

## **Temenos reports excellent Q1 results – ahead of consensus estimates – and raises outlook**

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

### **Financial Highlights**

	<b>Q1 08</b>	<b>Q1 07</b>	<b>% Δ</b>	<b>Consensus</b>
<b>Licence revenue</b>	31.1	23.4	33%	25.5
<b>Total revenue</b>	88.4	60.3	47%	75.1
<b>EBIT</b>	6.5	5.2	25%	5.7
<b>Adjusted EPS</b>	0.13	0.07	86%	0.10

All numbers are in USDm, except adjusted EPS USD

### **Q1 Operating Highlights**

- 10 new core banking clients signed in the quarter. Highlights include:
  - A deal with a tier 1 global financial institution to support its international treasury and liquidity management business.
  - Al-Hilal Bank in UAE taking T24 to support its Sharia-complaint retail, commercial and investment banking businesses – demonstrating the strength of Temenos' Islamic Banking offering.
- The Temenos Application Management (TAM) team achieved Level 3 of the 'Capability Maturity Model® Integration' (CMMI) as awarded by the Software Engineering Institute (SEI). This certification was attained in just 11 months and against the backdrop of 36 successful implementations.

Commenting on the results, CEO Andreas Andreades said, "I am pleased to be able to report another set of excellent results. We have managed to grow licence and total revenue very strongly against a tough comparative period and, in so doing, materially exceed market expectations. Problems in the credit market and the broader economy are unquestionably presenting challenges for our customers, but we have still to see any slowdown in our business.

In these difficult times, our clients are increasingly focused on ways to save costs and we are confident that our systems' ability to automate processes, consolidate systems and reduce maintenance expenses, especially when overlaid with their capacity to generate revenue synergies, will see banks continue to embark on transformational projects. While constantly vigilant to changes in demand, we are sufficiently optimistic about the depth and cover in our pipeline to be raising guidance for the full year."

### **Revenue**

Revenue for the first quarter was USD88.4m, up from USD60.3m in the same period last year, representing growth of 47%. All revenue lines experienced strong growth, including licences, which were up 33% against a comparative figure that was 109% higher than the year before.

### **Operating profit**

Operating profit for the quarter was USD6.5m, compared with USD5.2m in the same period last year, an increase of 25%. Margin for the quarter was lower than in the prior year, reflecting a change in the sales mix towards lower margin service revenue (the mix in Q1 2007 was skewed by the extraordinary licence growth of 109%), timing of investment in the product business in the prior year and also the impact of translating chiefly non-dollar costs. On an underlying basis - that is, adjusting for non-cash costs and the effect of currency translation - margins were up by 780 basis points (bps) in the last twelve months (LTM). Furthermore, as can be seen below, management maintains its target for more than 200bps of margin expansion for the full year, underpinned by improving services margins and scale economies.

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

Net income rose to USD7.0m in the quarter. This represented an increase of 67% on the prior year and was boosted by foreign exchange gains. Adjusted EPS, which excludes amortisation of acquisition-related intangibles, was USD0.13 in the quarter, an 86% increase over 2006 (USD0.07).

### **Cash**

Temenos also enjoyed strong cash conversion. Cash from operations in the first quarter was USD9.9m, representing a conversion of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of more than 85%. On an LTM basis, operating cash conversion was 85%.

### **Outlook**

The revised 2008 outlook is for licence sales of USD175m, 18% up on 2007 levels; total revenue of USD415m, 26% above 2007; EBIT of USD87.5, 40% above 2007 levels and a margin of 21.1%; and, adjusted EPS of USD1.36, 32% above the 2007 figure.

At 14.30 GMT/ 15.30 CET/ 9.30 EDT, today, April 22, Andreas Andreades, CEO, David Arnott, CFO, and Max Chuard, Head 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:

+41 (0) 91 610 56 00 (Europe)  
+1 866 291 4166 (USA)  
+44 (0) 207 107 0611 (UK)

A playback will also be available for up to 48 hours after the call, using the following numbers:

+41 (0) 91 612 4330 (Europe)  
+1 866 4162558 (USA)  
+44 (0) 207 108 6233 (UK)

Pin: ID 17347 #

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

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

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## **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 44 offices worldwide, Temenos serves over 600 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.

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.*

# TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

## consolidated income statement

	Three months to 31 March 2008	Three months to 31 March 2007	Twelve months to 31 March 2008	Twelve months to 31 March 2007
<b>Revenues</b>				
Software licensing	31,141	23,380	156,538	110,169
Maintenance	23,715	16,226	83,826	58,331
Services	33,500	20,644	117,602	71,172
<b>Total revenues</b>	<b>88,356</b>	<b>60,250</b>	<b>357,966</b>	<b>239,672</b>
<b>Operating expenses</b>				
Sales and marketing	18,803	14,563	76,016	55,062
Services	32,869	20,672	109,198	70,625
Software development and maintenance	18,028	10,682	64,408	36,954
General and administrative	12,169	9,171	44,516	39,037
<b>Total operating expenses</b>	<b>81,869</b>	<b>55,088</b>	<b>294,138</b>	<b>201,678</b>
<b>Operating profit</b>	<b>6,487</b>	<b>5,162</b>	<b>63,828</b>	<b>37,994</b>
<b>Other income (expenses)</b>				
Net financing expenses	(781)	(391)	(3,504)	(551)
Foreign exchange gain (loss) - net	1,201	(542)	6,763	4,865
<b>Total other income (expenses)</b>	<b>420</b>	<b>(933)</b>	<b>3,259</b>	<b>4,314</b>
<b>Profit before taxation</b>	<b>6,907</b>	<b>4,229</b>	<b>67,087</b>	<b>42,308</b>
Taxation	134	-	407	(4,166)
<b>Profit for the period</b>	<b>7,041</b>	<b>4,229</b>	<b>67,494</b>	<b>38,142</b>
Attributable to:				
Equity holders of the Company	7,040	4,327	67,386	38,230
Minority interest	1	(98)	108	(88)
	<b>7,041</b>	<b>4,229</b>	<b>67,494</b>	<b>38,142</b>
<b>Earnings per share (in US\$):</b>				
<b>basic</b>	<b>0.12</b>	<b>0.08</b>	<b>1.16</b>	<b>0.67</b>
<b>diluted</b>	<b>0.12</b>	<b>0.07</b>	<b>1.05</b>	<b>0.63</b>

