
Temenos
Interim Report 2008



TEMENOS
The Banking Software Company

	2008	2007
Revenues		
Software licensing	64,897	52,504
Maintenance	47,449	35,309
Services	71,965	45,942
Total revenues	184,311	133,755
Operating costs and expenses		
Services	70,351	45,129
Software development and maintenance	38,286	25,081
Sales and marketing	35,422	29,938
General and administrative	23,624	21,065
Total operating costs and expenses	167,683	121,213
Operating profit	16,628	12,542
Other income (expenses) - net	356	(697)
Finance expenses - net	(1,544)	(1,317)
Profit before taxation	15,440	10,528
Taxation (note 2)	181	-
Net income for the period	15,621	10,528
Attributable to:		
Equity holders of the parent	15,701	10,570
Minority interest	(80)	(42)
Earnings per share for profit attributable to the equity holders of the Group (in US\$): (note5)		
basic	0.27	0.18
diluted	0.26	0.17



The amounts are expressed in thousands of US dollars
unaudited

	30 June 2008	31 December 2007
Assets		
Current assets		
Cash and cash equivalents	45,136	93,062
Trade and other receivables	234,881	192,824
Prepayments and other assets	10,787	8,550
Total current assets	290,804	294,436
Non-current assets		
Property, plant and equipment (note 6)	15,591	16,446
Intangible assets (note 6)	98,080	93,535
Trade and other receivables	21,919	27,389
Deferred tax asset	26,966	25,771
Total non-current assets	162,556	163,141
Total assets	453,360	457,577
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	71,426	79,408
Deferred revenues	65,587	57,535
Income taxes payable	20,346	19,964
Borrowings (note 7)	1,002	1,842
Provisions for other liabilities and charges	42	104
Total current liabilities	158,403	158,853
Non-current liabilities		
Borrowings (note 7)	130,430	116,332
Deferred tax liabilities	3,795	4,469
Trade and other payables	469	487
Total liabilities	293,097	280,141
Shareholders' equity		
Share capital (note 3)	170,867	170,867
Treasury shares (note 3)	(17,856)	(696)
Share premium and capital reserves	(98,428)	(92,589)
Fair value and other reserves	(16,168)	(6,354)
Retained earnings	121,573	105,872
Minority interest	159,988	177,100
	275	336
Total equity	160,263	177,436
Total liabilities and equity	453,360	457,577

	2008	2007
Cash generated from operations	1,769	20,493
Income taxes paid	(1,581)	(1,430)
Net cash generated from operating activities	188	19,063
Cash flows from investing activities		
Purchase of property, plant and equipment, net of sales	(2,878)	(2,359)
Purchase of intangible assets, net of sales	(2,369)	(2,441)
Capitalised development costs (note 6)	(8,245)	(6,790)
Acquisitions of subsidiaries, net of cash acquired	(18)	(20,029)
Settlement of financial instruments	(860)	1,662
Interest received	658	1,437
Net cash used in investing activities	(13,712)	(28,520)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	17	209
Acquisition of treasury shares	(30,340)	(32,001)
Interest payments	(2,051)	(1,766)
Cash outflows from other financing activities	(3,363)	(248)
Net cash used in financing activities	(35,737)	(33,806)
Effect of exchange rate changes	1,335	415
Decrease in cash and cash equivalents in the period	(47,926)	(42,848)
Cash and cash equivalents at the beginning of the period	93,062	111,368
Cash and cash equivalents at the end of the period	45,136	68,520



