



## **Temenos reports outstanding Q3 results – operating profit up by 79% - and reiterates full year outlook**

**Geneva, Switzerland**, October 22, 2008 – Temenos Group AG (SWX: TEMN), a market leading provider of mission-critical core banking software, today announced its financial results for the third quarter 2008.

### **Financial Highlights**

	<b>Q3 08</b>	<b>Q3 07</b>	<b>y-o-y Δ</b>
<b>Licence revenue</b>	35.3	28.0	26%
<b>Total Revenue</b>	100.4	70.8	42%
<b>EBIT</b>	11.2	6.2	79%
<b>Cash from operations</b>	10.7	-6.4	17.1

All numbers are in USDm

### **Highlights**

- 13 new T24 banking clients signed in the quarter, including Temenos' first joint deal with Metavante at EverBank in the US.
- The successful completion of Temenos' acquisitions of Financial Objects and Informer, which together are expected to add USD0.16 to adjusted earnings\* in 2009.
- The announcement of a strategic licensing agreement with Rubik Financial to deliver T24 on a hosted basis across Australia and New Zealand.
- Several key senior management appointments, including the appointment of Mike Head as Global Partners Director
- Bank of Shanghai, one of the largest city commercial banks in China, went live with T24 across its retail business. Supporting 11m accounts, this is a key reference site for T24 in China and in retail banking.

Commenting on the results, CEO Andreas Andreades said, "I am delighted by our continued strong performance in Q3. Despite the financial crisis, which evidently worsened in the period, we continued to execute on sales opportunities. We knew that our pipeline of deals was robust going into the quarter, but what was pleasing was that our conversion rate remained high. Licence growth drivers in the third quarter – like investment in growth segments, the replacement of obsolete systems, cost reduction – are equally prevalent in the fourth quarter pipeline deals and so we anticipate similar high conversion levels. Furthermore, the pipeline for the fourth quarter has more cover than at the same stage last year, giving further confidence that we will realise our full year outlook.



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Looking ahead, good visibility and higher pipeline cover give us no reason to change the assumptions underlying our 2009 outlook, although we acknowledge a tougher and more uncertain macroeconomic environment. Moreover, the size and scale of the business – pro-forma revenues for 2008 will be around USD475m – has allowed us to introduce a programme of efficiencies that will foster organisational agility and margin expansion for 2009 and beyond even under more difficult conditions.

I remain very optimistic about the prospects for Temenos: the structural drivers that have underpinned our growth, far from diminishing, are stronger than ever and, coupled with increased organisational agility, leave the group extremely well-placed to deliver significant earnings growth over the coming years.”

## **Revenue**

Revenue for the third quarter was USD100.4m, up from USD70.8m in the same period last year, representing growth of 42%. Licence revenue for the quarter was USD35.3m, 26% ahead of previous year.

## **Operating profit**

Operating profit for the quarter was USD11.2m, compared with USD6.2m in the same period last year, an increase of 79%. Margin for the quarter was 11.1%, 230 basis points higher than in the prior year, reflecting natural leverage and good cost control.

## **Net income and Earnings Per Share (EPS)**

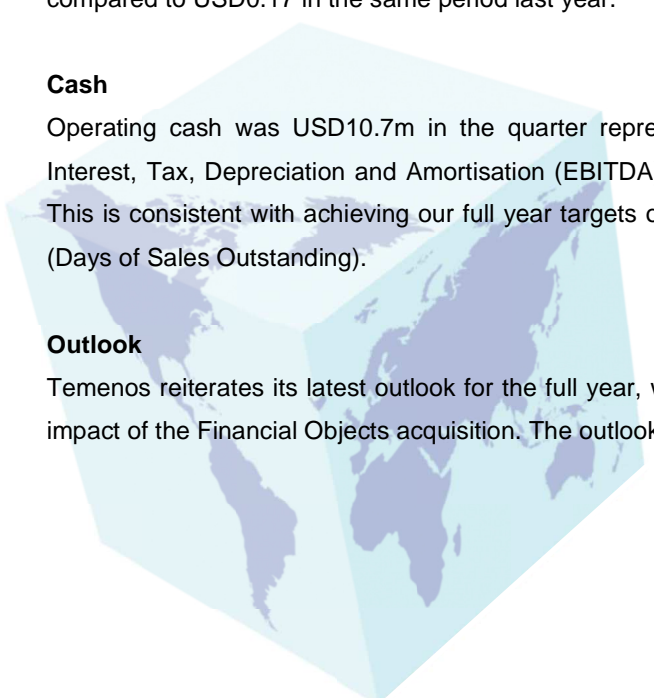
Net income was USD5.0m in the quarter. This represented a decrease of 49% on the prior year, impacted chiefly by non-cash foreign exchange losses resulting from retranslation of financial instruments and closing balances. Adjusted EPS, which excludes amortisation of acquisition-related intangibles, was USD0.13 in the quarter compared to USD0.17 in the same period last year.

