

Financial Results & Business Update

Quarter ended 31 March 2009

23 April 2009



TEMENOS

The Banking Software Company

Agenda

Speaker

Position

Introduction

Ben Robinson

Associate Director,
IR & Strategy

Financial Update

David Arnott

CFO

**Strategy and
Business Update**

Andreas Andreades

CEO

Q&A

Andreas Andreades

CEO

David Arnott

CFO

Max Chuard

Director

Any remarks that we may make about future expectations, plans and prospects for the company 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 conference call represents the company's estimates as of 23 April 2009. 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. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 23 April 2009.

Financial Update

David Arnott
CFO



TEMENOS

The Banking Software Company

Income Statement Highlights – Q1 2009



	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>Δ yoy</u>
Licence revenue	27.8	31.1	(10.7)%
Total revenue	81.2	88.4	(8.1)%
EBIT	8.7	6.5	34%
Adjusted EPS*	0.13	0.13	2%

* See appendix for reconciliation

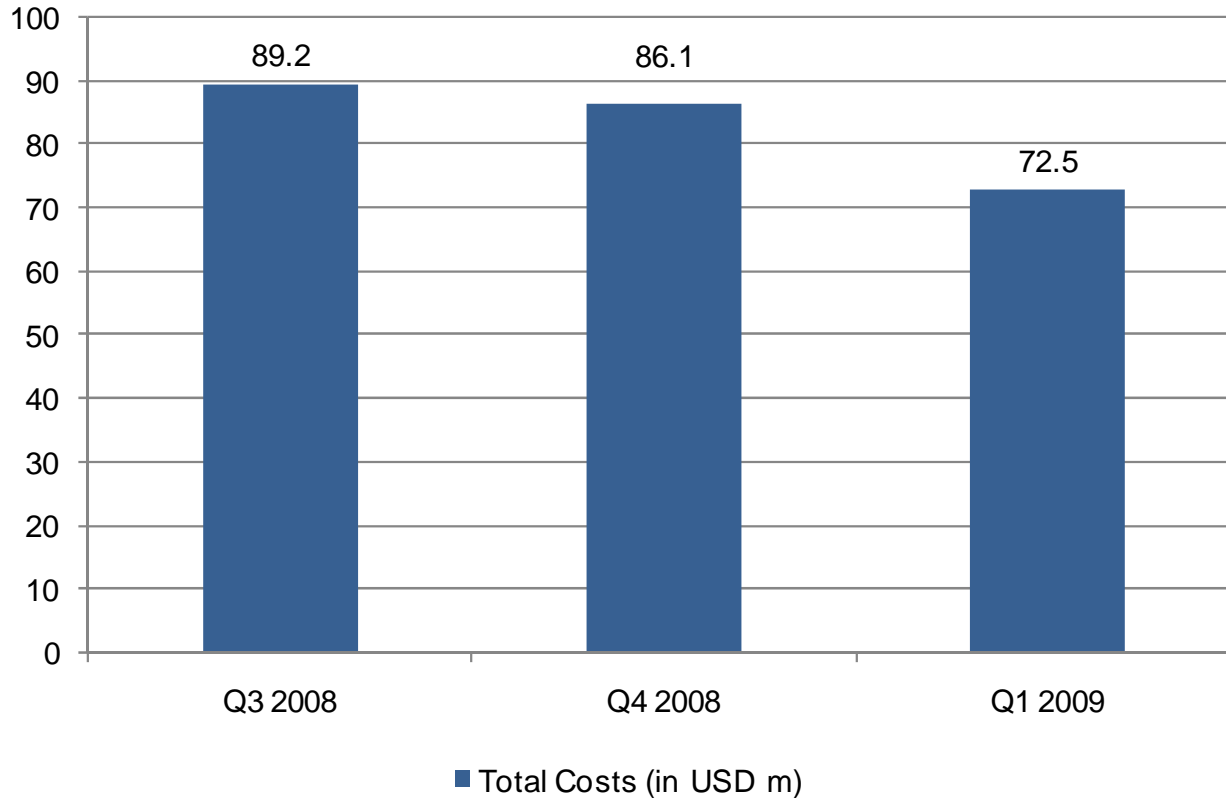
USDm, except EPS USD

Income Statement Detail



	Q1 09	Q1 08	Δ	LTM 09	LTM 08	Δ
Licences	27.8	31.1	(11%)	146.7	156.5	(6%)
Maintenance	27.8	23.7	+17%	105.3	83.8	+26%
Services	25.6	33.5	(24%)	147.7	117.6	+26%
Total revenue	81.2	88.4	(8%)	399.7	357.9	+12%
R&D	(18.6)	(18.0)	+3%	(75.6)	(64.4)	+15%
Cost of services	(25.4)	(32.9)	(23%)	(133.3)	(109.2)	+22%
Sales and marketing	(17.5)	(18.8)	(7%)	(73.7)	(76.0)	(3%)
G&A	(10.9)	(12.2)	(10%)	(51.1)	(44.5)	+19%
Total operating costs	(72.5)	(81.9)	(12%)	(333.6)	(294.1)	+13%
EBIT	8.7	6.5	+34%	66.2	63.8	+4%
Margin	10.7%	7.4%	+330bps	16.6%	17.8%	(120bps)
EBITDA	15.5	11.3	+37%	92.0	81.4	+13%
Margin	19.0%	12.8%	+620bps	23.0%	22.7%	+25 bps

