



## Temenos reports final results for 2008 and gives outlook for 2009

Geneva, Switzerland, February 18, 2009 – Temenos Group AG (SWX: TEMN), the global provider of integrated core banking solutions, today reports its final audited financial results for the full year 2008 and provides outlook for 2009.

### 2008 Financial and Operating Highlights

- Revenue of USD407m, up 23% on 2007 and adjusted EPS of USD1.13, an increase of 10% compared to 2007.
- 48 new clients signed, including many prominent names across a broad cross-section of banking verticals and geographies.
- 44 new client go-lives (up from 36 in 2007), including Bank of Shanghai, which, with 11 million accounts and around 2.5m transactions per day, became T24's highest volume retail reference site.
- Further independent recognition of product quality, including T24's promotion to "leader" in the Forrester Wave™: "Global Banking Platforms, Q1 '09" and T24 winning for the second consecutive year the Banking Technology Readers' award for Best Core Banking Product
- The successful conclusion and integration of three strategic acquisitions, providing, inter alia, improved services capacity, supplemental high margin maintenance revenues, product enhancements as well as substantial costs and revenue synergies, all of which are delivering significant value to our shareholders.
- Strengthening of the management team with key appointments in the areas of Product Strategy, Marketing, Retail Business Development, Regional Management and Partners.
- First success of joint marketing agreement with Metavante (for T24 and TCB)

### 2009 Outlook

- The difficult environment has reduced visibility, especially over deal closure rates, and so management has chosen at this time not to give formal revenue outlook for 2009
- In terms of profitability, management is targeting an operating margin of 19%- 20%
- Our outlook for the cost base in 2009 is USD310m (and a reconciliation of this figure to management's previous estimates for 2008 pro-forma costs is given in the detailed results presentation).
- Management expects 2009 EBITDA into operating cash conversion of no less than 75%
- 2009 maintenance revenues are expected to be no less than USD118m; the group expects no tax charge; and, depreciation and amortisation are expected to total USD30m

Commenting on the results, CEO Andreas Andreades said, "Overall, 2008 was another good year for Temenos. We grew revenue and profits, successfully completed and integrated three strategically important acquisitions and produced a number of operational successes – such as a record number of customer go-lives. However, trading through the fourth quarter was difficult. Uncertainty regarding 2009 made some CEOs reluctant to commit to big



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projects, which adversely affected our closure rates. As a consequence, management has taken a number of actions to protect shareholder value and mitigate the impact of the difficult economic environment.

We have substantially reduced our 2009 cost base and, together with the increase in locked-in maintenance, we believe that the business is capable of delivering higher margins and profitability in 2009. We expect our 2009 costs to be USD33m lower than 2008 pro-forma levels, which, coupled with a baseline maintenance stream of around USD118m, allows us to be comfortable with our margin outlook of 19% to 20% and our target of at least 75% EBITDA to operating cash conversion. Thanks to its significant growth over recent years, Temenos is now of a size and scale where it can manage costs to manage margins.

Looking ahead, we have a bright future. The market for core banking software has strong, sustainable drivers and Temenos is currently the best-placed company in this market. Once the outlook for banks has stabilised, they will once again focus on improving return on assets. Core replacement, by facilitating cost efficiency and revenue growth, will again become a strategic priority. As the market leader in the packaged core banking market, Temenos will capitalise on this growth.”

## **Revenue**

Revenue for the fourth quarter was USD122.2m, down from USD125.3m in the same period last year, representing a decline of 2%. Licence revenue for the quarter was USD49.9m, 27% behind the previous year. For the full year total revenue was USD406.9m, up 23% on 2007, with licence revenue at USD150.1m, 1% ahead of the previous 12 months.

## **Operating profit**

Operating profit for the quarter was USD36.1m, compared with USD43.7m in the same period last year, a decrease of 17%. The full year operating profit was USD 64.0m, up from USD62.5m in the prior year, representing a 2% increase. Margin for the quarter was 29.6%, 530 basis points lower than in the prior year, with the full year margin at 15.7%, 320 basis points lower than 2007.

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

Net income rose to USD44.5m in the quarter. This represented an increase of 1% on the prior year. The full year net income rose to USD65.2m, again 1% ahead of the prior year. Adjusted EPS, which excludes amortisation of acquisition-related intangibles and restructuring charges, was USD0.73 in the quarter, an 11% increase over 2007 (USD0.66). The full year adjusted EPS was USD1.13, 10% up on the previous year.

