



**TEMENOS**

The Banking Software Company

## **Temenos reports Q1 2010 results: returns to like-for-like revenue growth and raises full year outlook**

Geneva, Switzerland, 28 April, 2010 – Temenos Group AG (SIX: TEMN), the market leading provider of integrated core banking solutions, reports first quarter 2010 results showing a return to like-for-like revenue growth after 5 quarters of decline and higher average deal size.

### **Q1 Financial and Operating highlights**

- Like-for-like revenue growth +3%, total revenue growth +16%
- Like-for-like licence growth +1% (vs. strong comparison base)
- 31% adjusted EPS growth
- Cash into EBITDA conversion of 185%
- 4 new Tier 1 customers signed in the quarter
- Viveo integration proceeds well (first VBank customer switching to T24)
- 6 licences sold for AML and STP products, including significant deals with Barclays and ANZ

Commenting on the results, Temenos CEO Andreas Andreades said, “I think our profitability and solid cash generation represent an excellent start to the year – the first year of recovery after the financial crisis. We are seeing larger banks come to market, which boosted our average deal size in the quarter, helped to increase our pipeline for the remainder of the year and contributed to a strong start to the second quarter. After recording 5 quarters of decline, we returned to like-for-like revenue growth in the quarter despite the very tough licence comparison in Q109, which benefitted from the largest single deal we signed in 2009 as well as deals which slipped from Q408.

The Viveo integration proceeds well. In the quarter we sold 6 licences of the new AML and STP products and we saw the first adopter of T24 from the Viveo base. This validates both our integration and cross-selling efforts.

A stronger pipeline, boosted by larger corporate and retail deals, gives us the confidence to increase our revenue growth outlook and guidance.”

### **Revenue**

Revenue for the first quarter was USD93.9m, up from USD81.2m in the same period last year, representing an increase of 16%. Licence revenue for the quarter was USD27.2m, 2% down compared to 2009. For LTM 2010, total revenue was USD383.1m, down 4% on LTM 2009, with licence revenue at USD125.4m, 15% less compared to the same period last year.

### **Operating profit**



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Operating profit for the quarter was USD1.8m, compared with USD8.7m in the same period last year, a decrease of 79%. Much of the decrease in operating profit is due to restructuring charges and higher acquisition-related amortisation charges. At the end of last year, to allow for a fair comparison of underlying performance, the company introduced a new metric: adjusted EBIT (EBIT before restructuring charges and amortisation of acquired intangibles). Adjusted EBIT was USD12.4m in the quarter, 16% higher than in Q109. Adjusted EBIT for the last twelve months was USD 93.1m compared to USD75.4m in the prior period, representing a 23% increase. The adjusted EBIT margin was 13.2%, flat on the prior year, with LTM 2010 margin at 24.3%, 540 basis points higher than the previous 12 months.

## Earnings Per Share (EPS)

Adjusted EPS, which excludes amortisation of acquisition-related intangibles and restructuring charges, was USD0.17 in the quarter, up from USD0.13 in the same quarter of the previous year. The LTM 2010 adjusted EPS was USD1.26, 11% up on the previous 12 months.

## Cash

Operating cash was USD 25m in the quarter, representing cash conversion (conversion of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) into operating cashflow) of 185% for the quarter.

## Outlook

Having gained a further quarter of visibility into 2010 and after absorbing two negative revenue (but P/L neutral) effects - a USD 7.3m adverse foreign exchange movement and the disposal of USD 4.3m of revenues via the sale of non-core businesses - we are now able to increase the outlook for the full year 2010 as follows:

- Total revenue to range between USD 440 and 450m (vs previous range USD 436-462m not adjusted for the effects cited above)
- Of which, licence revenue of approximately USD 150m (representing 12% organic growth, vs 6% previously)
- Adjusted EBIT margin of approximately 25.3% (vs. 25% previously)
- EBITDA cash conversion of 100%
- Tax rate of 0%

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



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

## About Temenos

Founded in 1993 and listed on the Swiss Stock Exchange (SIX: 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 57 offices worldwide, Temenos serves over 1000 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 is top of the IBS Sales League Table 2009; winner every year since its launch of the Best Core Banking Product in Banking Technology magazine's Readers' Choice Awards and ranks 26th in the American Banker top 100 FinTech companies. Temenos customers are proven to be more profitable than their peers: data from *The Banker – top 1000 banks* shows that Temenos' customers enjoy a 54% higher return on assets, a 62% higher return on capital and a cost/income ratio that is 7.2 points lower than non-Temenos customers

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.*

## For more information, please contact:

### Investor/Analyst queries:

Max Chuard  
TEMENOS  
Director, M&A & IR  
Member of the Executive Board  
Tel: +41 (0) 22 708 1482  
Email: [mchuard@temenos.com](mailto:mchuard@temenos.com)

Ben Robinson  
TEMENOS  
Director, Strategic Planning  
Tel: +44 (0) 20 7290 3012  
Mobile: +44 (0)7803 887929  
Email: [brobenson@temenos.com](mailto:brobenson@temenos.com)