Total Cost – Last three quarter cost reduction



Operating costs have declined sequentially for the last 2 quarters

- Q1 2009 cost base consistent with full year outlook of USD310m

Income Statement Detail



	Q1 09	Q1 08	Δ	LTM 09	LTM 08	Δ
EBIT	8.7	6.5	34%	66.2	63.8	4%
Net Finance charge	(1.4)	(0.8)	77%	(6.4)	(3.5)	83%
FX (loss)/gain	(2.4)	1.2	n/a	1.5	6.8	(78%)
Tax	0.1	0.1	0%	1.8	0.4	342%
Net earnings	5.0	7.0	(29%)	63.1	67.5	(7%)
Adjusted EPS*	0.13	0.13	2%	1.14	1.08	6%

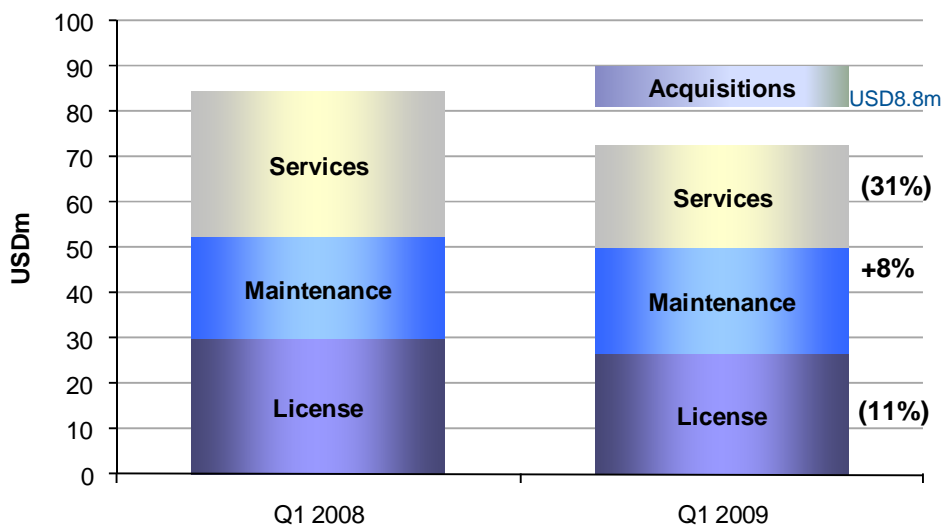
- Higher interest charge reflects extra debt related to Informer and Financial Objects acquisitions
- FX loss arises chiefly from retranslation of Euro balances, which we have now hedged