## **Cash**

Operating cash was USD43.8m in the quarter (taking full year operating cash to USD56.2m) representing cash conversion - conversion of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) into operating cashflow – of 64% over the last 12 months.



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## Conference call

At 17.00 GMT/ 18.00 CET, today, February 18, 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)

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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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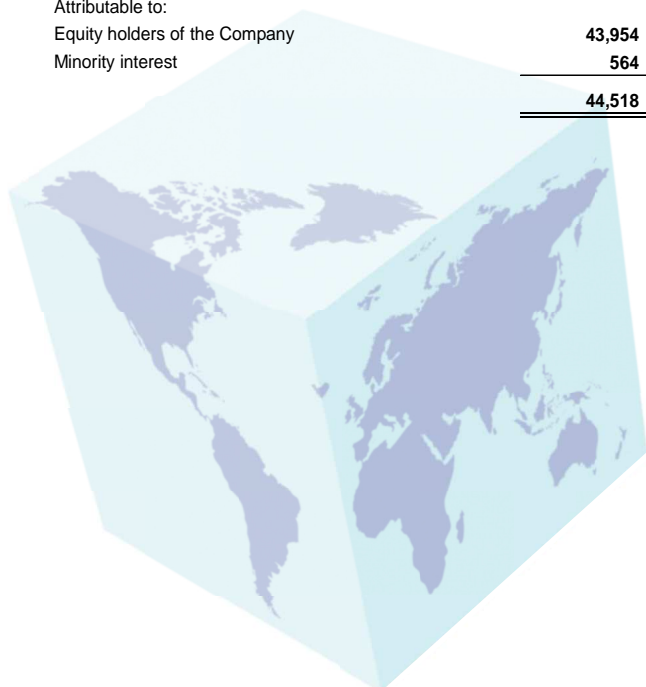
## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

## consolidated income statement

	Three months to 31 December 2008	Three months to 31 December 2007	Twelve months to 31 December 2008	Twelve months to 31 December 2007
<b>Revenues</b>				
Software licensing	49,856	68,305	150,055	148,777
Maintenance	28,390	21,738	101,215	76,337
Services	43,962	35,266	155,667	104,746
<b>Total revenues</b>	<b>122,208</b>	<b>125,309</b>	<b>406,937</b>	<b>329,860</b>
<b>Operating expenses</b>				
Sales and marketing	19,360	22,250	74,934	71,777
Services	33,526	30,236	140,808	97,001
Software development and maintenance	17,488	17,042	74,942	57,061
General and administrative	15,696	12,061	52,301	41,518
<b>Total operating expenses</b>	<b>86,070</b>	<b>81,589</b>	<b>342,985</b>	<b>267,357</b>
<b>Operating profit</b>	<b>36,138</b>	<b>43,720</b>	<b>63,952</b>	<b>62,503</b>
<b>Other income (expenses)</b>				
Net financing and interest expenses	(1,908)	(749)	(5,776)	(3,114)
Foreign exchange gain (loss) - net	8,384	1,017	5,119	5,021
<b>Total other income (expenses)</b>	<b>6,476</b>	<b>268</b>	<b>(657)</b>	<b>1,907</b>
<b>Profit before taxation</b>	<b>42,614</b>	<b>43,988</b>	<b>63,295</b>	<b>64,410</b>
Taxation	1,904	273	1,881	273
<b>Profit for the period</b>	<b>44,518</b>	<b>44,261</b>	<b>65,176</b>	<b>64,683</b>
Attributable to:				
Equity holders of the Company	43,954	44,228	64,711	64,674
Minority interest	564	33	465	9
	<b>44,518</b>	<b>44,261</b>	<b>65,176</b>	<b>64,683</b>





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All amounts are expressed in thousands of US dollars

