

# Financial Results & Business Update

Quarter ended December 31st, 2005

## Disclaimer

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- 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 22, 2006. 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 22, 2006.

## Presentation Overview

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### Agenda

Introduction

Business Update

Financial Results

### Speaker

Max Chuard

Andreas Andreades

David Arnott

### Position

Director

CEO

CFO

# Business Update

Andreas Andreades  
CEO

## Our Vision

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*To become*

**The leading global brand  
in financial services software**

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## TEMENOS Today

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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

500+ institutions, 600+ live locations

Strategic alliances and key business partners

HQ Geneva, global presence through 39 offices

Listed on SWX Exchange (TEMN)

## TEMENOS Strategy

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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

## Business Update

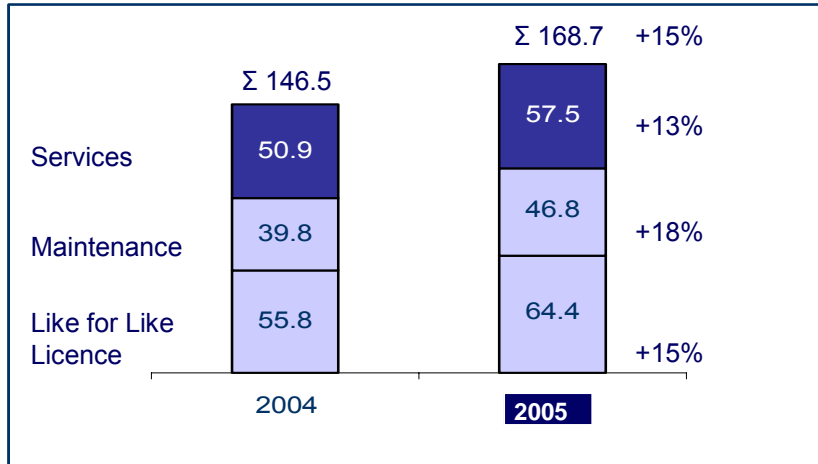
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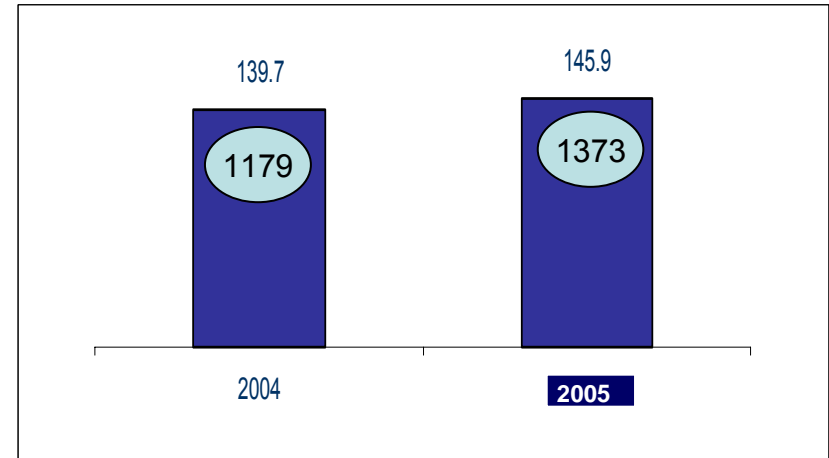
- **Fully diluted EPS** for the full year 2005 of **USD 0.32** per share (2004: USD 0.22) **up 46%**. Like for like diluted EPS up **212%**.
- **EBIT** for the full year 2005 at **USD 22.7m** (2004: USD 14.9m) **up 52%**
- Growing Initial Licence Fee (**ILF**) signings for the full year 2005 at **USD 91m** (2004: USD 62m) **up 47%**
  - **T24 up 30%** to USD 65 million (2004: USD 51 million)
  - **TCB up 117%** to USD 26 million (2004: USD 12 million)
  - **Tier 1 & 2** institutions representing more than **42%** of new signings
  - **Retail and Universal** banking representing approximately **70%** of new signings
- Growing **revenues** for full year 2005 at **USD 168.7m** (2004: USD 154.6m) up **9% (15% on a like for like basis)**:
  - **Like for like Licensing up 15%**
  - **Maintenance up 18%**
  - **Services up 13%. Share of total revenues 34%** (2004: 33%)
- **Operating Costs** for the full year 2005 well leveraged at **USD 145.9m** (2004: USD 139.7 m) **up 4.5%**