*See appendix for reconciliation

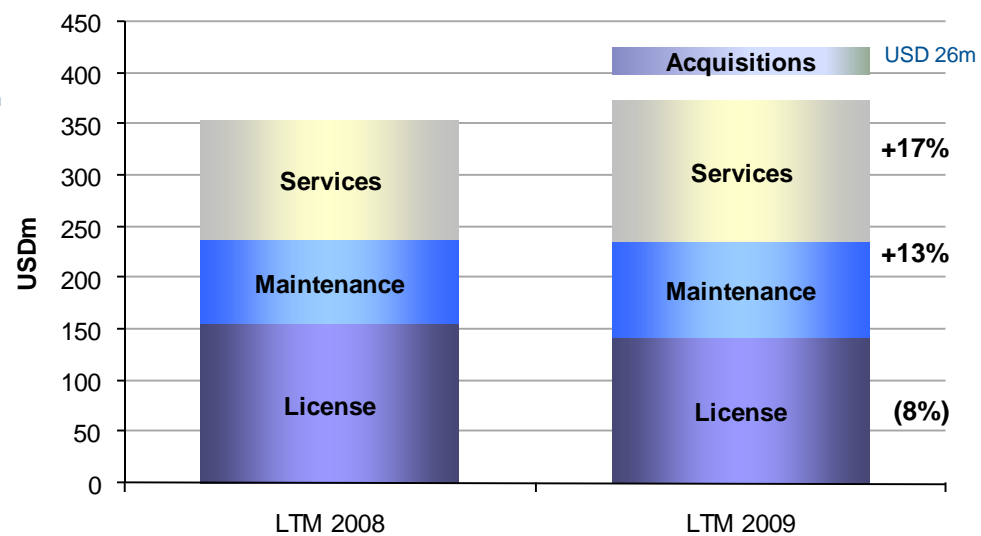
Like-for-like* revenue growth



Q1 09 I-f-I growth -14%



LTM 09 I-f-I growth +5%



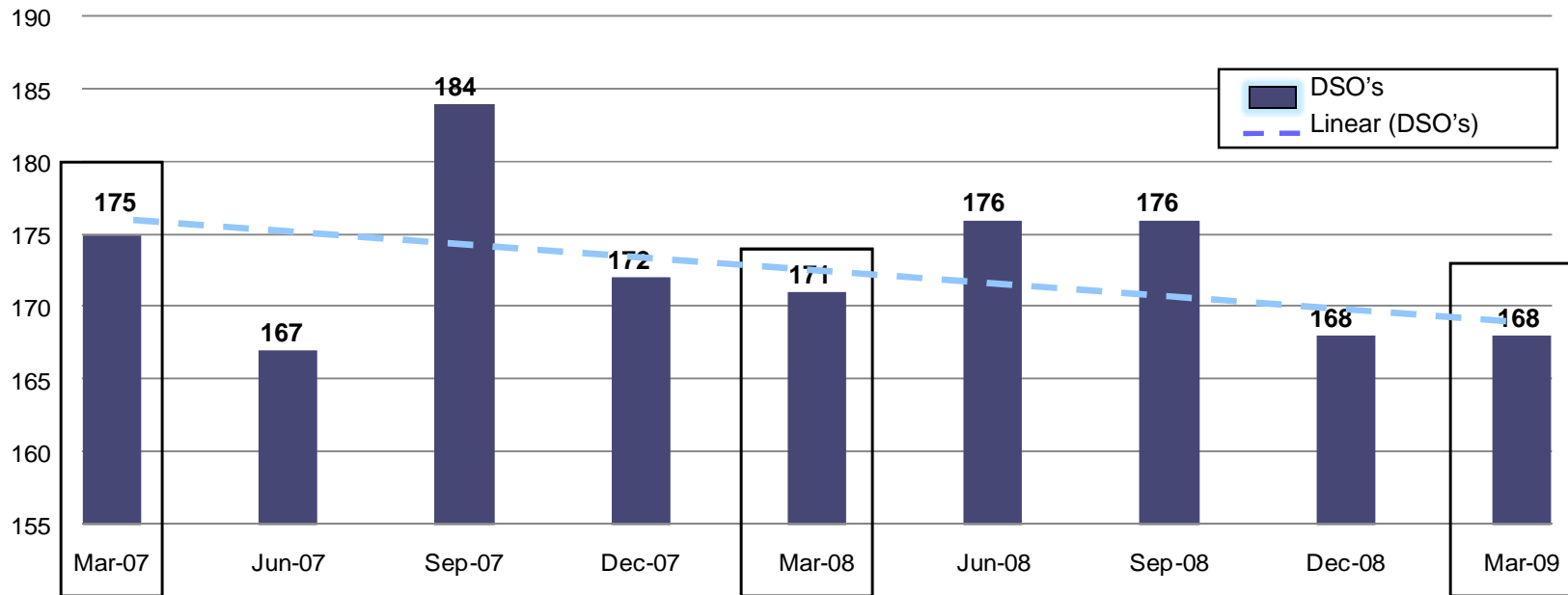
* Adjusted for FX movements and any contribution from acquisitions

	<u>Value (USDm)</u>	<u>Comments</u>
<u>Existing Debt</u>		
Convertible bond	118.9	<i>1.5% coupon, matures 2013</i>
Credit facilities	66.8	<i>Consortium of 7 banks, repayment up to end of 2012</i>
Other	1.0	<i>Obligations under finance leases</i>
Total	<hr/> 186.7 <hr/>	
 <u>Cash</u>	 68.6	 <i>Held in short-term deposits</i>
 <u>Unused facilities</u>	 149.3	 <i>Drawable until end of 2010; USD45m for working capital, rest for acquisitions</i>
 <u>Available funding</u>	 <hr/> 217.5 <hr/>	

Q1 09	USDm	Comments
Cash collection	85	
Cash opex	(65)	
Cash from operations - normalised	20	
Reduction in payables	(12)	Cash costs related to higher cost base in Q4 – one-off timing lag
Cash from operations - reported	7.5	

- Cash from operations in the quarter would have been USD20m, but for a timing difference between the recognition and payment of Q4-related cost
- The cash cost base for the rest of the year will be lower than the stated cost base
- Even before any improvement in DSOs, we would reach our FY cash outlook