	31 December 2008	30 September 2008	31 December 2007
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	65,600	44,124	93,062
Trade receivables	279,357	266,838	187,068
Other receivables	21,112	24,682	14,306
<i>Total current assets</i>	<u>366,069</u>	<u>335,644</u>	<u>294,436</u>
<b>Non-current assets</b>			
Property, plant and equipment	14,618	15,449	16,446
Intangible assets	188,855	183,804	93,535
Trade receivables	8,200	20,064	25,936
Other receivables	1,344	1,244	1,453
Deferred tax assets	38,912	30,040	25,771
<i>Total non-current assets</i>	<u>251,929</u>	<u>250,601</u>	<u>163,141</u>
<i>Total assets</i>	<u><u>617,998</u></u>	<u><u>586,245</u></u>	<u><u>457,577</u></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	108,986	100,646	79,512
Deferred revenues	84,624	82,322	57,535
Income taxes payable	11,162	18,856	19,964
Borrowings	13,277	8,209	1,842
<i>Total current liabilities</i>	<u>218,049</u>	<u>210,033</u>	<u>158,853</u>
<b>Non-current liabilities</b>			
Borrowings	173,169	183,264	116,332
Deferred tax liabilities	9,686	9,138	4,469
Income taxes payable	9,870	-	-
Trade and other payables	2,614	709	487
<i>Total liabilities</i>	<u>413,388</u>	<u>403,144</u>	<u>280,141</u>
<b>Shareholders' equity</b>			
Share capital	174,122	174,122	170,867
Treasury shares	(20,677)	(21,061)	(696)
Share premium	(77,217)	(79,152)	(92,589)
Fair value and other reserves	(42,938)	(17,687)	(6,354)
Retained earnings	170,583	126,629	105,872
<i>Total shareholders' equity</i>	<u>203,873</u>	<u>182,851</u>	<u>177,100</u>
<b>Minority interest</b>	<u>737</u>	<u>250</u>	<u>336</u>
<i>Total liabilities and equity</i>	<u><u>617,998</u></u>	<u><u>586,245</u></u>	<u><u>457,577</u></u>



**TEMENOS GROUP AG**

**consolidated cash flow statement**

All amounts are expressed in thousands of US dollars

	Three months to 31 December 2008	Three months to 31 December 2007	Twelve months to 31 December 2008	Twelve months to 31 December 2007
<b>Cash flows from operating activities</b>				
Profit before taxation	42,614	43,988	63,295	64,410
<u>Adjustments:</u>				
Depreciation and amortisation	7,612	4,731	23,853	15,973
Other non-cash items	8,363	3,186	28,644	17,113
<u>Changes in working capital:</u>				
Trade and other receivables	(9,317)	(25,067)	(78,028)	(58,877)
Trade and other payables	(6,540)	11,025	(629)	19,532
Deferred revenues	1,066	12,788	19,090	6,638
<b>Cash generated from operations</b>	<b>43,798</b>	<b>50,651</b>	<b>56,225</b>	<b>64,789</b>
Income taxes paid	(299)	(1,386)	(2,679)	(3,759)
<b>Net cash generated from operating activities</b>	<b>43,499</b>	<b>49,265</b>	<b>53,546</b>	<b>61,030</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(952)	(1,602)	(4,496)	(6,750)
Disposal of property, plant and equipment	80	50	85	70
Purchase of intangible assets	(2,211)	386	(5,211)	(3,169)
Disposal of intangible assets	-	-	-	35
Capitalised development costs	(6,609)	(6,032)	(19,928)	(16,946)
Acquisitions, net of cash acquired	(4,558)	(3,038)	(69,926)	(23,733)
Cash effect from financial instruments	(4,664)	1,245	(6,719)	3,722
Interest received	60	431	841	2,249
<b>Net cash used in investing activities</b>	<b>(18,854)</b>	<b>(8,560)</b>	<b>(105,354)</b>	<b>(44,522)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares, net of related expenses	-	-	17	209
Proceeds from borrowings	-	-	69,590	-
Acquisition of treasury shares	-	-	(34,643)	(34,815)
Interest payments	(1,242)	(183)	(3,354)	(2,020)
Payment of financial instrument related expenses	(224)	(229)	(5,118)	(297)
Payment of finance lease liabilities	(148)	(54)	(520)	(379)
<b>Net cash (used in) generated from financing activities</b>	<b>(1,614)</b>	<b>(466)</b>	<b>25,972</b>	<b>(37,302)</b>
<b>Effect of exchange rate changes</b>	<b>(1,555)</b>	<b>1,011</b>	<b>(1,626)</b>	<b>2,488</b>
<b>Increase (decrease) in cash and cash equivalents in the period</b>	<b>21,476</b>	<b>41,250</b>	<b>(27,462)</b>	<b>(18,306)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>44,124</b>	<b>51,812</b>	<b>93,062</b>	<b>111,368</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>65,600</b>	<b>93,062</b>	<b>65,600</b>	<b>93,062</b>