# Business Update (Cont.)

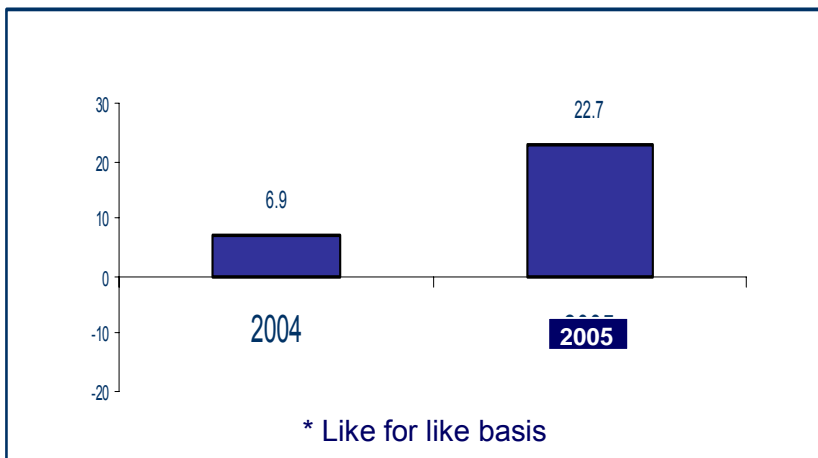
### Revenues (USD m)