DSOs flat on last quarter, although trend remains downwards



Sustained improvement driven by

- Shorter implementation times:
Down from average of 18 months in 06 to 9-12 months
- Improving payment terms:
In Q1 09, aggregate payment terms were:
51% up-front
43% on dates
6% on milestones

*See appendix for calculation

- Metavante has unilaterally terminated our joint agreement and we are in dispute
- Parties are engaging in dialogue to resolve the dispute
- Temenos is preparing arbitration proceedings to recover all amounts due under the agreement in the event that dialogue is not fruitful
- The agreement is binding upon both parties and assigns to successors in the case of either party being acquired
- Further project activities related to the agreement have been suspended pending outcome of dispute
- We are no longer booking any revenues in relation to this agreement

Strategy and Business Update

Andreas Andreades
CEO



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The Banking Software Company

- We have executed on our cost reduction programme
 - Costs down sequentially
 - Margins up strongly y-o-y (+330bps)
- T24 is performing robustly
 - Absolute growth y-o-y
 - Most of the slipped deals now signed
 - Outperforming peers – number 1 selling product again in 2008*
- More activity from tier 1s
 - first significant tier 1 deal since Q108
- Good traction from many strategic initiatives
 - ARC, Insight. Misys replacement showing good results

*According to the International Banking Systems Journal, which publishes an annual league table, T24 was again the best selling core banking product in 2008

Growth in T24 customers...

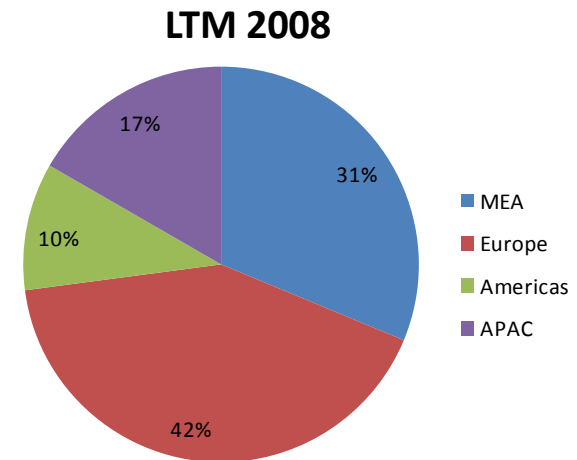
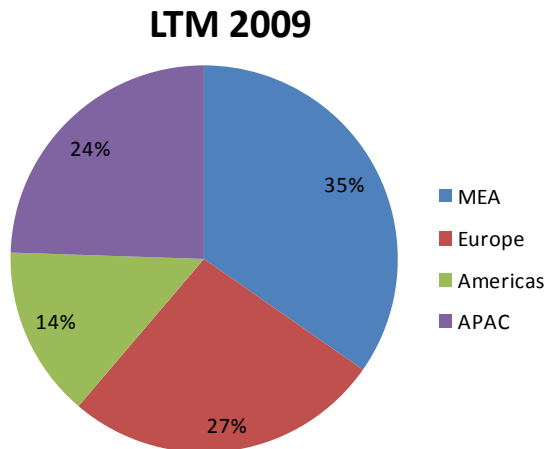
- New T24 clients in Q1 at 12 vs. 11 in the prior year (+9%)...
- ...including first significant tier 1 deal since Q1 08 (plus 2 other entry-level tier 1 deals)
- ...and 3 large Misys customers...
- Strong growth in universal/retail

...leads to y-o-y growth in T24 licences

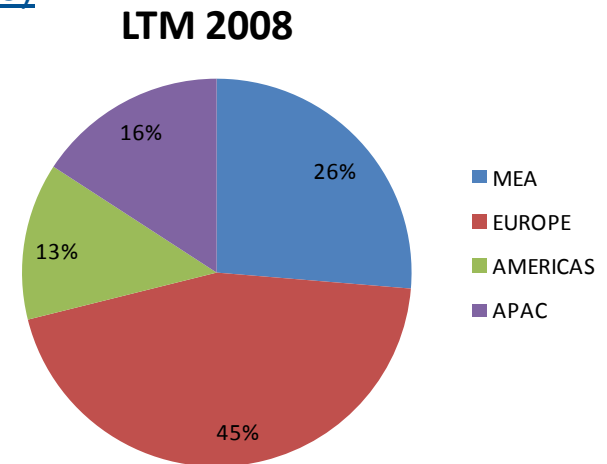
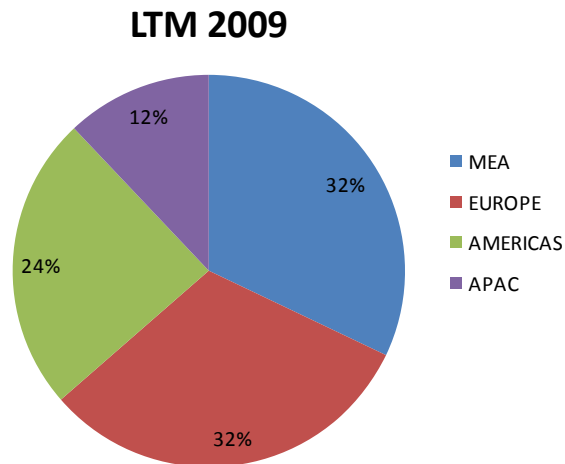
- T24 licence sales to new customers grew by 48% vs. Q108
- ...and total T24 licences (to new and existing) grew by 5% (9% ex-FX) against a very tough comparative
- 45% of slipped licences from Q4 have now been signed

