



# Financial Results & Business Review

Year ended December 31, 2002

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 March 11th, 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 March 11th, 2003.

## Agenda

Overview of 2002

Financial results

Q&A

## Speaker

George Koukis

David Arnott

Executive Team

## Position

Chairman & CEO

CFO



# Overview of 2002

George Koukis  
Chairman & CEO

- During the last quarter of 2002 we absorbed the remaining impact of our weak sales performance during the earlier part of the year and the second half of 2001
- We also absorbed a significant amount of one off non cash charges against investments and other assets based on an outlook of continuing business volatility and economic uncertainty
- Operational performance was according to plan with signings reaching USD 23.2 million for the fourth Quarter (+34% compared to prior year) and USD 58.0 million for the Year (+26% compared to last year) the highest level of annual signings ever
- During the Quarter we generated USD 8.4 million in operating cash flows minimizing the operating cash outflows for the year to 4.8 million

- New deals signed during Q4 include:
  - Jih Sun-Taiwan
  - Dunfirmline Building Society- UK
  - Credit Suisse Italy
  - Saudi Hollandi-Saudi Arabia
  - Friesland Bank-Holland
  - Bank Leumi-Switzerland
  - IE Bank-Philippines
  - Credit Unions-Ireland
- And since 1st of January 2003:
  - Fortis Group - Dublin
  - ICBC – Republic of China
- We anticipate return to profitability in accordance with our plan during Q1 2003

- TEMENOS Globus was ranked number two in the IBS sales league table, with respect to new clients signed

	Product	Supplier	2002	2001	2000	Live sites
1	Flexcube	I-flex Solutions	36	29	37	98
2	Globus	Temenos	32	36	42	500+
3	Quantum	Sungard	19	6	-	55
4	Olympic	ERI Bancaire	14	18	18	230+
5	Equation	Misys	10	6	8	400+

Source: The 2002 International Banking Systems sales league table, new clients signed, March 2003

\* Number of known wins



# Financial Results

David Arnott  
CFO

- Revenue
- Revenues at USD 34.6 million, up 11.3% compared to the same period last year
  - Licencing revenue at USD 19.4 million up 18.3% for the quarter compared to the same period last year
  - Services revenue at USD 15.3 million, up 3.5% compared to same period last year
- Operating costs
  - Operating costs at USD 33.4 million up 36% on prior year
  - Research & Development were up 82% on prior year
  - Service gross margins at 7% compared to 10% for same period last year
  - Sales & Marketing costs of 18.1 million were 154% higher than prior year
  - General & Administrative costs of 5.7 million were 13% higher than prior year
  - Operating costs include USD 10.7 million of one-off charges
- Operating profit
  - Operating loss for the quarter of USD 26.9 million, compared to breakeven for the same period last year
- Earnings per share
  - Fully diluted EPS of USD (0.62) per share for quarter compares to USD (0.02) for same period last year

- Revenue

- Revenue at USD 113.3 million down 20% compared to prior year
  - Licencing revenues down by 30% compared to prior year
  - Services revenues down by 6% compared to prior year

- Operating costs

- Operating Costs at USD 157.7 million up 26% compared to prior year
  - Services margin at 3.5% compared to 14% for prior year
  - R&D costs at USD 34.8 million up 14% on prior year
  - Sales and Marketing costs at USD 43.8 million, up 82% on prior year
  - General & Administrative costs at USD 22.3 million, 33% higher than year ago
  - Operating costs contain USD 18.7 million of restructuring and one-off charges

- Operating profit

- Operating loss of USD 44.4million, including one-off charges of USD 18.7, compared to a profit of US\$15.6 million for prior year