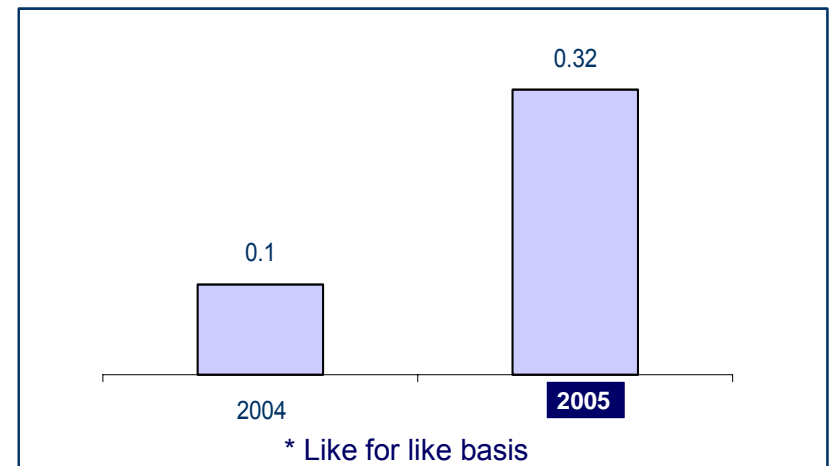
### Costs (USD m) and Headcount



### EBIT\* (USD m)

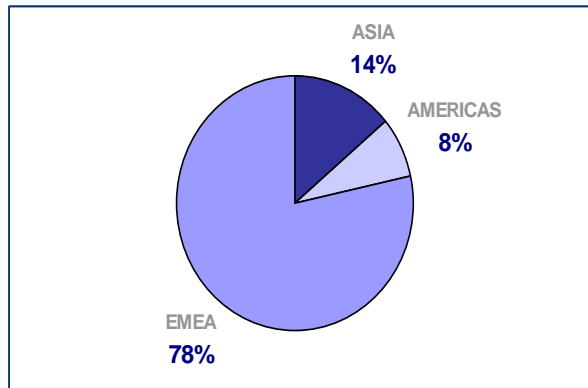


### Fully Diluted EPS\* (USD per share)

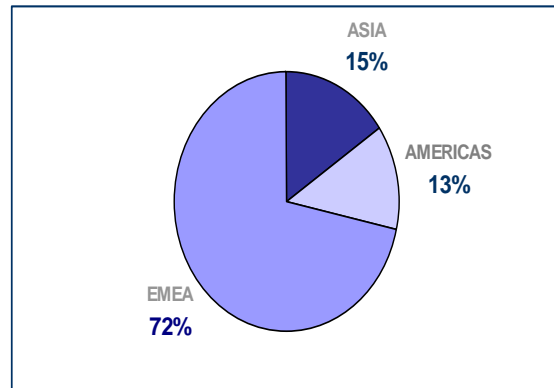


## Business Update (Cont.)

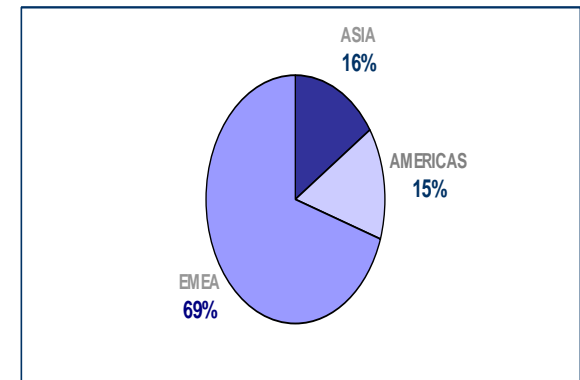
Revenue – 2003



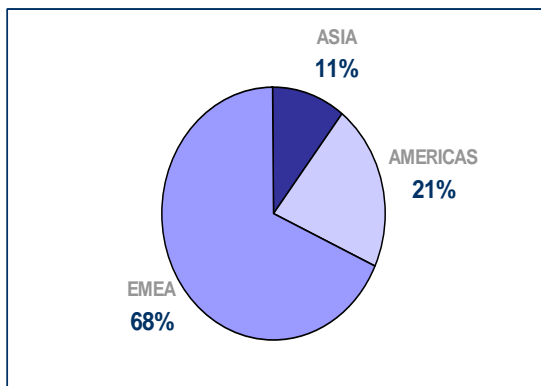
Revenue – 2004



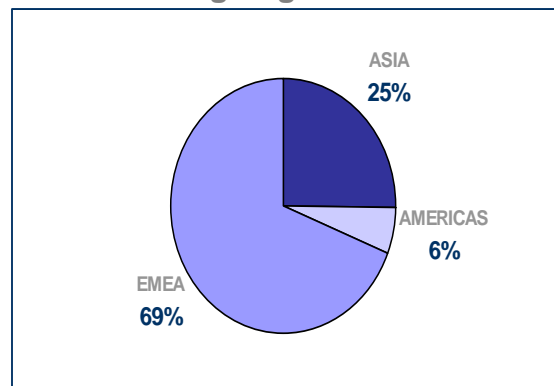
Revenue – 2005



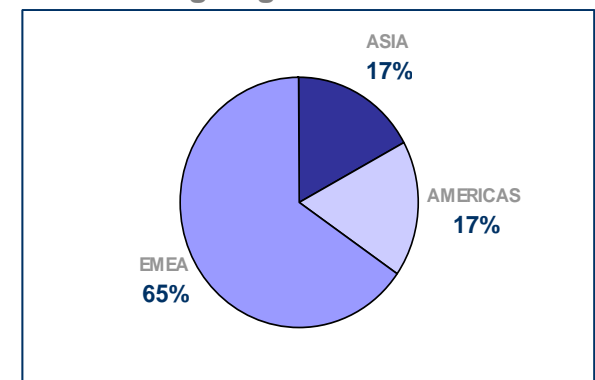
Signings – 2003



Signings – 2004

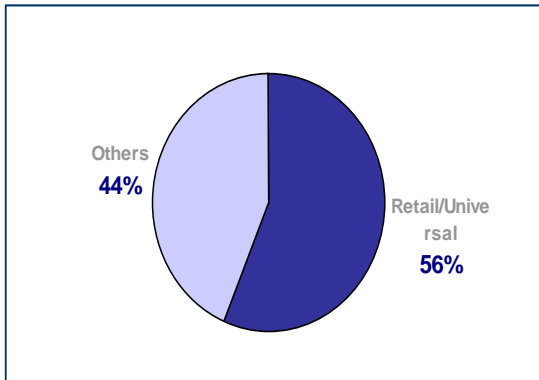


Signings – 2005

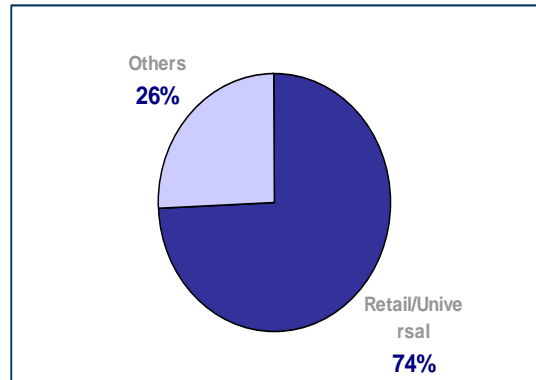


# Business Update (Cont.)

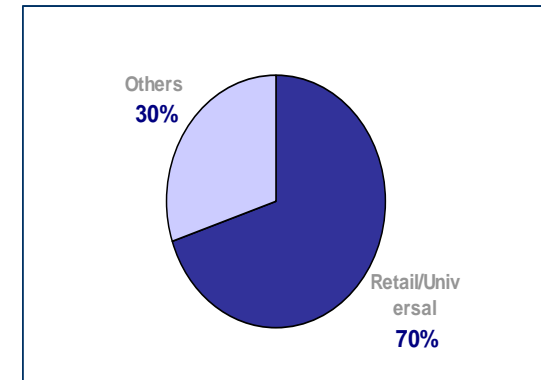
Signings per segment – 2003



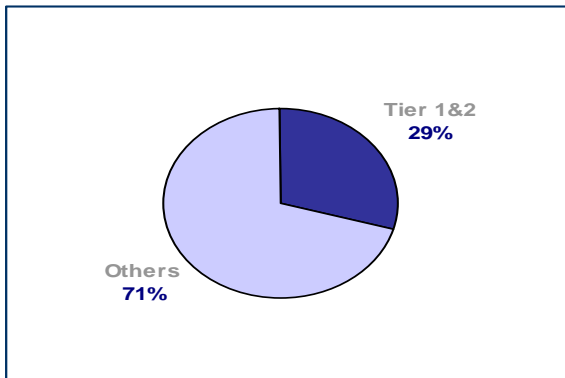