## **Cash**

Operating cash was USD10.7m in the quarter representing cash conversion - conversion of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) into operating cashflow - of 68% over the last 12 months. This is consistent with achieving our full year targets of 75% cash conversion and a 10-15 day reduction in DSOs (Days of Sales Outstanding).

## **Outlook**

Temenos reiterates its latest outlook for the full year, which was updated on 17 September to take account of the impact of the Financial Objects acquisition. The outlook is as follows:





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	2008 Outlook	2007 actuals	% Δ
Licence revenue	178.5	148.8	20%
<b>Total Revenue</b>	444.0	329.9	35%
<b>EBIT</b>	88.6	62.5	42%
<b>Adjusted EPS</b>	1.40	1.03	36%

All numbers are in USDm, except adjusted EPS USD

## Conference call

At 08.00 GMT/ 09.00 CET, today, October 22, 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)  
0800 800 038 (Switzerland)  
0800 673 7932 (Germany)  
+1 866 966 5335 (USA)

Presentation slides for the call can be accessed using the following link  
<http://www.temenos.com/Investor-Relations/New-Presentations/>

\*Adjusted EPS adds back amortisation of acquired intangibles as well as non-cash restructuring charges

## For more information, please contact:

### Investor/Analyst queries:

**Max Chuard**  
TEMENOS  
Director, M&A & IR  
Member of the Executive Board  
Tel: +41 (0) 22 708 1157  
Email: [mchuard@temenos.com](mailto:mchuard@temenos.com)

**Ben Robinson**  
TEMENOS  
Investor Relations  
Tel: +44 (0) 20 7290 3012  
Email: [brobinson@temenos.com](mailto:brobinson@temenos.com)

### Press queries:

**James White**  
Hudson Sandler  
Tel: +44 (0) 20 7710 8910  
Email: [james.white@hudsonsandler.com](mailto:james.white@hudsonsandler.com)

## 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 45 offices worldwide, Temenos serves over 650 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.



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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.

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

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*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.*





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## consolidated income statement

### TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2008	Three months to 30 September 2007	Twelve months to 30 September 2008	Twelve months to 30 September 2007
<b>Revenues</b>				
Software licensing	35,302	27,968	168,504	124,722
Maintenance	25,377	19,291	94,564	69,525
Services	39,740	23,538	146,970	89,124
<b>Total revenues</b>	<b>100,419</b>	<b>70,797</b>	<b>410,038</b>	<b>283,371</b>
<b>Operating expenses</b>				
Sales and marketing	20,151	19,590	77,823	63,309
Services	36,932	21,636	137,519	84,079
Software development and maintenance	19,168	14,938	74,496	47,914
General and administrative	12,982	8,392	48,666	42,403
<b>Total operating expenses</b>	<b>89,233</b>	<b>64,556</b>	<b>338,504</b>	<b>237,705</b>
<b>Operating profit</b>	<b>11,186</b>	<b>6,241</b>	<b>71,534</b>	<b>45,666</b>
<b>Other income (expenses)</b>				
Net financing and interest expenses	(2,325)	(1,048)	(4,616)	(2,429)
Foreign exchange gain (loss) - net	(3,621)	4,701	(2,250)	5,748
<b>Total other income (expenses)</b>	<b>(5,946)</b>	<b>3,653</b>	<b>(6,866)</b>	<b>3,319</b>
<b>Profit before taxation</b>	<b>5,240</b>	<b>9,894</b>	<b>64,668</b>	<b>48,985</b>
Taxation	(202)	-	252	(2,922)
<b>Profit for the period</b>	<b>5,038</b>	<b>9,894</b>	<b>64,920</b>	<b>46,063</b>
Attributable to:				
Equity holders of the Company	5,056	9,876	64,984	46,015
Minority interest	(18)	18	(64)	48
	<b>5,038</b>	<b>9,894</b>	<b>64,920</b>	<b>46,063</b>
<b>Earnings per share (in US\$):</b>				
<b>diluted</b>	<b>0.08</b>	<b>0.16</b>	<b>1.02</b>	<b>0.73</b>
<b>adjusted</b>	<b>0.13</b>	<b>0.17</b>	<b>1.08</b>	<b>0.75</b>