New clients varied across regions:

New clients (number)



New clients (licence value)



ARC – our suite of front office solutions for T24 customers

- In Q1, we sold ARC to 7 customers (up from 3 in Q108) ...
- ...reflecting the fact that most new T24 customers now take ARC as part of the solution
- And, as the product matures, so does the price point
- Average selling price is up strongly, to around USD300k

Insight – our new business intelligence tool

- Only released in Q109
- We have already signed 2 customers
- Because Insight is already an established product, with a clear and immediate ROI...
- ...we are already an average selling price similar to ARC

Our visibility is improving, particularly over the level of cash generation... ...and so we begin to focus again on acquisitions

As before, we look for the following characteristics:

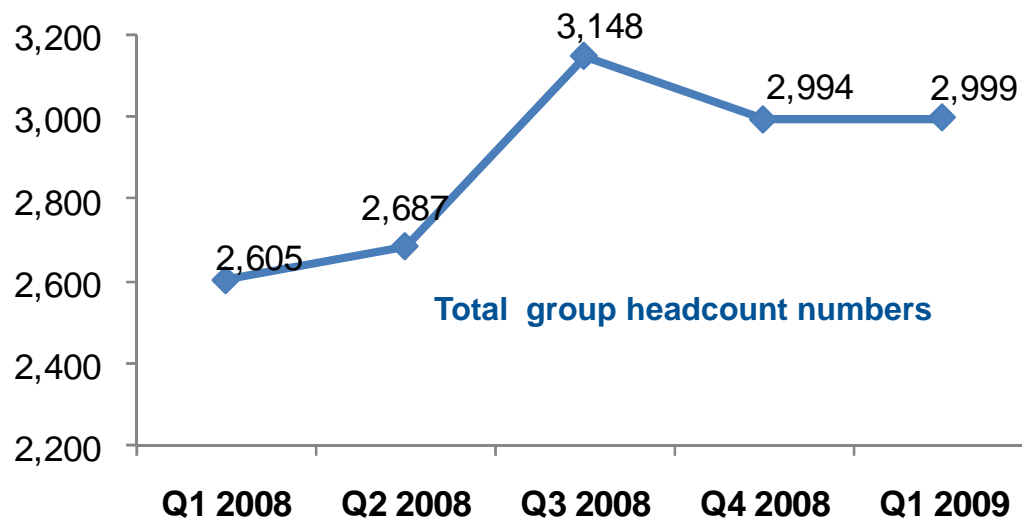
- **Attractive valuations**
 - And supported by robust maintenance stream
- **Good strategic fit**
 - Will consolidate our leading position in core banking; and/or,
 - Broaden the product footprint; and/or,
 - Expand our geographical coverage
- **Quick but significant investor returns**
 - Accretive within 12 months
 - Potential for substantial cost synergies

In Q1 09, we achieved a record number of quarterly go-lives...

- 25 clients went live (including a major tier 1 customer)...
- ...up 108% on Q408 (12) and 127% on Q107 (11)

... as services initiatives help us to scale more efficiently

- TAM, TIM, Management Consulting, Model Bank have all helped the services business to scale to meet demand



The absolute headcount has not been falling, only the onshore/offshore mix – revenues can be ramped up with existing resources (and with existing cost base)

... also helping margins...

- Margins are up by 260bps in the last 12 months

What is the objective?

To attract and certify a community of partners (SIs, technology partners)...

...in order to be able to deliver:

- Scalable growth
- Complete solutions
- Larger projects

What is the progress to date?