Signings per segment – 2004



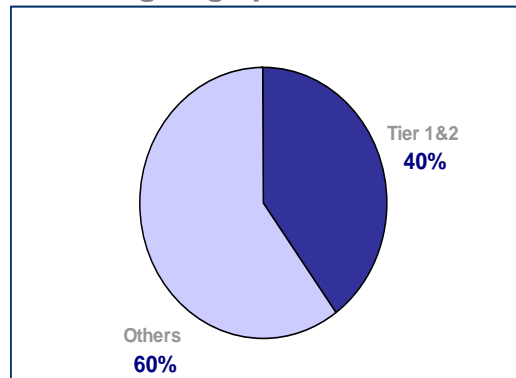
Signings per segment – 2005



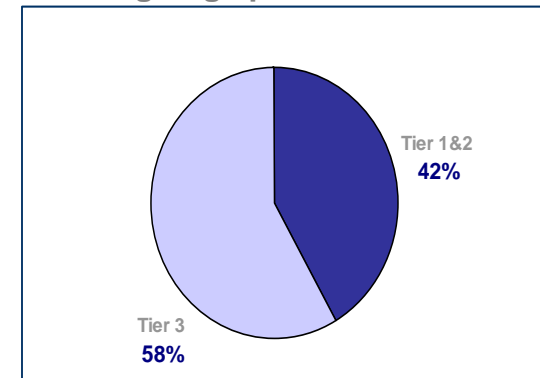
Signings per tier - 2003



Signings per tier - 2004

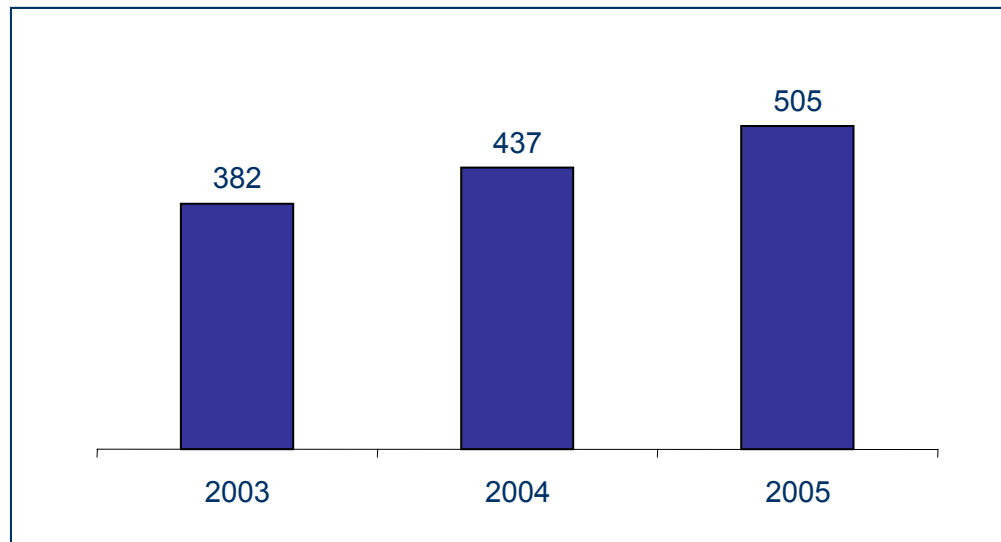


Signings per tier - 2005



## Business Update (Cont.)

Number of Clients – as at Dec 31,



### 68 New Client Additions in 2005

HSBC  
 Lehman Brothers  
 Sumitomo Trust  
 Companie Monégasque de Banque  
 Financiera Compartamos  
 Royal Bank of Trinidad and Tobago  
 Caja Libertad  
 Zenith Bank  
 The Bank of East Asia  
 Arab Turkish Bank  
 Military Commercial Joint Stock Bank  
 South East Asia Bank  
 Plus a number of other deals that cannot  
 be disclosed by name.

