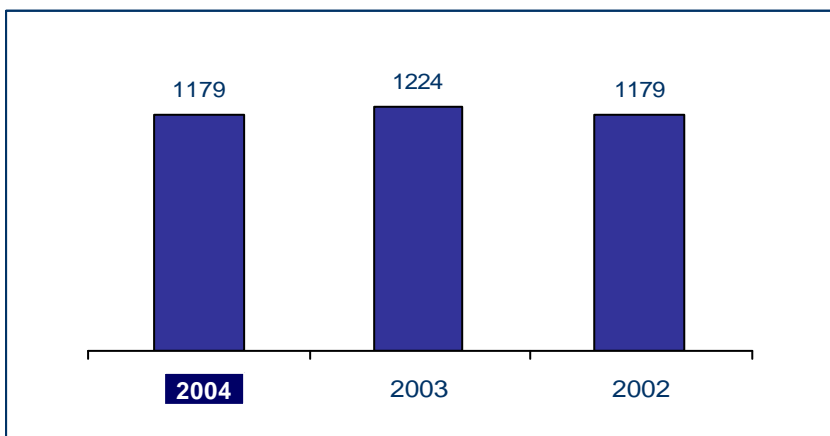
Revenues (USD m)



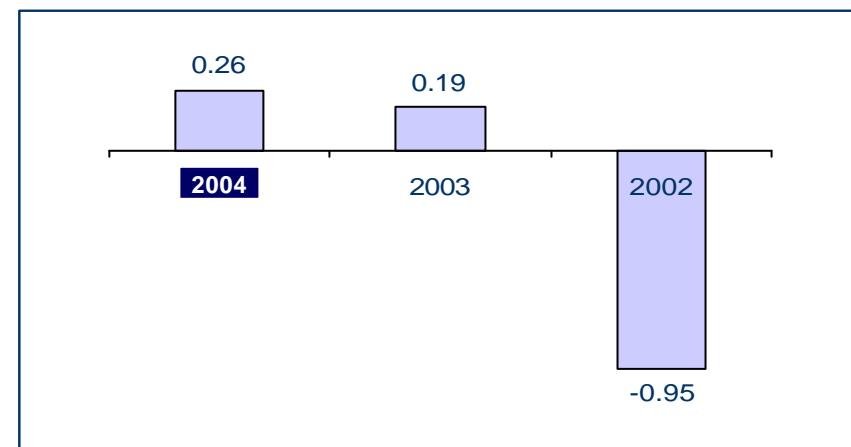
Costs (USD m)



Headcount

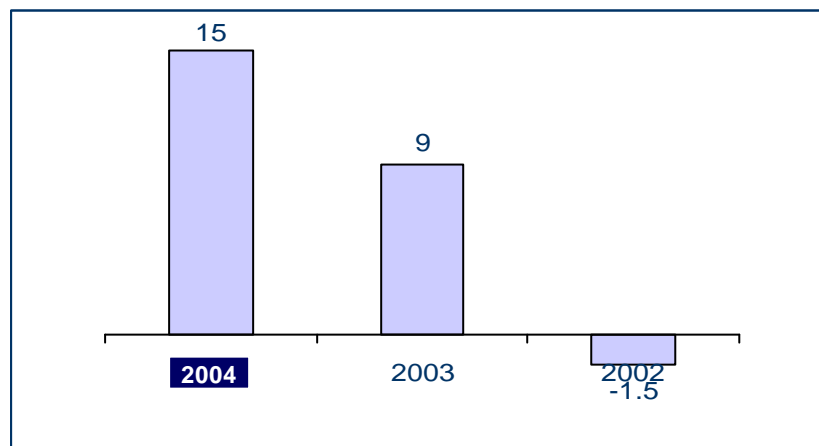


Fully Diluted EPS (USD per share)