- Discussions continue with several SIs...
- ...and are at advanced stages
- We aim to be able to announce our first global partnership in Q2 (as opposed to H2 previously committed)

We remain excited about our prospects for the US

- The high end of the market offers few growth prospects at present
 - Large banks in the US have been disproportionately affected by the banking crisis - no funds for large core banking projects
 - Top 100 banks are probably becoming top 50 following heavy consolidation
 - This was the target market until now
- The small to mid market is a much more promising segment in medium term
 - The USD750m-USD10bn asset market segment is much more promising – these banks are profitable and less affected by toxic assets
 - This market is better addressed with T24
 - For ancillary applications, we will partner or acquire when strategic
- Consolidation in the US software market creates opportunities
 - Vendors are consolidating core banking products without offering new functionality or improved technology
 - This will cause their existing clients to assess the alternatives

- **Internationally, there is no change to our TCB strategy**
 - We continue to develop the product and support existing customers
 - We continue to seek country-type outsourcing deals
 - We continue to focus on selected large retail deals, especially in Asia

- **In the US, we are assessing our options**
 - The key people involved in developing TCB for the US have been retained
 - Temenos keeps the IP rights over the developed software
 - We are considering the best approach to market in the US, including the possibility of forming another partnership

Strong Q1 gives us more confidence about the year...

- T24 licences to new customers grew by 48% in the quarter in a tough environment and against a tough comparative
- Cost reduction programme executed

...and allows us to offset lower TCB revenues...

- We have stopped booking revenues in relation to the Metavante agreement
- T24 is delivering upside to plan

Uncertainty persists...

- We saw some stabilisation in the quarter
- Clients were again prepared to commit to capital projects and conversion rates recovered
- Despite a more stable sales cycle, the environment is still uncertain

...and so we still prefer not to give a revenue outlook:

- We target operating margins of 19% to 20% (EBITDA 27% to 28%)
- And 2009 costs of USD310m

Full year maintenance expectation of USD118m+ unchanged

- Mix likely to move in favour of maintenance (>30% of mix in 2009)
- Highest margin revenue line and minimal working capital investment

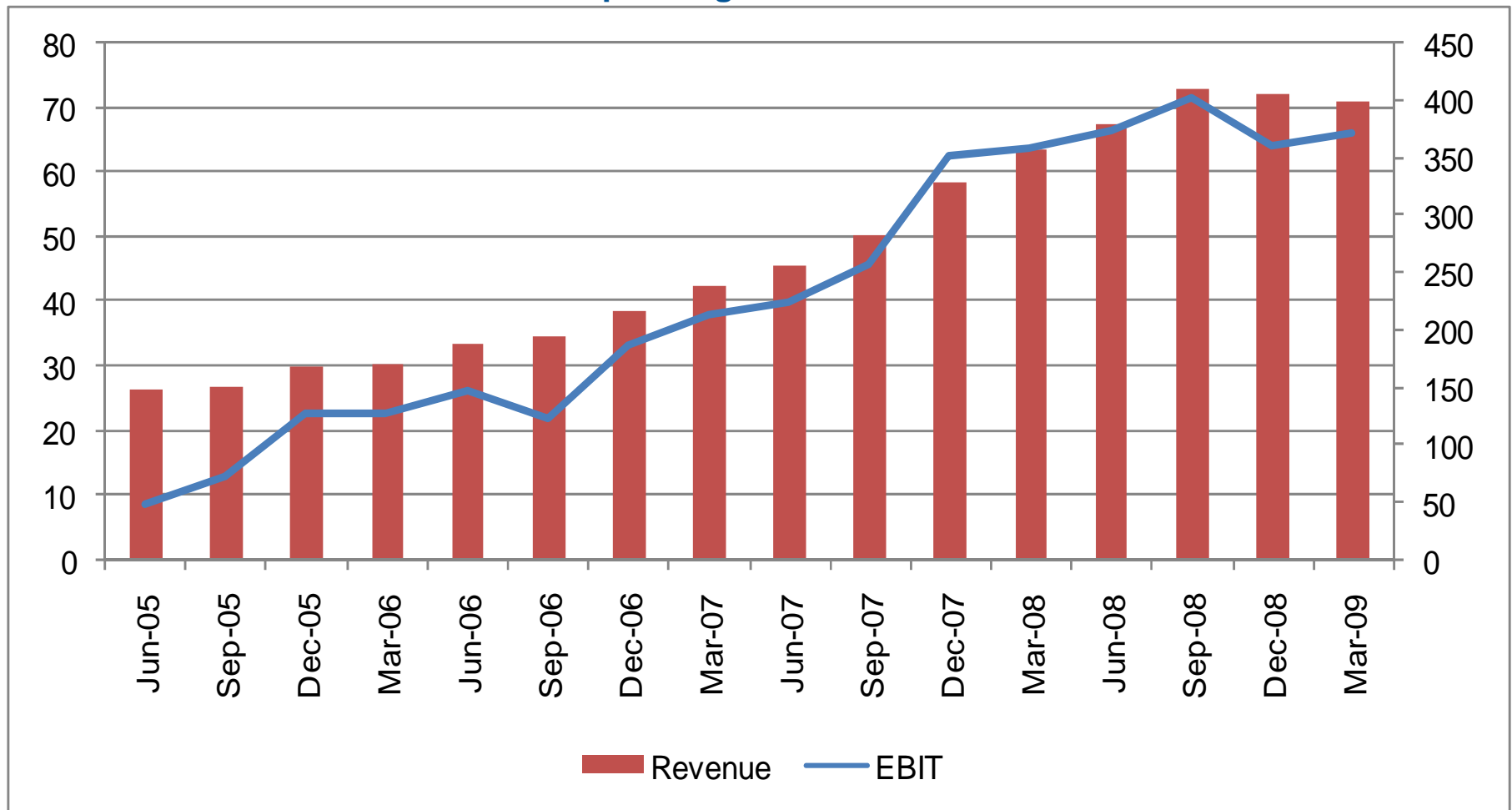
Visibility over cash generation has improved:

