



TEMENOS

The Banking Software Company

Temenos releases Q3 2012 results

Solid Q3 and strong Q4 pipeline support reiterated full year outlook

Geneva, Switzerland, 23 October 2012 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to banks globally, today reports its third quarter 2012 results.

<i>USDm, except EPS</i>	Q3 2012	Q3 2011	Change	LTM Q3 2012	LTM Q3 2011	Change
Software licensing	29.6	37.7	-21%	118.3	165.9	-29%
Maintenance	50.2	49.6	1%	198.7	195.1	2%
Services	30.2	33.6	-10%	126.0	135.3	-7%
Total revenues	110.0	120.9	-9%	443.0	496.3	-11%
Adjusted EBIT *	20.6	23.8	-14%	72.9	106.3	-31%
Adjusted EPS *	0.22	0.26	-15%	0.57	1.26	-55%

**Adjusted for non-recurring items such as restructuring charges, as well for amortisation of acquired intangibles.*

- Solid execution in Q3 with 9 new customer wins and 7 go lives
- Strength in the Middle East & Africa, Business Intelligence and Private Wealth Management
- Good progress on cost savings with 80% already locked in
- Operating cash inflow of USD 11.4m compared to USD 2.3m in Q3 2011
- Acquisition of edge IPK to provide customers with leading user experience capabilities
- Organisational improvements and changes to the composition of the Executive Committee
- Strong and high quality pipeline provides confidence for Q4
- Full year outlook reiterated; 2013 cost target reiterated of USD 360m (including USD 10m from edge IPK)

Commenting on the results, Temenos CEO David Arnott said:

“I am pleased with the progress we have made in Q3. At the start of the quarter we made organisational changes, in particular putting more emphasis on the regional structure to bring greater alignment and accountability. Already we are starting to see the impact of these changes with stronger cash flows, better pricing and solid licence sales in Q3. Although there is still a lot to do, the strength of our pipeline, combined with our improving execution and large installed base, gives us confidence in meeting our full year outlook.

Looking ahead, our geographic spread will allow us to target higher growth in emerging markets. In addition, our rich product suite enables us to capitalise on the current demand for projects on shorter timeframes with quicker payback in areas such as Private Wealth Management, Business Intelligence and Front End Solutions. We have made progress with our cost rationalisation programme, having already locked in 80% of the planned cost reduction, giving us confidence in meeting our target cost base in 2013.”



Revenue

Revenue for the third quarter was USD 110.0m, down from USD 120.9m in the same period last year, representing a decrease of 9%. Licence revenue for the quarter was USD 29.6m, 21% lower than in the same period in 2011.

For the LTM to September 2012, total revenue was USD 443.0m, down 11% on LTM to September 2011, with LTM Licence revenue at USD 118.3m, 29% lower than the same period last year.

Adjusted EBIT

Adjusted EBIT (EBIT before one-off restructuring charges and amortisation of acquired intangibles) was USD 20.6m, 14% lower than in Q3 2011. Adjusted EBIT for the last twelve months to September 2012 was USD 72.9m compared to USD 106.3m in the prior period, representing a 31% decrease. The adjusted EBIT margin was 19%, one percentage point lower than the prior year, with LTM 2012 adjusted EBIT margin at 16%, five percentage points lower than in the prior 12 months.

Adjusted Earnings Per Share (EPS)

Adjusted EPS, which excludes amortization of acquired intangibles and restructuring charges, was USD 0.22 in the quarter, down from USD 0.26 in the same quarter of the previous year, which represents a decline of 15%. The LTM adjusted EPS was 0.57, down 55% on the previous 12 months.

Operating cash

Operating cash was an inflow of USD 11.4m in the quarter compared to USD 2.3m in Q3 2011. On a twelve month basis, operating cashflow was USD 108.2, 36% higher than in the comparative period and representing a 164% operating cashflow into EBITDA conversion.