New client wins in 2005: 68

- New clients under licensing model: 34
- New clients under ASP model in Mexico: 34

## COMPETITION & MARKET SHARE

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- TEMENOS has been consistently winning against competition including iflex, Misys, Fidelity and SAP
- In 2005 we have increased market share with 47% growth which was significantly ahead of industry growth rate of 6% to 8%
- TEMENOS has richest product and broader distribution, as well as domain expertise to compete effectively against other combination of players
- Industry consolidation continuing as per our industry forecasts:
  - **Oracle acquiring I-Flex**
  - **Fidelity National merging with Certegy and listing in the US**
  - **Tata Consulting Services acquiring FNS in Australia**
- Consolidation is a healthy process for the industry
  - **Faster Tier 1 conversion and faster market growth**
  - **Better pricing in the medium to long term**

## ACQUISITIONS

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- Organic growth model on track
- TEMENOS continues to target growth through acquisitions in its core business areas:
  - **Enhance product**
  - **Acquire client base**
  - **Strengthen delivery capability and distribution**
- Management continues to maintain a disciplined approach in conducting acquisitions and will remain focused on delivering shareholder value
- Acquisitions will be funded either through debt or equity or a mixture taking advantage of optimal cost of capital and Temenos growth trajectory
- In January we completed the acquisition of TLC, a Basle II/risk solution for banks strengthening our middle office offering

## MARKET OUTLOOK

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- Robust growth in core spending for Retail, Universal and Private 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**
  - **Introduction of new products**
  - **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

## BUSINESS OUTLOOK

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- Following record Q4 performance, strong momentum continues across both T24 and TCB business into 2006
- Product Maturity and increased client referenceability on T24 and TCB contributing to significant growth in pipeline and opportunities compared to one year ago
- During the last 6 months of 2005 we have improved our win ratios from an already high 80%
- 2006:
  - Outlook EPS growth for 2006 of 30% compared to 2005
  - Growth of licensing revenues of approximately 21% compared to 2005
  - Leverage delivered through increase in cumulative maintenance revenues flowing to net earnings while continuing to invest for growth

## Financial Results

David Arnott  
CFO

## Q4 & FY 2005 Financial Highlights

### Earnings Per Share

- Fully diluted EPS for the quarter of USD 0.23 per share compared to USD 0.11 per share for the same period last year, up 109.1%
- Fully diluted **EPS for the full year of USD 0.32** per share compared to USD 0.22 per share for the same period last year, **up 45.5%**
- **Like for like** fully diluted **EPS** for the full year of USD 0.32 per share compared to USD 0.10 per share for the same period last year, **up 211.6%**

### EBIT

- EBIT at USD 15.6 million for the **quarter** compared to USD 7.8 million for the same period last year, up 98.7%
- EBIT at USD 22.7 million for the **full year** compared to USD 14.9 million for the same period last year, **up 52.5%**
- **Like for like EBIT at USD 22.7** million for the full year compared to USD 6.9 million for the same period last year, **up 229.0%**

## Q4 & FY 05 Financial Highlights - cont

### Revenue

- **Revenues at USD 58.1 million for the quarter, up 43.1%** compared to the same period last year. **Revenues at USD 168.7 million for the year** compared to USD 154.6 million for the same period last year, **up 9.1%**
- **Like for like revenues for the year up 14.7%** compared to the same period last year

### Operating Costs

- **Operating costs at USD 42.5 million for the quarter, up 29.8%** compared to the same period last year. **Operating costs at USD 145.9 million for the full year** compared to USD 139.7 million, **up 4.5%** on prior year