- The cost savings are reflected in the lower cost base...
- ...but because of timing lag, will show more strongly in operating cashflow from Q2
- We expect EBITDA into operating cashflow conversion of no less than 75% in '09
- ...and operating cashflow of no less than USD80m, FCF* of no less than USD50m

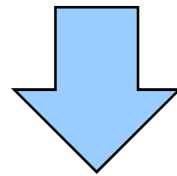
* Cash left available to debt and equity holders

- **Operating profit is increasing again...**
- ...even in the absence of revenue growth...
- ...as we deliver on costs and T24 sales remain resilient

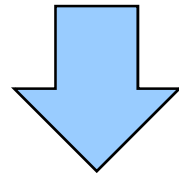
LTM Revenue and Operating Profit since Q2 2005



Growing sales to new customers
Coherent and modern product portfolio
Global reach and scale



A materially lower cost base



Potential for substantial margin leverage

Appendices



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	Q1 2009
Earnings	5.0
Amortisation of acquired intangible assets	2.3
Bond Interest	1.3
Total Adj Earnings	8.6
Total Diluted # of shares	66.6
Adjusted EPS	0.13

All figures in USDm, except shares in m

Constant Currency Income Statement



	Q1 09	Q1 08	Δ
Total revenue	81.2	88.4	-8%
FX adjs.	n/a	(4.0)	
Adjusted total revenue	81.2	84.4	-4%
Total costs	72.5	81.9	-11%
FX adjs.	n/a	(1.6)	
Adjusted total cost	60.5	80.4	-25%
Reported EBIT	8.7	6.5	+34%
EBIT at constant FX	8.7	4.1	+112%
Reported Margin	10.7%	7.4%	+330bps
Constant FX Margin	10.7%	5.1%	+560bps

Research and Development



USD millions	Q1 09	Q1 08	%	Q408	%	12 months to Mar-09	12 months to Mar-08	%
R&D costs – as reported	18.6	18.0	3%	17.5	6%	75.6	64.4	17%
Capitalised development costs	4.0	3.3		6.6		20.6	16.9	
Non cash items	(6.2)	(4.2)		(8)		(22.9)	(15.3)	
Less Acquisitions	(1.8)	0.0		(1.9)		4.5	0.0	
Currency impact	n/a	(0.8)		0.0		n/a	(2.4)	
Adj. cash R&D costs	14.7	16.3	(10%)	14.3	3%	68.8	63.7	(8%)

General & Administrative Costs



USD millions	Q1 09	Q1 08	%	Q408	%	12 months to Mar-09	Mar-08	%
G&A costs – as reported	10.9	12.2	(11%)	15.7	(31%)	51.1	44.5	15%
Less Acquisitions	(0.4)	0.0		(2.2)		(3.1)	0.0	
Less non-cash	(3.0)	(3.0)		(2.6)		(10.9)	-9.7	
Currency impact	n/a	(0.2)		0.0		n/a	0.3	
G&A costs underlying	7.5	9.0	(17%)	10.8	(31%)	37.1	35.2	5%

USD millions	Q1 09	Q1 08	%	Q408	%	12 months to Mar-09	Mar-08	%
S&M costs – as reported	17.5	18.8	(7%)	19.4	(10%)	73.7	76.0	(3%)
Less Acquisitions	(0.2)	0.0		(1.5)		(1.9)	0.0	
Currency impact	n/a	(0.3)		0.0		n/a	(0.7)	
Less non-cash	(1.2)	(2.0)		(0.4)		(5.0)	(6.6)	
S&M costs underlying	16.1	16.6	(3%)	17.4	(7%)	66.4	68.7	(3%)

- As at 31 December 2008 the Group has significant unrecognised deferred tax assets (DTAs). These arise from:
 - Losses carried forward
 - Taxable temporary differences arising from repatriation of the group's software intellectual property to Switzerland in 2006

USDm			
	Total potential	DTA	Recognised Unrecognised
Deferred tax arising from:			
Tax losses carried forward	54.2	6.6	47.6
Repatriation of the IP to Switzerland	33.5	29.3	4.2
	<u>87.7</u>	<u>35.9</u>	<u>- 51.8</u>

- Deferred tax assets related to losses and temporary differences become increasingly recognisable as we gain improved visibility over future profits in the relevant jurisdictions
- Recognition of deferred tax assets on losses and temporary differences will reduce the group's effective tax rate for 2009 and thereafter
- For 2009 we assume that recognition of deferred tax assets will fully offset the income tax charge resulting in a zero overall tax charge
- The majority of the group's income from licensing activities is attributable to Swiss entities. Income is currently reduced by intellectual property amortisation and after amortisation is subject to tax at a rate of approximately 11-12%.