Management changes

Effectively immediately, the composition of the Executive Committee is changing:

- Mark Winterburn, Head of Product since Q1 2011, becomes a member of the Executive Committee;
- Mark Cullinane, currently Chief Operating Officer, becomes Head of Corporate Development, and retains his position on the Executive Committee;
- Mike Davis, currently Head of Services since Q3 2011, becomes a member of the Executive Committee; and
- Dr. Bernd-Michael Rumpf, currently Head of the Customer Services Group, and Temenos have today agreed to terminate their relationship at the end of March 2013 in the light of the new strategic direction to reinforce the regional model. Temenos values highly the contribution and achievements of Dr. Bernd-Michael Rumpf.

Following these changes, the Executive Committee will comprise of David Arnott, Max Chuard, Andre Loustau, Mark Cullinane, Mark Winterburn and Mike Davis.

Outlook

In line with the announcement made on 11 July 2012 and the Q2 results, the company reconfirms its full year 2012 outlook. Temenos continues to expect to achieve a constant currency revenue growth range of -5% to +1%, an adjusted EBIT margin of between 19% and 22% and 100% conversion of operating cashflow into EBITDA.



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Conference call

At 17.30 GMT/ 18.30 CET/ 12.30 EST, today, 23 October 2012, David Arnott, CEO, and Max Chuard, CFO, 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) 1452 555 566	(UK)
0800 694 0257	(UK Free Call)
+41 (0) 565 800 007	(Swiss Local Call)
0800 828 006	(Swiss Free Call)
+1 866 966 9439	(USA Free Call)

Conference ID # 44939847

A transcript will be made available on the company website 48 hours after the call.

Presentation slides for the call can be accessed using the following link

<http://www.temenos.com/Investor-Relations/New-Presentations/>

ENDS

About Temenos

Founded in 1993 and listed on the Swiss Stock Exchange (SIX: TEMN), Temenos Group AG is the market leading provider of banking software systems to retail, corporate, universal, private, Islamic, microfinance and community banks, wealth managers, and financial institutions. Headquartered in Geneva with more than 60 offices worldwide, Temenos is proven in over 1,500 customer deployments in more than 125 countries across the world. Temenos' software products provide advanced technology and rich functionality, incorporating best practice processes that leverage Temenos' expertise around the globe. Temenos customers are proven to be more profitable than their peers: over the last 3 years Temenos customers have enjoyed on average a 30% higher return on assets, a 46% higher return on capital and a cost/income ratio that is 8.5 points lower than banks running legacy applications.

For more information please visit www.temenos.com

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TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2012	Three months to 30 September 2011	Twelve months to 30 September 2012	Twelve months to 30 September 2011
Revenues				
Software licensing	29,595	37,663	118,322	165,878
Maintenance	50,235	49,603	198,746	195,134
Services	30,196	33,589	125,957	135,254
Total revenues	110,026	120,855	443,025	496,266
Operating expenses				
Sales and marketing	19,683	18,748	98,812	124,206
Services	34,122	35,702	143,139	155,619
Software development and maintenance	25,471	29,139	106,091	114,315
General and administrative	18,611	18,940	74,970	73,113
Total operating expenses	97,887	102,529	423,012	467,253
Operating profit	12,139	18,326	20,013	29,013
Other expenses				
Net interest expenses	(1,653)	(1,876)	(6,268)	(8,220)
Borrowing facility expenses	(477)	(507)	(2,000)	(3,968)
Foreign exchange loss	(209)	(1,301)	(6,267)	(2,221)
Total other expenses	(2,339)	(3,684)	(14,535)	(14,409)
Profit before taxation	9,800	14,642	5,478	14,604
Taxation	(3,097)	(2,255)	(18,193)	(3,219)
Profit/(loss) for the period	6,703	12,387	(12,715)	11,385
Attributable to:				
Equity holders of the Company	6,703	12,476	(12,839)	11,587
Non-controlling interest	-	(89)	124	(202)
	6,703	12,387	(12,715)	11,385
Earnings per share (in US\$):				
basic	0.10	0.18	(0.19)	0.17
diluted	0.10	0.18	(0.19)	0.16
adjusted	0.22	0.26	0.57	1.26