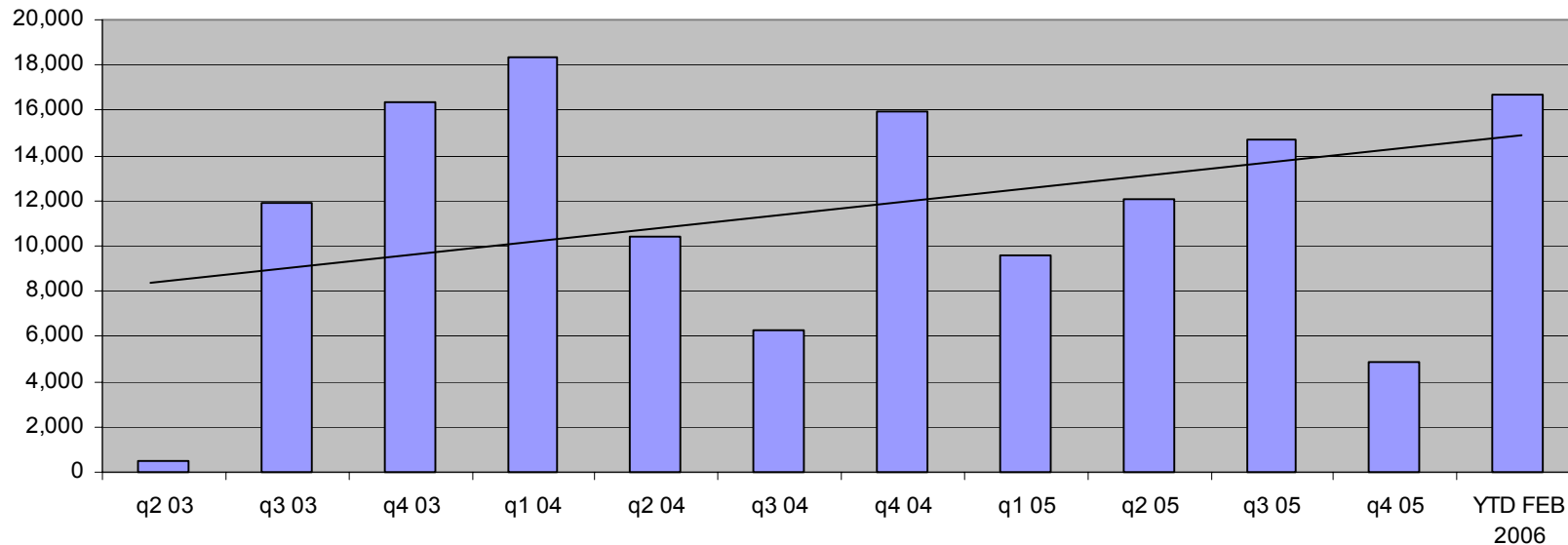
### Cash Costs

- **Cash costs at USD 41.5 million for the quarter, up 20.6%** to the same period last year. **Cash costs at USD 141.8 million for the full year** compared to USD 132.0 million, **up 7.4%** on prior year