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

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2008	Three months to 30 September 2007	Twelve months to 30 September 2008	Twelve months to 30 September 2007
<b>Cash flows from operating activities</b>				
Profit before taxation	5,240	9,894	64,668	48,985
<u>Adjustments:</u>				
Depreciation and amortisation	6,028	4,283	20,972	13,835
Other non-cash items	3,489	(631)	10,213	(785)
<u>Changes in working capital:</u>				
Trade and other receivables and prepayments	(32,161)	(24,772)	(93,778)	(62,354)
Trade and other payables	18,048	6,143	30,190	34,916
Deferred revenues	10,014	(1,272)	30,813	2,989
<i>Cash generated from (used in) operations</i>	<b>10,658</b>	<i>(6,355)</i>	<b>63,078</b>	<i>37,586</i>
Income taxes paid	(799)	(942)	(3,766)	(2,509)
<i>Net cash generated from (used in) operating activities</i>	<b>9,859</b>	<i>(7,297)</i>	<b>59,312</b>	<i>35,077</i>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(660)	(2,773)	(5,146)	(5,999)
Disposal of property, plant and equipment	-	4	55	34
Purchase of intangible assets	(630)	(1,080)	(2,613)	(4,374)
Disposal of intangible assets	-	-	1	34
Capitalised development costs	(5,074)	(4,124)	(19,352)	(15,584)
Acquisitions, net of cash acquired	(65,350)	(666)	(68,408)	(24,267)
Cash effect from financial instruments	(1,194)	815	(808)	3,042
Interest received	123	381	1,213	3,042
<i>Net cash used in investing activities</i>	<b>(72,785)</b>	<i>(7,443)</i>	<b>(95,058)</b>	<i>(44,072)</i>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares, net of related expenses	-	-	17	540
Proceeds from borrowings	69,590	-	69,590	-
Acquisition of treasury shares	(4,303)	(2,814)	(34,643)	(41,590)
Interest payments	(59)	(71)	(2,293)	(1,925)
Payment of financial instrument related expenses	(1,825)	(21)	(5,123)	(68)
Payment of finance lease liabilities	(78)	(124)	(424)	(458)
<i>Net cash generated from (used in) financing activities</i>	<b>63,325</b>	<i>(3,030)</i>	<b>27,124</b>	<i>(43,501)</i>
<b>Effect of exchange rate changes</b>	<b>(1,411)</b>	<i>1,062</i>	<b>934</b>	<i>1,847</i>
<b>Decrease in cash and cash equivalents in the period</b>	<b>(1,012)</b>	<i>(16,708)</i>	<b>(7,688)</b>	<i>(50,649)</i>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>45,136</b>	<i>68,520</i>	<b>51,812</b>	<i>102,461</i>
<b>Cash and cash equivalents at the end of the period</b>	<b>44,124</b>	<i>51,812</i>	<b>44,124</b>	<i>51,812</i>



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## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 September 2008	30 June 2008	31 December 2007	30 September 2007
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	44,124	45,136	93,062	51,812
Trade receivables	266,838	227,856	187,068	162,940
Other receivables	24,682	17,812	14,306	16,813
<b>Total current assets</b>	<b>335,644</b>	<b>290,804</b>	<b>294,436</b>	<b>231,565</b>
<b>Non-current assets</b>				
Property, plant and equipment	15,449	15,591	16,446	14,869
Intangible assets	183,804	98,080	93,535	89,895
Trade receivables	20,064	20,627	25,936	24,721
Other receivables	1,244	1,292	1,453	1,781
Deferred tax assets	30,040	26,966	25,771	16,593
<b>Total non-current assets</b>	<b>250,601</b>	<b>162,556</b>	<b>163,141</b>	<b>147,859</b>
<b>Total assets</b>	<b>586,245</b>	<b>453,360</b>	<b>457,577</b>	<b>379,424</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	100,583	71,426	79,408	66,554
Deferred revenues	82,322	65,587	57,535	44,759
Income taxes payable	18,856	20,346	19,964	13,843
Borrowings	8,209	1,002	1,842	922
Provisions for other liabilities and charges	63	42	104	42
<b>Total current liabilities</b>	<b>210,033</b>	<b>158,403</b>	<b>158,853</b>	<b>126,120</b>
<b>Non-current liabilities</b>				
Borrowings	183,264	130,430	116,332	110,956
Deferred tax liabilities	9,138	3,795	4,469	3,611
Trade and other payables	709	469	487	4,349
<b>Total liabilities</b>	<b>403,144</b>	<b>293,097</b>	<b>280,141</b>	<b>245,036</b>
<b>Shareholders' equity</b>				
Share capital	174,122	170,867	170,867	170,867
Treasury shares	(21,061)	(17,856)	(696)	(1,736)
Share premium	(79,152)	(98,428)	(92,589)	(92,065)
Fair value and other reserves	(17,687)	(16,168)	(6,354)	(4,621)
Retained earnings	126,629	121,573	105,872	61,642
<b>Total shareholders' equity</b>	<b>182,851</b>	<b>159,988</b>	<b>177,100</b>	<b>134,087</b>
<b>Minority interest</b>	<b>250</b>	<b>275</b>	<b>336</b>	<b>301</b>
<b>Total liabilities and equity</b>	<b>586,245</b>	<b>453,360</b>	<b>457,577</b>	<b>379,424</b>