# TEMENOS GROUP AG

## consolidated cash flow statement

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2008	Three months to 31 March 2007	Twelve months to 31 March 2008	Twelve months to 31 March 2007
<b>Cash flows from operating activities</b>				
Profit before taxation	6,907	4,229	67,087	42,308
<u>Adjustments:</u>				
Depreciation and amortisation	4,821	3,195	17,672	10,462
Other non-cash items	2,064	834	4,379	(3,713)
<u>Changes in working capital:</u>				
Trade and other receivables and prepayments	(26,963)	(4,872)	(80,968)	(60,519)
Trade and other payables	7,888	4,678	36,586	30,211
Deferred revenues	15,143	(2,301)	24,129	11,866
<i>Cash generated from operations</i>	9,860	5,763	68,885	30,615
Income taxes paid	(679)	(389)	(4,049)	(1,572)
<i>Net cash generated from operating activities</i>	9,181	5,374	64,836	29,043
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2,174)	(464)	(8,461)	(2,914)
Disposal of property, plant and equipment	-	4	66	266
Purchase of intangible assets	(220)	(768)	(2,622)	(2,589)
Disposal of intangible assets	-	-	35	-
Capitalised development costs	(3,301)	(3,324)	(16,924)	(15,741)
Acquisitions	(9)	(19,358)	(4,384)	(22,951)
Cash effect from financial instruments	498	921	3,299	1,666
Interest received	425	941	1,734	5,010
<i>Net cash used in investing activities</i>	(4,781)	(22,048)	(27,257)	(37,253)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares, net of related expenses	2	209	1	959
Proceeds from issuance of convertible bond, net of related expenses	-	-	-	(926)
Acquisition of treasury shares	(30,340)	(16,430)	(48,726)	(30,022)
Interest payments	(2,010)	(1,693)	(2,336)	(1,961)
Payment of financial instrument related expenses	(188)	(19)	(466)	(36)
Payment of finance lease liabilities	(170)	(62)	(485)	(327)
<i>Net cash used in financing activities</i>	(32,706)	(17,995)	(52,012)	(32,313)
<b>Effect of exchange rate changes</b>	1,758	135	4,113	739
<b>Decrease in cash and cash equivalents in the period</b>	(26,548)	(34,534)	(10,320)	(39,784)
<b>Cash and cash equivalents at the beginning of the period</b>	93,062	111,368	76,834	116,618
<b>Cash and cash equivalents at the end of the period</b>	66,514	76,834	66,514	76,834

# TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2008	31 December 2007	31 March 2007
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	66,514	93,062	76,834
Trade receivables	214,109	187,068	141,144
Other receivables	14,134	14,306	14,040
<i>Total current assets</i>	<u>294,757</u>	<u>294,436</u>	<u>232,018</u>
<b>Non-current assets</b>			
Property, plant and equipment	16,150	16,446	10,944
Intangible assets	95,887	93,535	83,094
Trade receivables	25,657	25,936	20,885
Other receivables	1,120	1,453	1,255
Deferred tax assets	26,223	25,771	15,671
<i>Total non-current assets</i>	<u>165,037</u>	<u>163,141</u>	<u>131,849</u>
<i>Total assets</i>	<u><u>459,794</u></u>	<u><u>457,577</u></u>	<u><u>363,867</u></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	81,319	79,408	61,552
Deferred revenues	72,694	57,535	48,432
Income taxes payable	19,856	19,964	17,310
Borrowings	230	1,842	40
Provisions for other liabilities and charges	104	104	177
<i>Total current liabilities</i>	<u>174,203</u>	<u>158,853</u>	<u>127,511</u>
<b>Non-current liabilities</b>			
Borrowings	132,796	116,332	104,676
Deferred tax liabilities	4,591	4,469	1,258
Trade and other payables	478	487	3,755
<i>Total liabilities</i>	<u>312,068</u>	<u>280,141</u>	<u>237,200</u>
<b>Shareholders' equity</b>			
Share capital	170,867	170,867	170,867
Treasury shares	(25,511)	(696)	-
Share premium	(93,856)	(92,589)	(86,188)
Fair value and other reserves	(17,029)	(6,354)	(3,764)
Retained earnings	112,912	105,872	45,525
<i>Total shareholders' equity</i>	<u>147,383</u>	<u>177,100</u>	<u>126,440</u>
<b>Minority interest</b>	<u>343</u>	<u>336</u>	<u>227</u>
<i>Total liabilities and equity</i>	<u><u>459,794</u></u>	<u><u>457,577</u></u>	<u><u>363,867</u></u>