Temenos' products are multi award winning - awards include:



T24 was named No.1 best-selling core banking system in 2008 in the IBS Journal's Annual Sales League Table. Martin Whybrow, editor, commented: *"Temenos has maintained a strong position during a challenging year for our industry. It has continued to sell well in most geographies and gained its fair share of the year's high-end and multi-site deals. The breadth of its product is a strength, so too the investment that the supplier continues to make in it, and Temenos' performance is also a reflection of its strong sales expertise."*



T24 won the 'Best Core Banking Product' category in the 2008 Banking Technology Reader's Choice Awards at the European banking technology awards – for the second year running. Temenos fended off competition from finalists Tata Consultancy Services and Infosys.

David Bannister, editor of Banking Technology added *"The companies that won in these categories can be justifiably proud that their products and services are known and recognised in the wider market"*

Temenos won The 2007 Banker Magazine Technology Award for Marketing Technology in Retail Banking Innovation. Stephen Timewell, editor-in-chief of The Banker noted *"The judging panel were impressed by not only the technology, but how truly cost effective it was in terms of implementation as well as the level of service offered by Temenos."*



Leading the IBS League Table



Annual Sales League Table

1st January 2008 – 31st December 2008

Product	Supplier	New name customers signed in 2008 (previous years in brackets, with the most recent first). See below for keys	Total number of known bank customers
T24	TEMENOS	40 (44,40,32,28,24,22,36,42,34,33,19,15,10,29,7,9)	485
Flexcube	Oracle FSS	39 (20*,43,38,36,36,36,29,37,8,0,2)	324
OmniEnterprise	Infrasoft	34 (9,12,11,10)	82
K+TP	Thomson Reuters	19 (25,15,8)	73
Equinox	Neptune Software	18 (11,5,8,2,5,3,4,1)	60
TCS Bancs (Universal)	TCS Financial Solutions	17 (24,13,5,5,4*,6,4,4,0,0,1,2)	92
Ambit Treasury	Sungard	15 (5,9,1*,14,6,19,6)	106
V.bank	Viveo	15	28
Calypso	Calypso Technology	14 (22,14,15,8,6,7,2,3,1)	82
Finacle	infosys	14 (13,3*,13,14,9,8,11,9,2)	108
Valua	Sophis	14 (15)	33
MX.3	Murex	12 (15,5*)	90
	Path Solutions	11 (14,5,5,3)	56
	Misys	11 (11,6,6,8,14,8,25,25,15,25,24,9,8,7,5)	172
	Sungard	11 (5,13,7,3,3*,4,1*,4*)	51
	SAP	9 (16,7,1,1,1)	39
	Misys	8 (11,14,17,16,10,5,11,8,5)	152
	Sungard	7 (1,4,6,5,7,7,6)	70
	Banklink Financial	7 (24,8,3,7,5,4,3,2)	61
	S Financial Solutions	7 (7,12,9,4,2,3,6,6,8,5,7,5)	91
	Delta-Bank	6 (10,11)	45
	Equation	6 (7,9,3,7,12,9)	97
	ICBS	6 (7,10,5,2,9,10,6,8,9,17,21,12,13,17,26,10)	201
	Wallstreet Suite	6 (5,5,3,4,3,2,3,5,3,4)	64
	Avaloq	6 (34,11,7,4,5,8,11,1*,1*,3*)	117
	Guaya	5 (6,4,5,1,5,2,1,7)	39
	NTESBanking	5 (1,4,1,1,0,1,1,2,1)	19
		5 (1,1,1,0,1,-)	9
		5 (8,3,2,1,2,5,4,12*)	186
		4 (3,3)	32
		4 (3,3*,0*,0*,5,2*)	4
		4+ (7)	87
		4 (3,7,3,5,2,5,1,1,3)	1200
			38

Corebanking Positions

Position	Product	Company	Deals
1	T24	TEMENOS	40
2	Flexcube	Oracle FSS	39
3	OmniEnterprise	Infrasoft	34

- Top two positions in the IBS Sales League Table for 10 out of the last 11 years

Thank You



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The Banking Software Company