## Profit & Loss

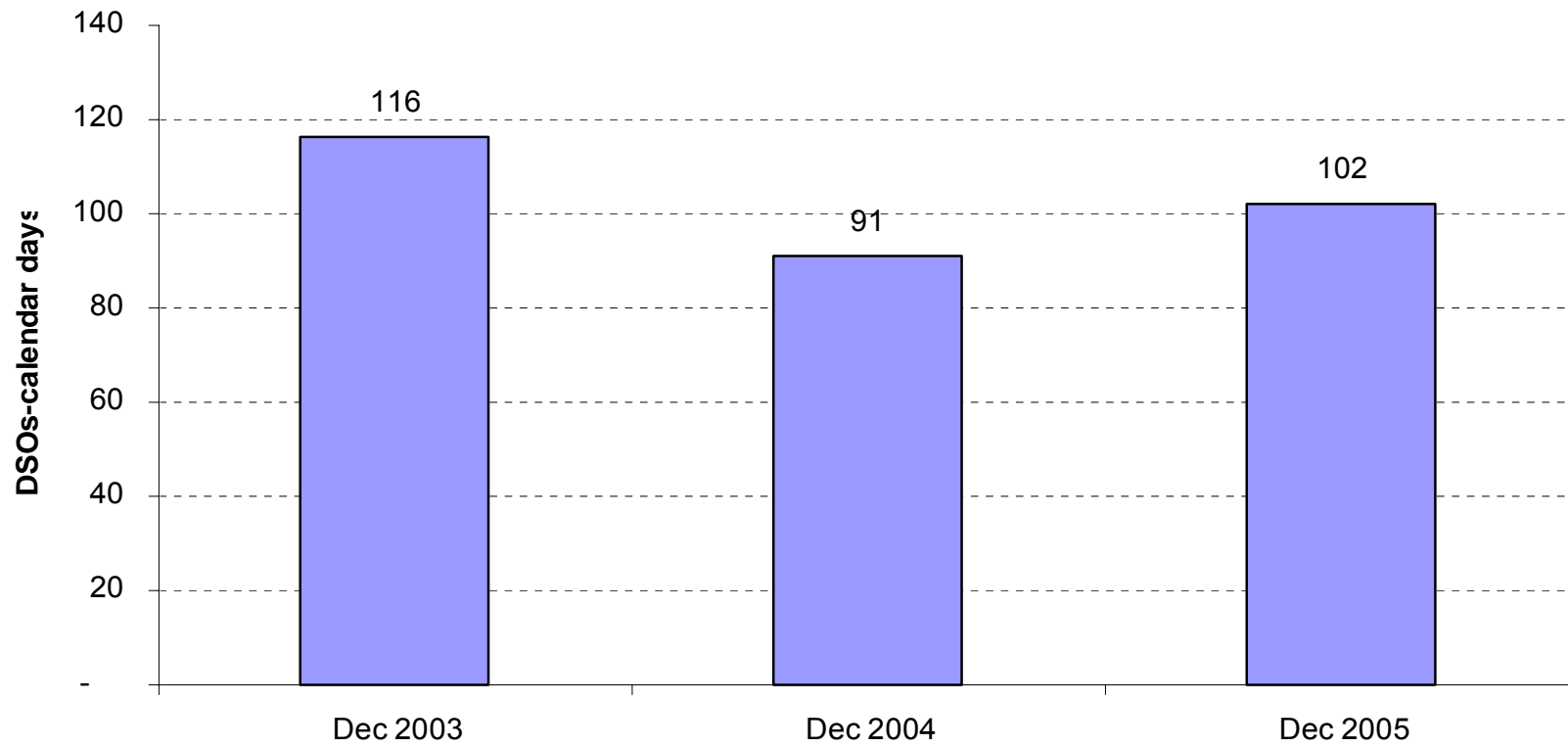
USD million	Quarter ended December 31			Twelve months ended December 31		
	2005	2004	Growth	2005	2004	Growth
<b>ILF Signings</b>	<b>28</b>	<b>19</b>	<b>47 %</b>	<b>91</b>	<b>62</b>	<b>47%</b>
<b>Revenues</b>						
Licensing	29.3	16.7	75.9%	64.4	63.8	0.8%
Maintenance	12.2	10.9	12.0%	46.8	39.8	17.5%
Services	16.6	13.0	27.3%	57.5	50.9	12.9%
<b>Total Revenues</b>	<b>58.1</b>	<b>40.6</b>	<b>43.1%</b>	<b>168.7</b>	<b>154.6</b>	<b>9.1%</b>
<b>Total Expenses</b>	<b>42.5</b>	<b>32.7</b>	<b>29.8%</b>	<b>145.9</b>	<b>139.7</b>	<b>4.5%</b>
<b>EBIT</b>	<b>15.6</b>	<b>7.8</b>	<b>98.7%</b>	<b>22.7</b>	<b>14.9</b>	<b>52.5%</b>
<b>EBITDA</b>	<b>17.8</b>	<b>11.3</b>	<b>57.3%</b>	<b>33.9</b>	<b>28.8</b>	<b>17.7%</b>
<b>Net Profit</b>	<b>12.9</b>	<b>7.0</b>	<b>84.9%</b>	<b>18.3</b>	<b>12.9</b>	<b>42.0%</b>
<b>Diluted EPS (in USD per share)</b>	<b>0.23</b>	<b>0.11</b>	<b>109.1%</b>	<b>0.32</b>	<b>0.22</b>	<b>45.5%</b>
<b>Cashflow from Operations</b>	<b>12.6</b>	<b>23.0</b>	<b>(45.5%)</b>	<b>5.1</b>	<b>16.7</b>	<b>(69.3%)</b>

## 12 month rolling cashflow from operations



- Lower than anticipated Q4 cash flows compensated by strong collection in first 7 weeks period to 21st February 2006
- In that 7 weeks period , we have generated USD 3.5 million of cash flow from operations compared to USD (8.1) million in the same period last year
- Cash flow from operations in the 12 months ending 21 February 2006 was USD 16.7 million