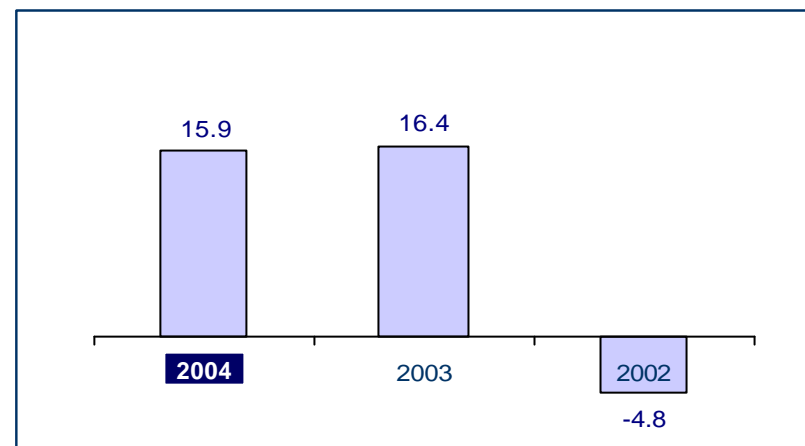


Business Update (Cont.)

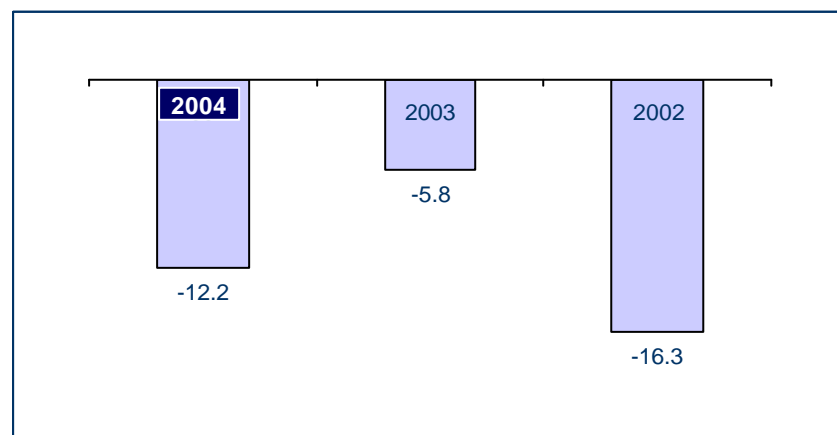
Working Capital (USD m)



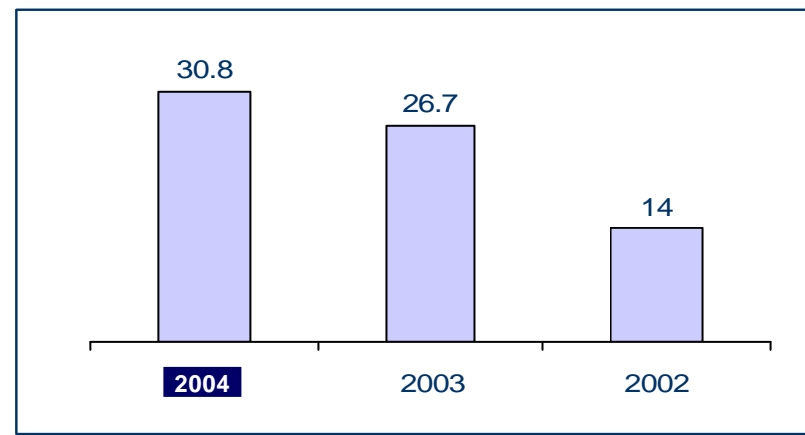
Operating Cash Flows (USD m)



Investing Cash Flows (USD m)