- Earnings per share

- Fully diluted EPS of USD (0.93) compared to USD 0.12 for prior year

# Profit & Loss

USD million	Quarter ended December 31			Twelve months ended December 31		
	2002	2001	% <i>Growth</i>	2002	2001	%
<i>Growth</i>						
<b>Revenues</b>						
Licensing	6.3	16.0	(61)%	55.9	79.7	(30)%
Services	13.8	18.6	(26)%	57.5	61.2	(6)%
<b>Total Revenues</b>	<b>20.1</b>	<b>34.6</b>	<b>(42)%</b>	<b>113.4</b>	<b>140.9</b>	<b>(20)%</b>
<b>Expenses</b>						
Software development	9.9	5.4	82%	34.8	30.4	14%
Services	12.9	16.9	(23)%	55.6	53.5	4%
Sales and marketing	18.1	7.1	154%	43.8	24.1	82%
General and admin.	6.1	5.2	21%	23.5	17.3	35%
<b>Total</b>	<b>47.0</b>	<b>34.6</b>	<b>36%</b>	<b>157.7</b>	<b>125.3</b>	<b>26%</b>
<b>Operating profit (loss)</b>	<b>(26.9)</b>	-	-	<b>(44.4)</b>	<b>15.6</b>	-
<b>Net Loss</b>	<b>(33.4)</b>	<b>(0.8)</b>	-	<b>(49.5)</b>	<b>5.9</b>	-
<b>Net Loss (US GAAP)</b>	<b>(33.4)</b>	<b>(0.8)</b>	-	<b>(49.5)</b>	<b>5.9</b>	-

# Earnings per share

	Quarter ended December 31		Twelve months ended December 31		
	2002	2001	2002	2001	2000
Net income (USD million)	(33.4)	(0.8)	(49.5)	5.9	10.6
Shares outstanding ( <i>m</i> )	53.9	51.8	53.0	45.7	53.1
Diluted shares outstanding ( <i>m</i> )	59.1	56.9	58.1	48.6	56.8
Basic EPS ( <i>USD per share</i> )	(0.62)	(0.02)	(0.93)	0.13	0.20
EPS (fully diluted) ( <i>USD per share</i> )	(0.62)	(0.02)	(0.93)	0.12	0.19

USD million

Q4

2002

EBIT- As reported

(26.9)

(44.4)

Restructuring charges / One Off charges

(10.7)(17.8)**(16.2)****(17.8)**

USD million	Q4	Q3	Q4 2001
R&D costs – As reported	9.9	11.0	5.4
Restructuring / One Off charges	<u>(0.0)</u>	<u>(2.5)</u>	<u>0.0</u>
	<b>9.9</b>	<b>8.5</b>	<b>5.4</b>
Capitalised Development costs	0.1	0.7	2.1
Non Cash items	<u>(2.5)</u>	<u>(2.5)</u>	<u>(1.1)</u>
	<b>7.5</b>	<b>6.7</b>	<b>6.4</b>

USD million	Q4	Q3	Q4 2001
S & M costs – As reported	18.1	10.2	7.1
Restructuring/ One Off charges	<u>(9.8)</u>	<u>(1.8)</u>	<u>0.0</u>
	<b>8.3</b>	<b>8.4</b>	<b>7.1</b>

USD million	Q4	Q3	Q4 2001
G &A costs – As reported	5.7	6.6	5.0
Restructuring / One Off charges	<u>(0.9)</u>	<u>(1.7)</u>	<u>0.0</u>
	<b>4.8</b>	<b>4.9</b>	<b>5.0</b>

Quarter	Amount USD Million
Q1 2001	1.4
Q2 2001	2.2
Q3 2001	(4.8)
Q4 2001	0.9
<b>TOTAL</b>	<b>(0.3)</b>

Quarter	Amount USD Million
Q1 2002	(4.5)
Q2 2002	4.1
Q3 2002	(12.8)
Q4 2002	8.4
<b>TOTAL</b>	<b>(4.8)</b>

Marginal operating cash outflows on an annual basis

High seasonality

USD million	Q4	2002
Operating Earnings	(26.9)	(44.4)
Restructuring costs	(7.0)	1.0
One Off charges	10.7	10.7
Working Capital changes	27.7	15.4
Depreciation & Amortisation	<u>3.9</u>	<u>12.5</u>
<b>Operating Cash Flows</b>	<b>8.4</b>	<b>(4.8)</b>