## DSOs analysis



## Outlook - 2006

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- The TEMENOS business model is maturing and our financial results no longer include revenues recognised under percentage of completion in either the reported period or the comparative. As a result, reported licence revenues represent a more appropriate measure of business growth than ILF signings. Therefore, we are switching our outlook statements to licence revenues, in line with industry standard practice.
- Our outlook for licence revenues is in the range of USD 75 – 80 million for 2006 compared to USD 64.2 million in 2005 or an increase in the midpoint of the outlook of 21%
- Cost outlook is in the range of USD 158-167 million
- EPS outlook is for Fully Diluted Earnings Per Share (EPS) to grow by in excess of 30% compared to 2005.
- Assumptions:
  - 61.5 million of dilutive shares
  - Effective tax rate of 13%

# Appendix

## Like for like revenues

USD million	2005	2004
Licence revenues as reported	64.4	63.8
Legacy % completion revenues		(8.0)
<b>Like for like licence revenues</b>	<b>64.4</b>	<b>55.8</b>
<b>Maintenance revenues</b>	<b>46.8</b>	<b>39.8</b>
<b>Services revenues</b>	<b><u>57.5</u></b>	<b><u>50.9</u></b>
<b>Like for like total revenues</b>	<b>168.7</b>	<b>146.6</b>
<b>Growth vs prior year</b>	<b>15%</b>	

## Like for like P&L

USD million	2005	2004
Revenues as reported	168.7	154.6
Legacy % completion revenues	<u>n/a</u>	<u>(8.0)</u>
<b>Like for like ILF revenues</b>	<b>168.7</b>	<b>146.6</b>
Costs	(145.9)	(139.7)
<b>Like for like EBIT</b>	<b>22.7</b>	<b>6.9</b>
<b>Like for like EPS</b>	<b>0.32</b>	<b>0.10</b>

## Services margin

USD million	2005	Q4	Q1-Q3
Services revenue	57.5	16.6	40.9
Costs	(61.6)	(18.7)	(42.8)
Variable cost phasing	<u>-</u>	<u>1.0</u>	<u>(1.0)</u>
Margin	<u>(4.1)</u>	<u>(1.1)</u>	<u>(2.9)</u>
% margin	(7%)	(7%)	(7%)

## Q4 2005 Cash flow

US\$ million	Qtr ended December 31		
	2005	2004	Last 12months
<b>Net cash at beginning of period</b>	<b>11.3</b>	<b>17.1</b>	<b>30.8</b>
Cash from operating activities	12.6	23.0	5.1
Capital spending	(4.7)	(9.4)	(15.0)
Net financing costs	(2.4)	(0.2)	(3.0)
Other (Tax, FX impact, etc)	(1.1)	0.2	(2.3)
<b>Net Cash at end of period</b>	<b>15.6</b>	<b>30.8</b>	<b>15.6</b>

## Cash Cost

USD million	Q4 2005	Q3 2005	Q4 2004
Total Cost- As reported	42.5	33.8	34.9
Capitalised development	4.2	2.9	3.4
Depreciation & Amortisation	(2.2)	(2.2)	(3.5)
Other non-cash items	(3.0)	0.7	(0.4)
<b>Total Cash Cost</b>	<b>41.5</b>	<b>35.2</b>	<b>34.4</b>

## Cash Cost

USD million	2005	2004
Total Cost- As reported	145.9	141.8
Capitalised development	10.9	6.6
Depreciation & Amortisation	(11.2)	(13.9)
Other non-cash items	(3.8)	(2.5)
<b>Total Cash Cost</b>	<b>141.8</b>	<b>132.0</b>

## Currency Movements

USD millions	Q4 05	Q4 04	%	2005	2004	%
Revenue – as reported	58.1	40.6	43.1%	168.7	154.6	9.1%
Currency impact	n/a	(0.2)		n/a	0.4	
<b>Revenue Adjusted for FX</b>	<b>58.1</b>	<b>40.4</b>	<b>43.8%</b>	<b>168.7</b>	<b>155.0</b>	<b>8.8%</b>
Operating Expenses – as reported	(42.5)	(33.1)	28.5%	(145.9)	(140.0)	4.2%
Currency impact	n/a	(0.3)		n/a	<b>0.5</b>	
<b>Operating Expenses Adjusted for FX</b>	<b>(42.5)</b>	<b>(33.4)</b>	<b>27.2%</b>	<b>(145.9)</b>	<b>(139.5)</b>	<b>4.5%</b>
<b>Net Operating Currency impact</b>		<b>0.1</b>			<b>(0.1)</b>	