	Share capital	Treasury shares	Share premium	Fair value and other reserves	Retained earnings	Minority interest	Total
Balance at 31 December 2006	168,828	(2,974)	(66,521)	(4,719)	41,198	331	136,143
Cumulative translation adjustment	-	-	-	3,375	-	-	3,375
Cash flow hedges, net of tax	-	-	-	(420)	-	-	(420)
Net income (expense) recognised directly in equity	-	-	-	2,955	-	-	2,955
Profit for the period	-	-	-	-	10,570	(42)	10,528
Total recognised income	-	-	-	2,955	10,570	(42)	13,483
Cost of share option	-	-	9,565	-	-	-	9,565
Exercise of share options	2,039	33,758	(35,672)	-	-	-	125
Share issuance costs	-	-	(107)	-	-	-	(107)
Acquisition of treasury shares	-	(32,001)	-	-	-	-	(32,001)
	2,039	1,757	(26,214)	2,955	10,570	(42)	(8,935)
Balance at 30 June 2007	170,867	(1,217)	(92,735)	(1,764)	51,768	289	127,208
Cumulative translation adjustment	-	-	-	(4,945)	-	(4)	(4,949)
Cash flow hedges, net of tax	-	-	-	355	-	-	355
Net income (expense) recognised directly in equity	-	-	-	(4,590)	-	(4)	(4,594)
Profit for the period	-	-	-	-	54,104	51	54,155
Total recognised income	-	-	-	(4,590)	54,104	47	49,561
Cost of share option	-	-	4,399	-	-	-	4,399
Settlement of employee share options	-	-	(613)	-	-	-	(613)
Exercise of share options	-	3,336	(3,640)	-	-	-	(304)
Shares issued in relation to acquisitions	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-	-
Acquisition of treasury shares	-	(2,815)	-	-	-	-	(2,815)
	-	521	146	(4,590)	54,104	47	50,228
Balance at 31 December 2007	170,867	(696)	(92,589)	(6,354)	105,872	336	177,436
Cumulative translation adjustment	-	-	-	(8,816)	-	19	(8,797)
Cash flow hedges, net of tax	-	-	-	(998)	-	-	(998)
Net income (expense) recognised directly in equity	-	-	-	(9,814)	-	19	(9,795)
Profit for the period	-	-	-	-	15,701	(80)	15,621
Total recognised income	-	-	-	(9,814)	15,701	(61)	5,826
Cost of share option	-	-	8,537	-	-	-	8,537
Settlement of employee share options	-	-	-	-	-	-	-
Exercise of share options	-	13,180	(14,376)	-	-	-	(1,196)
Shares issued in relation to acquisitions	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-	-
Acquisition of treasury shares	-	(30,340)	-	-	-	-	(30,340)
	-	(17,160)	(5,839)	(9,814)	15,701	(61)	(17,173)
Balance at 30 June 2008	170,867	(17,856)	(98,428)	(16,168)	121,573	275	160,263

1 Basis of preparation

This condensed interim financial information for the half year ended 30 June 2008 has been prepared in accordance with IAS 34 (Interim financial reporting). The consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

2 Accounting policies

The accounting policies used in the preparation of these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2007, with the exception of IFRIC 11 "IFRS 2 Group and Treasury Share Transaction", IFRIC 12 "Service Concession arrangements" and IFRIC 14 "IAS19-The limit on a Defined Benefit Asset, Minimum Funding requirements and their interaction". These interpretations have been adopted by the Group and have no effect on the interim financial statements.

Where necessary, comparative information has been reclassified or expanded from the previously reported Interim Financial Statements to take into account any presentational changes made in the Annual Financial Statement or in these Interim Financial Statements. Income tax is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

3 Share capital

As at 30 June 2008, the issued shares of TEMENOS Group AG comprised 58,341,421 common shares of a nominal value of CHF 5 each. All issued shares are fully paid.

	Nominal value (in thousands)		
	number	in CHF	in US\$
Issued, as at 30 June 2008 and 31 December 2007	<u>58,341,421</u>	<u>291,707</u>	<u>170,867</u>

As at 30 June 2008 the number of treasury shares held by the Group amounted to 834,529. Treasury shares include shares held for resale and other shares allotted to members of the TEMENOS Employee Share Option Scheme or other option holders at the time that they exercise their options.