# Balance Sheet

USD million	Dec.-02	Sep- 02	Dec- 01
DSOs (Days)	31	65	64
Receivables	20.5	34.4	33.5
Accrued revenue	20.3	37.3	30.7
Less Deferred revenue	<u>(22.2)</u>	<u>(19.9)</u>	<u>(16.6)</u>
<b>Net</b>	<b>18.6</b>	<b>51.9</b>	<b>47.6</b>
Cash	24.0	38.1	65.3
Unutilised facility	15.0	17.0	17.0
Less Debt	<u>(5.0)</u>	<u>(30.0)</u>	<u>(30.0)</u>
<b>Available Cash</b>	<b>34.0</b>	<b>25.1</b>	<b>52.3</b>

# Cash Flow (USD m.)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Operating Cash Flow	6.9	10.0	(0.3)	(4.8)
Capital spending, incl. Acquisitions	(3.6)	(6.1)	(25.7)	(16.1)
Other (including loan repayment)	<u>(2.7)</u>	<u>1.2</u>	<u>89.8</u>	<u>(20.3)</u>
<b>Total Cash Flow</b>	<b>0.6</b>	<b>5.1</b>	<b>63.8</b>	<b>(41.2)</b>

## 2002 « Cash Flow from Investing » comprises:

USD 5.2 million: Infrastructure.

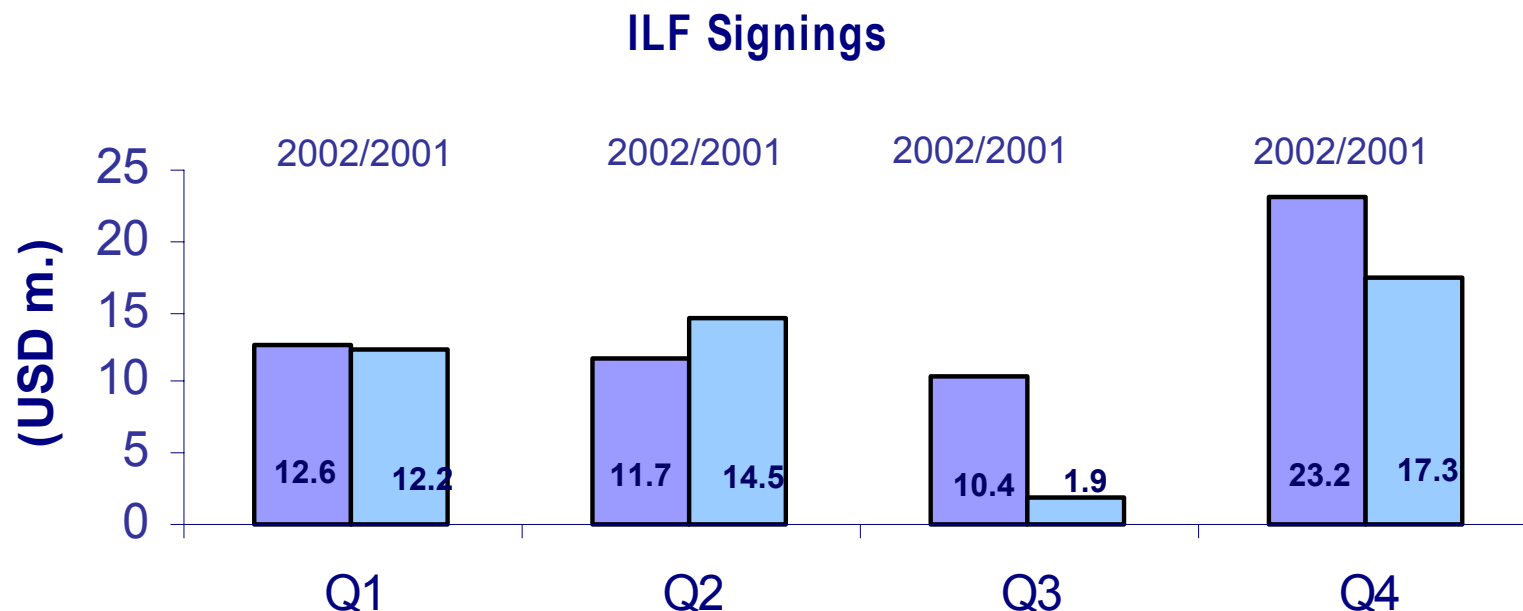
USD 6.5 million: Acquisitions and Investments (USD 1.8 million from prior year)