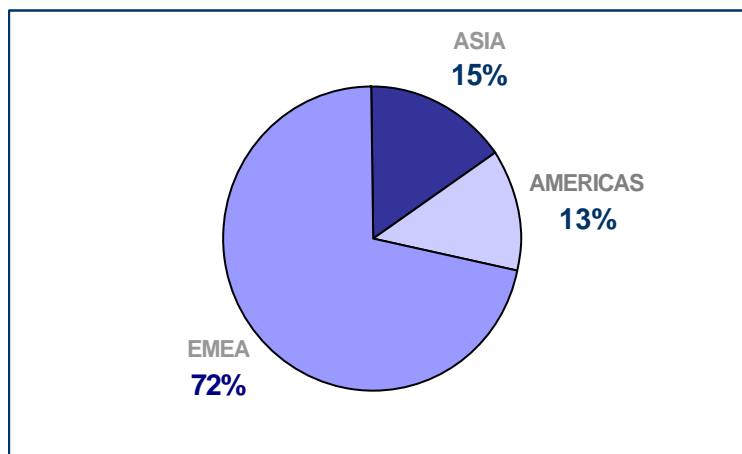


Net Cash (USD m)

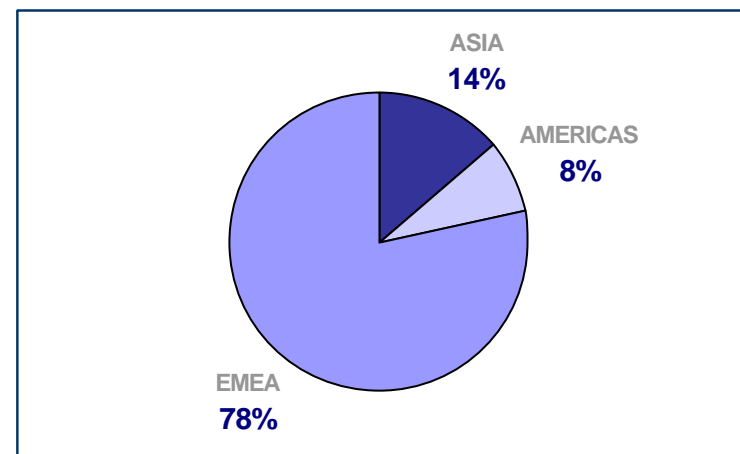


Business Update (Cont.)