TEMENOS Group AG also has authorised and conditional capital, comprising:

authorised shares that may be issued in the context of acquisitions (available to the Board until 20 June 2010)	25,846,177
conditional shares that may be issued on the exercise of employee share options	9,759,292
conditional shares that may be issued in conjunction with financial instruments (out of which 9,000,000 are listed for the Convertible bond)	13,930,680

4 Segmental analysis

The Group is organised into two main business segments and these are the primary basis of segment reporting:

- Software licensing - comprising of licensing, development and maintenance of the Group's software
- Services - comprising of consultancy services related to implementation of the Group's software

Six months ended 30 June 2008	Software licensing	Services	Total
Segment revenues	<u>112,346</u>	<u>71,965</u>	<u>184,311</u>
Segment operating result	70,376	1,614	71,990
Unallocated operating costs			<u>(55,362)</u>
Operating profit			<u>16,628</u>
Six months ended 30 June 2007	Software licensing	Services	Total
Segment revenues	<u>87,812</u>	<u>45,943</u>	<u>133,755</u>
Segment operating result	56,608	814	57,422
Unallocated operating costs			<u>(44,880)</u>
Operating profit			<u>12,542</u>

5 Earnings per share

The basic earnings per share are calculated by dividing the net income attributable to the equity holders of the Group by the weighted average number of issued and outstanding shares in that period, excluding Treasury shares.

The diluted earnings per share is the basic earnings per share adjusted for dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: convertible debt and share options. Conversion of the convertible debt would be anti-dilutive and has therefore been excluded from the calculations as reported in the profit and loss statement.

6 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets
Six months ended 30 June 2007		
Opening net book amount at 1 January 2007	10,873	53,722
Additions	3,111	3,313
Acquisition of subsidiary	386	27,060
Disposal	(79)	(25)
Capitalised development costs	-	6,790
Depreciation	(1,926)	(5,078)
Foreign currency exchange differences, impairment and other movements	197	714
Closing net book amount 30 June 2007	12,562	86,496
Six months ended 30 June 2008		
Opening net book amount at 1 January 2008	16,446	93,535
Additions	1,843	2,074
Acquisition of subsidiary	-	-
Disposal	-	-
Capitalised development costs	-	8,245
Depreciation	(2,301)	(7,911)
Foreign currency exchange differences, impairment and other movements	(397)	2,137
Closing net book amount 30 June 2008	15,591	98,080

7 Borrowings

	2008	2007
Current		
Obligations under finance leases	439	135
Other loans	29	-
Convertible bond	534	404
Total Current	1,002	539
Non-current		
Obligations under finance leases	756	1,048
Other loans	44	-
Convertible bond	129,630	104,393
Total Non-Current	130,430	105,441
Total borrowings	131,432	105,980

Movements in "Convertible bond" is analysed as follows:

Six months ended 30 June 2008	
Opening balance as at 1 January 2008	116,892
Interest expenses	2,795
Interest paid	(2,006)
Foreign exchange movement	12,483
Closing net book amount 30 June 2008	130,164
Six months ended 30 June 2007	
Opening balance as at 1 January 2007	104,894
Interest expenses	2,311
Interest paid	(1,641)
Foreign exchange movement	(767)
Closing net book amount 30 June 2007	104,797

8 Events occurring after the balance sheet date

On July 18th, 2008, Temenos Group AG announced that it has signed an agreement to acquire the core banking assets of Informer Group, a listed provider of software and services for USD 40.3 million in cash and shares. The total consideration comprises an equity component of USD 20.1 million, a deferred consideration of USD 1.2 million and a cash component of USD 19.0 million. Cash consideration will be financed through Temenos' existing banking facilities.

On July 3rd, 2008, Temenos and Financial Objects PLC announced that they had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share of capital of Financial Objects PLC to be made by Temenos UK, a subsidiary of the Group. Under the terms of the Acquisition, Financial Objects Shareholders will receive 60 pence in cash for each Financial Objects Share, valuing the existing issued and to be issued share capital of Financial Objects at approximately £28.6 million. Cash consideration will be financed through Temeno's existing banking facilities. On September 10th, 2008, Temenos announced that the acquisition was completed.





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