USD 4.4 million: Capitalised Development

**USD 16.1 million**

Q1 2002	USD 7.6 million
Q2 2002	USD 3.9 million
Q3 2002	USD 2.8 million
Q4 2002	USD 1.8 million
<b>FY 2002</b>	<b>USD 16.1 million</b>

- Q4 ILF signings USD 23.2 million vs USD 17.3 million for the same period last year
- ILF signings have begun to convert into cash and will convert into earnings in 2003 under our revenue recognition policy



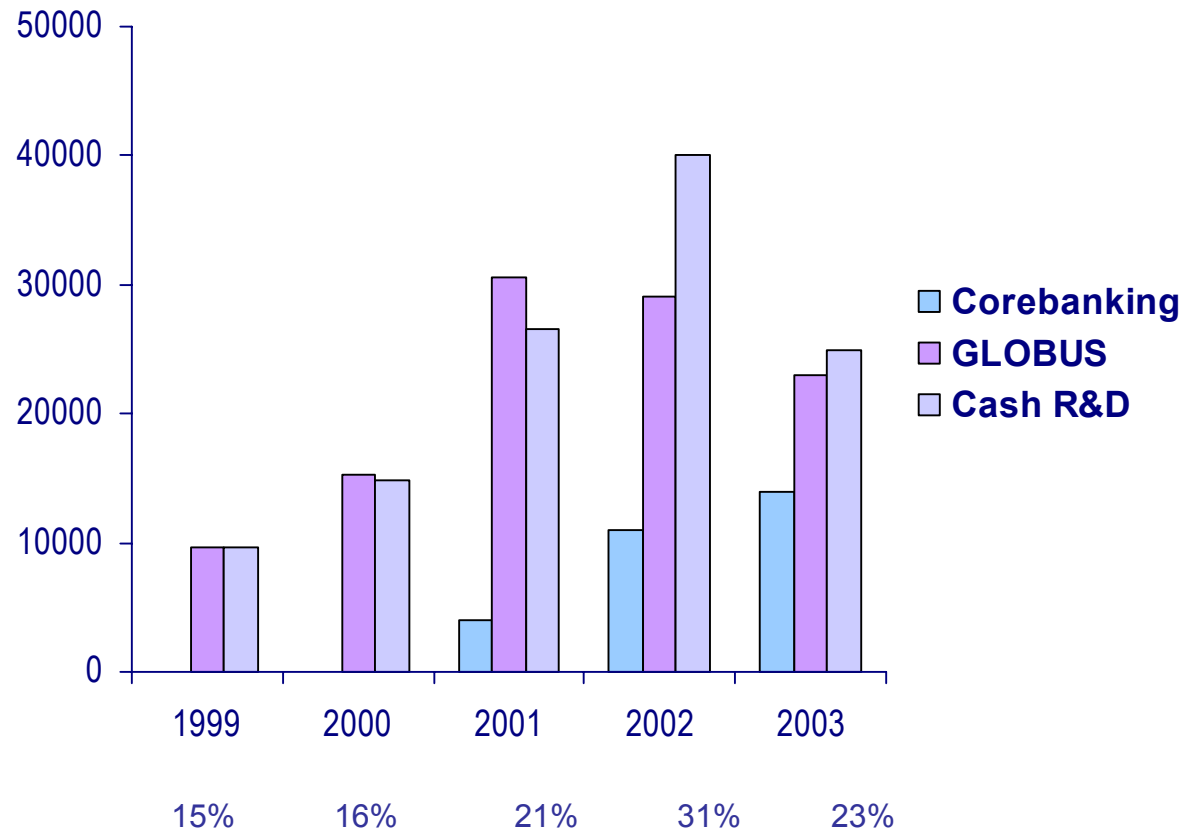
- Business on hand at start of year contributes 74% of the annual budget of USD 130m total revenues. Balance of budget consists from ILF and services from 1H 2003 targeted signings.
- Conservative assumption for new business wins: USD 7.8m in Q1, USD 12.8m in Q2, zero for second half year.
- Earnings continue depressed by high investment in R&D, which will trend back to business model within 2 years as a result of leverage derived from corebanking revenues
- Services benefit from higher utilisation in 2003 over 2002 as a result of higher licence sales in 2H 2002
- Sales and Marketing costs will leverage deal size growth
- G&A benefit from higher operational leverage as growth returns
- 2002 restructuring delivers USD 35 million of annualised savings