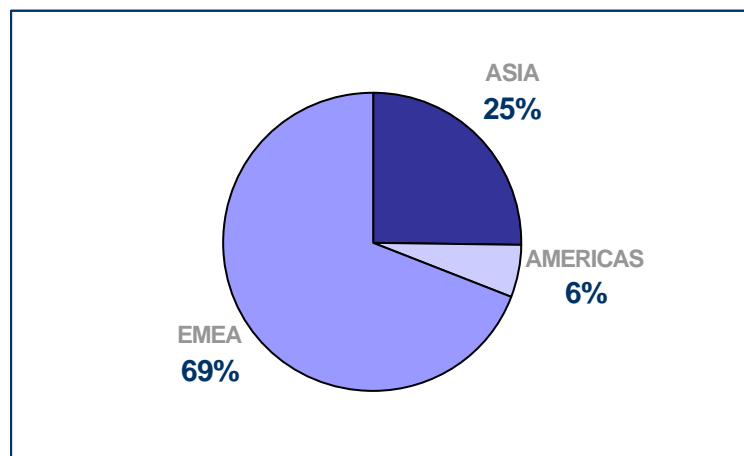
Revenue – 2004



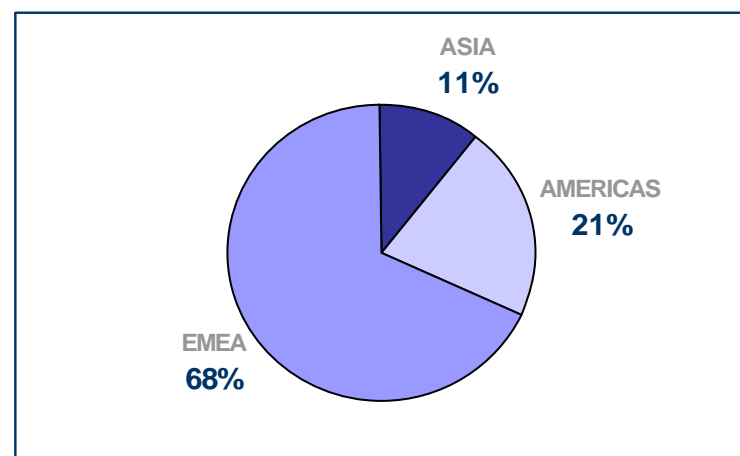
Revenue – 2003



Signings – 2004

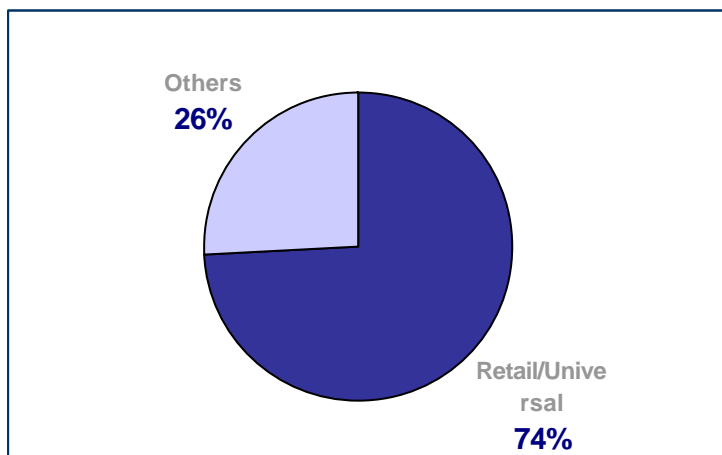


Signings – 2003

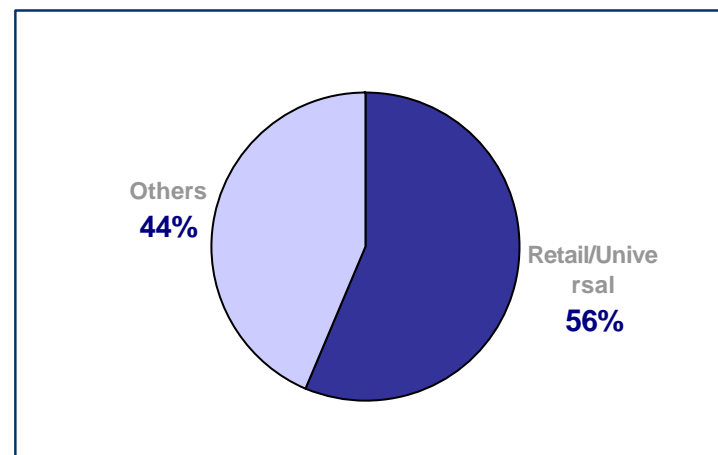


Business Update (Cont.)