TEMENOS GROUP AG

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	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Assets				
Current assets				
Cash and cash equivalents	72,641	59,105	154,950	83,651
Trade receivables	269,264	263,278	268,576	290,762
Other receivables	30,333	32,799	31,018	40,845
Total current assets	372,238	355,182	454,544	415,258
Non-current assets				
Property, plant and equipment	14,466	13,669	13,210	14,310
Intangible assets	407,425	402,264	404,103	412,879
Trade receivables	35,726	38,656	46,173	23,800
Other receivables	2,586	2,595	3,145	2,964
Deferred tax assets	28,806	30,393	33,814	36,230
Total non-current assets	489,009	487,577	500,445	490,183
Total assets	861,247	842,759	954,989	905,441
Liabilities and equity				
Current liabilities				
Trade and other payables	98,419	100,936	138,119	97,851
Deferred revenues	129,776	148,049	180,503	113,028
Income tax liabilities	15,088	13,426	15,667	10,951
Borrowings	10,681	10,682	11,123	10,998
Total current liabilities	253,964	273,093	345,412	232,828
Non-current liabilities				
Borrowings	238,255	213,034	242,624	282,449
Deferred tax liabilities	5,456	6,643	8,448	9,718
Income taxes payable	1,544	1,544	1,544	1,550
Retirement benefit obligations	3,788	3,850	3,849	4,357
Trade and other payables	3,888	3,972	4,931	4,486
Total non-current liabilities	252,931	229,043	261,396	302,560
Total liabilities	506,895	502,136	606,808	535,388
Shareholders' equity				
Share capital	239,798	239,798	239,677	239,456
Treasury shares	(108,315)	(112,089)	(113,473)	(113,473)
Share premium	23,394	23,695	19,367	17,483
Fair value and other reserves	(68,379)	(71,932)	(69,997)	(54,474)
Retained earnings	267,854	261,151	272,607	280,693
Total shareholders' equity	354,352	340,623	348,181	369,685
Non-controlling interest	-	-	-	368
Total equity	354,352	340,623	348,181	370,053
Total liabilities and equity	861,247	842,759	954,989	905,441



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2012	Three months to 30 September 2011	Twelve months to 30 September 2012	Twelve months to 30 September 2011
Cash flows from operating activities				
Profit before taxation	9,800	14,642	5,478	14,604
<u>Adjustments:</u>				
Depreciation and amortisation	11,759	12,155	46,029	47,421
Other non-cash items	5,585	5,037	22,128	29,948
<u>Changes in working capital:</u>				
Trade and other receivables	3,310	(5,737)	8,242	11,200
Trade and other payables	402	(10,657)	4,041	(7,199)
Deferred revenues	(19,477)	(13,138)	22,316	(16,190)
Cash generated from operations	11,379	2,302	108,234	79,784
Income taxes paid	(1,415)	(815)	(8,576)	(3,596)
Net cash generated from operating activities	9,964	1,487	99,658	76,188
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,009)	(1,219)	(5,676)	(6,294)
Disposal of property, plant and equipment	13	21	83	413
Purchase of intangible assets	(1,257)	(1,809)	(4,063)	(3,539)
Capitalised development costs	(9,572)	(11,235)	(42,243)	(32,773)
Acquisitions, net of cash acquired	-	(768)	(2,557)	(79,286)
Disposal of subsidiary, net of cash disposed	-	378	-	378
Settlement of financial instruments	(7,562)	5,041	(1,914)	(11,749)
Interest received	12	37	142	119
Net cash used in investing activities	(20,375)	(9,554)	(56,228)	(132,731)
Cash flows from financing activities				
Proceeds /(repayment) of debt	25,000	25,015	(45,045)	98,796
Acquisition of treasury shares	-	(5,361)	-	(113,472)
Interest payments	(1,460)	(1,442)	(6,570)	(6,303)
Payment of financial instrument related expenses	(216)	(361)	(850)	(7,319)
Payment of finance lease liabilities	(84)	(132)	(376)	(758)
Net cash generated from/(used in) financing activities	23,240	17,719	(52,841)	(29,056)
Effect of exchange rate changes	707	(2,336)	(1,599)	889
Net increase/(decrease) in cash and cash equivalents in the period	13,536	7,316	(11,010)	(84,710)
Cash and cash equivalents at the beginning of the period	59,105	76,335	83,651	168,361
Cash and cash equivalents at the end of the period	72,641	83,651	72,641	83,651