Key strategic restructuring decisions undertaken in 2002 include:

	<u>Annualised Saving</u>
Development	11.1
MBO of Outsourcing business	3.2
jBase indirect go to market strategy	5.8
Marketing spending	1.8
Infrastructure	2.1
Reduced use of external consultants	8.9
Other redundancies	<u>2.1</u>
	<b>35.0</b>

**Restructuring does not compromise our capacity**

**Upside leverage intact**



**Product investment remains high, cash cost declines following restructuring**

## Operating costs as a percentage of revenues

	2002	Impact of restructuring and one off	2002 to 2003		2003
			revenue leverage	reinvestment & efficiencies	
R&D	<b>31%</b>	-6%	-5%	3%	<b>23%</b>
Services	<b>49%</b>	-3%	-7%	-2%	<b>37%</b>
Sales & Marketing	<b>39%</b>	-12%	-6%	-5%	<b>16%</b>
G&A	<b>21%</b>	-1%	-3%	-1%	<b>16%</b>
% of Revenues	140%	-22%	-21%	-5%	92%
Net of amortisation	128%	-22%	-22%	-5%	79%

- Maintain prior guidance
- Backlog as of December 31, 2002 amounted to USD 33 million, driven by strong Q4 ILF signings representing over 85% of budgeted ILF for 2003
- Revenue guidance for Year Ending December 31, 2003 of approximately USD 130 million
- Operating cost guidance for Year Ending December 31, 2003 of approximately USD 120 million
- Good signings trend from first two month of 2003 at USD 4.0 million, full quarter on plan at USD 7.8 million



## Additional Slides

***December 30th : Client signs USD 10m licence contract. USD 5m payable on January 30th, USD 5m payable on completion of project. Implementation will take place from March 1 to August 30 of year after signing***

- On signing: Backlog = USD 10m. No accounting entries
- On January 30th: USD 5m of cash received. Reported as a cash asset and current liability under caption « deferred revenue ». Backlog is still USD 10m.
- End of first month of project (now 20% complete): 20% of the contract revenue booked =USD 2m. As the client has paid in advance, deferred revenue reduced by USD 2m. Deferred revenue = USD 3m. Backlog reduced to USD 8m.
- Half way through project: USD 5m booked to revenue. No deferred revenue left, so now begin to « accrue ». Backlog now US\$5m.
- « Go live »: All USD 10m of revenue booked, accrued revenue = USD 5m. This is now invoiced. Accrual reversed, invoice sent out. Until invoice paid, the USD 5m is reported under « accounts receivable »

# Revenue Recognition - A Case Study

	Backlog	Revenue	Cash	Deferred	Accrued
On Signing	10	0	0	0	0
On Upfront Pmnt 50%	10	0	5	5	0
Project:					
20% complete	8	2	5	3	0
50% complete	5	5	5	0	0
90% complete	1	9	5	0	4
Live date	0	10	10	0	0