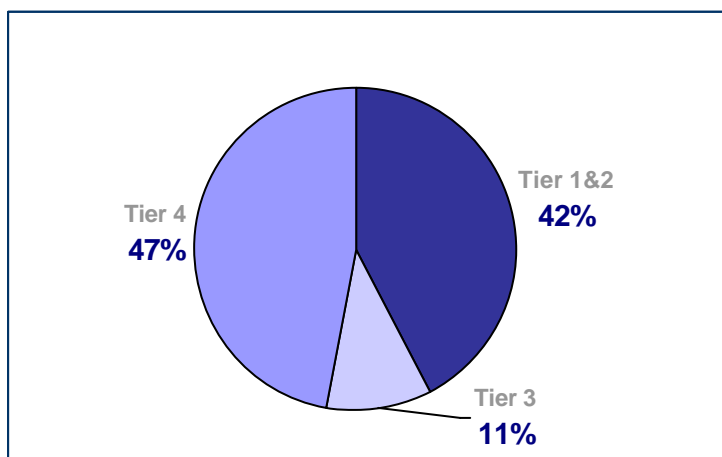
Signings per segment – 2004



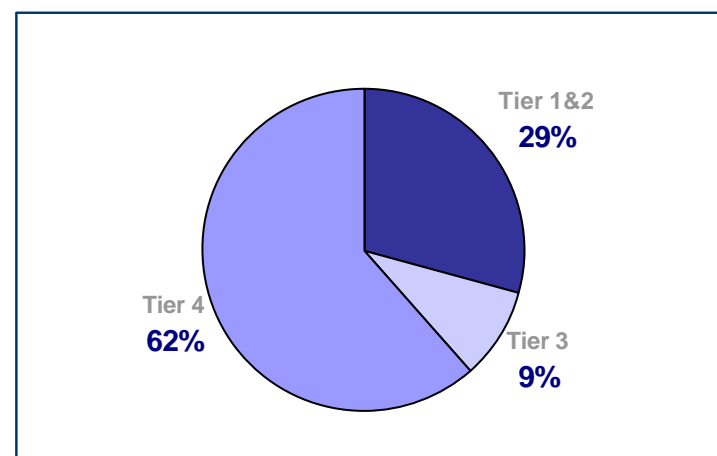
Signings per segment – 2003



Signings per tier - 2004

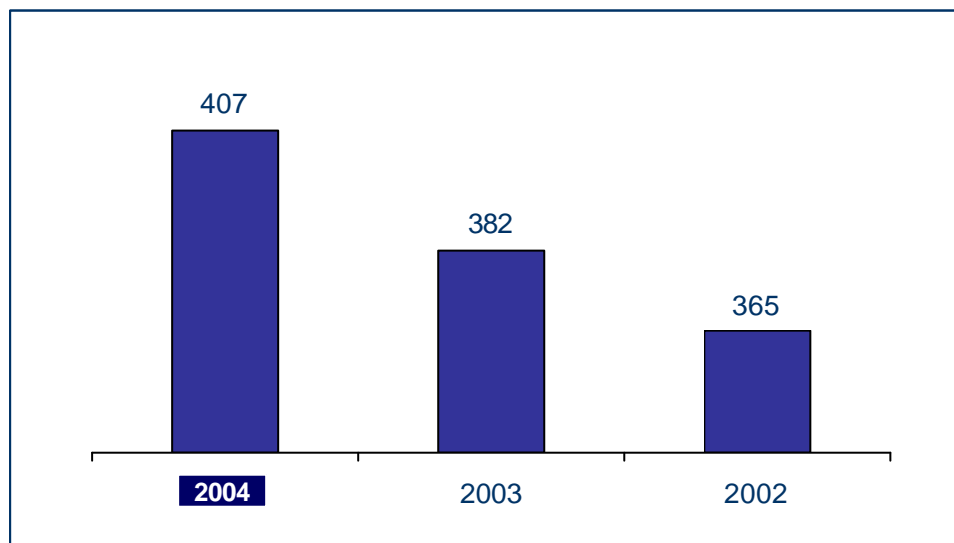


Signings per tier - 2003



Business Update (Cont.)

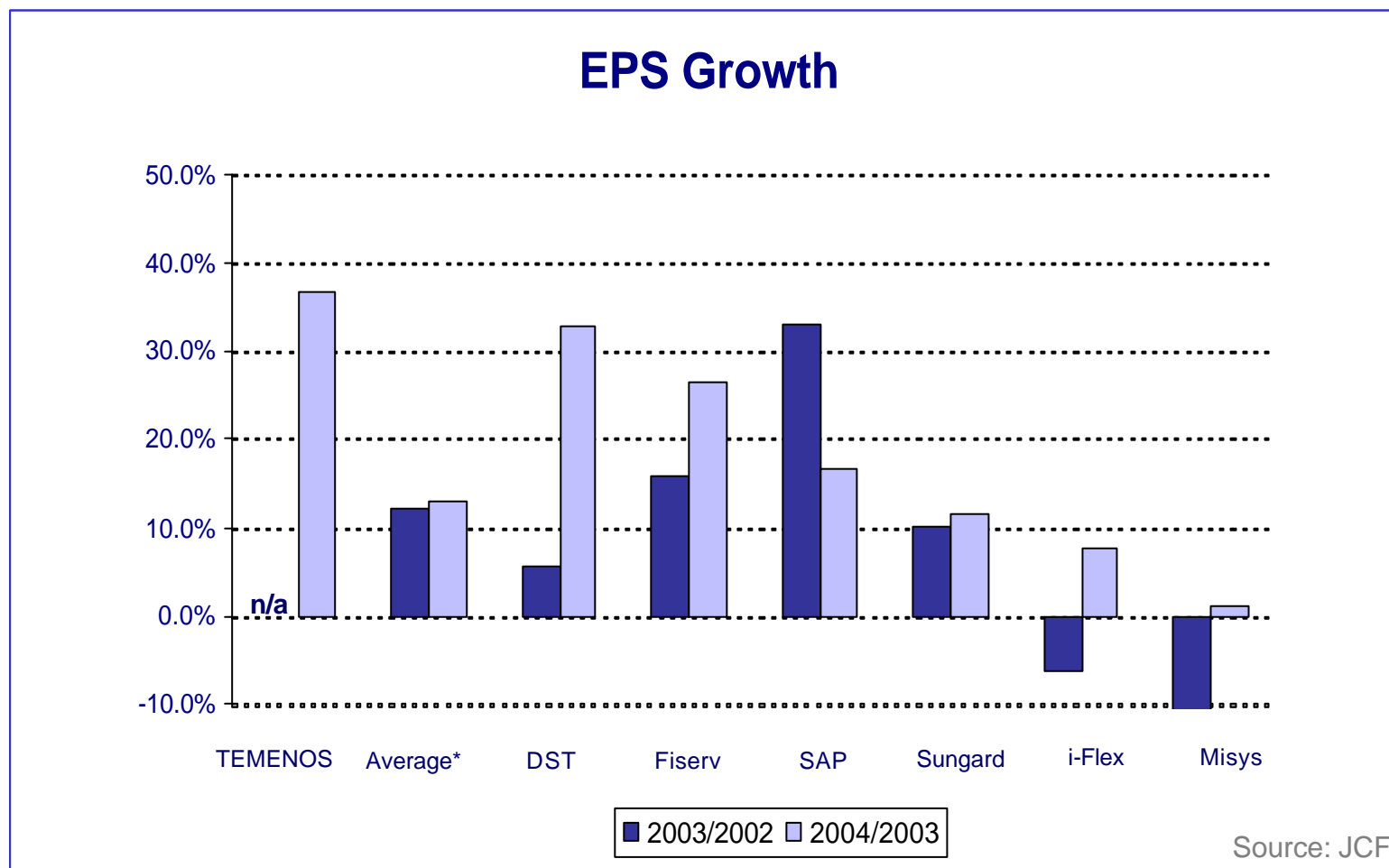
Number of Clients



New Client Additions in 2004

UBS, London
 Banque de France, Paris
 Anglo Irish Bank, Dublin and London
 BAAC, Thailand
 Opic, Washington
 RZB, Slovenia
 Sacom Bank, Vietnam
 UNFCU
 Banco Sabadel
 Ukrsots, Ukraine
 KMB, Moscow
 CIB, Egypt
 Al Bilad Bank, Saudi Arabia
 Bank Thai, Thailand

Business Update (Cont.)



* Average is based on all the above companies.

Market & Business Outlook

- Banks spending on core software continues to be strong and the main drivers are:
 - **Technology and functionality in emerging markets**
 - **Strategic cost reduction and revenue growth in mature markets**
- We are starting to see more activity from Tier 1 European Institutions than one year ago
- Temenos sees increased flow of RFP's compared to one year ago in all regions for both T24 and TCB
- T24 market acceptance in 2004 gives us increased momentum for 2005
- We are competing more effectively than one year ago and we win more than 4 out of 5 opportunities in which we engage
- Quarter and year progressing according to plan

Financial Results

David Arnott
CFO

Q4 & FY 2004 Financial Highlights

Earnings Per Share

- Fully diluted EPS for the quarter of USD 0.13 per share compared to USD 0.09 per share for the same period last year, up 44.4%
- Fully diluted EPS for the full year of USD 0.26 per share compared to USD 0.19 per share for the same period last year, up 36.8%

EBIT

- EBIT at USD 8.2 million for the quarter compared to USD 4.6 million for the same period last year, up 79.3%
- EBIT at USD 17.4 million for the full year compared to USD 10.7 million for the same period last year, up 62.5%

Q4 & FY 04 Financial Highlights - cont

Revenue

- Revenues at USD 40.6 million for the quarter, up 4.4% compared to the same period last year. Revenues at USD 154.6 million for the year compared to USD 146.2 million for the same period last year, up 5.7%
- Revenues for 2004 include US\$1.0 million related to the licence sold into a joint venture entity in Mexico, « FIRA »

Operating Costs

- Operating costs at USD 32.4 million for the quarter down 5.5% compared to the same period last year. Operating costs at USD 137.2 million for the full year compared to USD 135.5 million, up 1.3% on prior year
- Operating costs include USD 2.0m of non recurring items (primarily property vacation charges and other restructuring costs), as well as USD 2.1 million of income from the sale of our 20% investment in Finantix. Total operating costs are therefore unaffected by the net impact of these events.

Cash Costs

- Cash costs at USD 32.3 million for the quarter flat compared to the same period last year. Cash costs at constant currency rate at USD 129.9 million for the full year compared to USD 127.7 million, up 1.7%

Profit & Loss

USD million	Quarter ended December 31			Twelve months ended December 31		
	2004	2003	Growth	2004	2003	Growth
ILF Signings	19	22	(14)%	62	51	22%
Revenues						
Licensing*	16.7	16.8	(0.0)%	63.8 *	59.7	6.9%
Maintenance	10.9	8.6	26.2%	39.8	32.2	23.5%
Services	13.0	13.5	(3.2)%	50.9	54.2	(6.1)%
Total Revenues	40.6	38.9	4.4%	154.5	146.2	5.7%
Total Expenses**	32.4	34.3	(5.5)%	137.2	135.5	1.3%
EBIT	8.2	4.6	79.3%	17.4	10.7	62.6%
EBITDA	11.6	7.4	56.8%	31.3	25.2	24.2%
Net Profit	7.4	5.1	45.1%	15.4	10.9	41.2%
Diluted EPS (in USD per share)	0.13	0.09	44.4%	0.26	0.19	36.8%

* Includes FIRA joint venture revenue

** includes US\$2m of non recurring costs, offset by US\$2.1m of non recurring income from the sale of our investment in Finantix

Currency Movements

USD millions	Q4 04	Q4 03	%	2004	2003	%
Revenue – as reported	40.6	38.9	4.4%	154.6	146.2	5.7%
Currency impact	n/a	1.2		n/a	4.5	
Revenue Adjusted for FX	40.6	40.1	1.2%	154.6	150.7	2.6%
Operating Expenses – as reported	(32.4)	(34.3)	(5.5)%	(137.2)	(135.5)	1.3%
Currency impact	n/a	(2.0)		n/a	(8.0)	
Operating Expenses Adjusted for FX	(32.4)	(36.3)	(10.7)%	(137.2)	(143.5)	(4.4%)
Net Operating Currency impact		(0.8)			(3.5)	
Exchange gains		1.0			0.7	
Hedges		0.6			3.2	
Net P&L impact		0.8			0.4	

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

Cash Cost

USD million	Q4 2004	Q3 2004	Q4 2003
Total Cost- As reported	32.4	35.0	34.3
Capitalised development	3.4	1.3	1.1
T24	2.1	0.5	0.4
TCB	1.3	0.8	0.7
Depreciation & Amortisation	(3.5)	(3.6)	(2.8)
Total Cash Cost	32.3	32.7	32.6
Foreign Exchange Impact*	n/a	0.5	1.4
Total Cash Cost Adjusted for FX	32.3	33.2	34.0

* Adjusted to Q4 2004 rate, including impact of hedging

Cash Cost

USD million	2004	2003
Total Cost- As reported	137.2	135.5
Capitalised development	6.6	2.9
T24	2.7	1.7
TCB	3.9	1.2
Depreciation & Amortisation	(13.9)	(14.5)
Total Cash Cost	129.9	123.9
Foreign Exchange Impact*	n/a	4.8
Total Cash Cost Adjusted for FX	129.9	127.7

* Adjusted to 2004 rate, including impact of hedging

Finantix Disposal

- Early in 2002, we acquired a 20% equity interest in Finantix for a consideration of USD 2.5 million with an option to acquire the remaining 80%
- Option expired end of 2002 without exercise due to its unacceptably dilutive impact on TEMENOS shareholders. Investment written off at the same time
- Since then no formula was found for completing the transaction. 20% stake did not facilitate further growth of the business
- Agreed during December 2004 to sell 20% back to initial shareholders for a consideration of USD 2.1 million

Q4 2004 Cash flow

US\$ million	Qtr ended December 31,		
	2004	2003	Last 12months
Net cash at beginning of period	17.1	14.2	26.7
Operating cash flow	22.6	12.9	15.9
Capital spending	(9.3)	(1.5)	(12.2)
Net financing costs	(0.2)	0.1	(0.1)
Other (FX impact, etc)	0.6	1.0	0.5
Net Cash at end of period	30.8	26.7	30.8

Balance Sheet

USD million	Dec 2004	Sept 2004	Dec 2003
Receivables	52.3	39.8	39.7
Accrued revenue	22.6	40.9	31.0
Less Deferred revenue	<u>(34.6)</u>	<u>(28.0)</u>	<u>(35.9)</u>
Net	40.3	52.7	34.8
Other net current liabilities	(25.6)	(24.6)	(25.7)
Working Capital	14.7	28.1	9.1
Net Cash	30.8	17.1	26.7

- Post year end, we have entered into two medium term facilities totalling USD 40m with two leading European banks. This raises available medium term funding to USD 70m

Outlook - 2005

- We expect full-year 2005 Fully Diluted Earnings Per Share (EPS) to grow in the range of 20-25% compared to 2004
- The outlook is based on:
 - ILF signings in the range of USD 70-75 million
 - Tax rate of 16%
 - US\$/Euro exchange rate of 1:1.35
- At current stock price level, TEMENOS considers it is accretive to shareholders to acquire shares in the market to meet maturing stock option obligations

Appendix

Client Services - FY 2004

USD million	2004	2003	Target
Revenues	50.9	54.2	
Costs	(47.7)	(48.8)	
FX Adjustment	n/a	(0.1)	
Adjusted Margin	3.2	5.3	
Adjusted Margin (%)*	6.3%	9.8%	15% - 17%
% Services to Total Revenues	33.0%	37.0%	30% - 35%

*Adjusted to 2004 rate

Research & Development

USD million	2004	2003
R&D costs – As reported	28.0	30.1
FX Adjustment	n/a	0.2
Adjusted R&D costs	28.0	30.3
Capitalised Development costs	6.6	2.9
T24	2.7	2.2
TCB	3.9	0.7
Non Cash items	<u>(9.0)</u>	<u>(9.8)</u>
Adjusted cash R&D costs	25.6	23.4
T24	15.3	18.3
TCB	10.3	5.1

Quarterly Operating Cashflows

Quarter	Amount
Q1 2004	(1.4)
Q2 2004	0.3
Q3 2004	(5.6)
Q4 2004	22.6
TOTAL	15.9

Quarter	Amount
Q1 2003	(3.4)
Q2 2003	8.3
Q3 2003	(1.4)
Q4 2003	12.9
TOTAL	16.4

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

- Operating cashflow volatility remains high, reflecting increasing average deal size and larger, longer projects