Sarah Bowman  
TEMENOS  
Associate Director, IR  
Tel: +1 646 472 8069  
Mobile: +1 646 752 5463  
Email : [sbowman@temenos.com](mailto:sbowman@temenos.com)

### Press queries:

Wendy Baker  
Hudson Sandler  
Tel: +44 (0) 20 7796 4133  
Email: [wbaker@hudsonsandler.com](mailto:wbaker@hudsonsandler.com)



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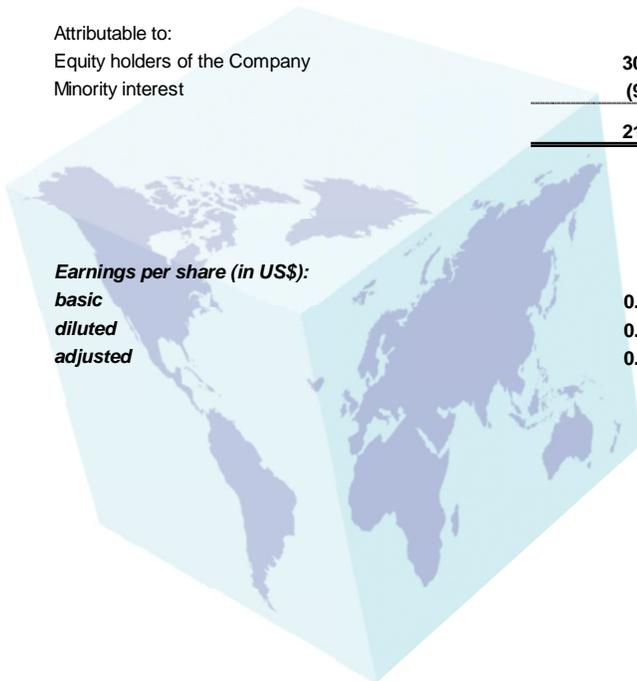
The Banking Software Company

## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2010	Three months to 31 March 2009	Twelve months to 31 March 2010	Twelve months to 31 March 2009
<b>Revenues</b>				
Software licensing	27,240	27,816	125,412	146,730
Maintenance	35,064	27,830	124,368	105,331
Services	31,635	25,546	133,288	147,714
<b>Total revenues</b>	<b>93,939</b>	<b>81,192</b>	<b>383,068</b>	<b>399,775</b>
<b>Operating expenses</b>				
Sales and marketing	16,925	17,528	73,622	73,659
Services	33,213	25,383	113,205	133,323
Software development and maintenance	24,973	18,642	66,225	75,557
General and administrative	16,995	10,937	56,654	51,069
<b>Total operating expenses</b>	<b>92,106</b>	<b>72,490</b>	<b>309,706</b>	<b>333,608</b>
<b>Operating profit</b>	<b>1,833</b>	<b>8,702</b>	<b>73,362</b>	<b>66,167</b>
<b>Other income (expenses)</b>				
Net financing and interest expenses	(2,201)	(1,383)	(8,521)	(6,380)
Foreign exchange (loss) gain - net	718	(2,388)	(572)	1,531
<b>Total other income (expenses)</b>	<b>(1,483)</b>	<b>(3,771)</b>	<b>(9,093)</b>	<b>(4,849)</b>
<b>Profit before taxation</b>	<b>350</b>	<b>4,931</b>	<b>64,269</b>	<b>61,318</b>
Taxation	(140)	50	(496)	1,799
<b>Profit for the period</b>	<b>210</b>	<b>4,981</b>	<b>63,773</b>	<b>63,117</b>
Attributable to:				
Equity holders of the Company	305	5,085	63,855	62,757
Minority interest	(95)	(104)	(82)	360
	<b>210</b>	<b>4,981</b>	<b>63,773</b>	<b>63,117</b>
<b>Earnings per share (in US\$):</b>				
<b>basic</b>	<b>0.01</b>	<b>0.09</b>	<b>1.08</b>	<b>1.08</b>
<b>diluted</b>	<b>0.00</b>	<b>0.09</b>	<b>0.99</b>	<b>1.00</b>
<b>adjusted</b>	<b>0.17</b>	<b>0.13</b>	<b>1.26</b>	<b>1.14</b>





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## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2010	31 December 2009	31 March 2009
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	155,102	142,651	68,646
Trade receivables	267,522	278,919	275,197
Other receivables	28,219	25,850	21,479
<b>Total current assets</b>	<b>450,843</b>	<b>447,420</b>	<b>365,322</b>
<b>Non-current assets</b>			
Property, plant and equipment	12,965	15,508	13,674
Intangible assets	273,705	288,382	183,394
Trade receivables	16,235	15,400	8,225
Other receivables	2,055	2,335	1,251
Deferred tax assets	34,165	34,536	36,677
<b>Total non-current assets</b>	<b>339,125</b>	<b>356,161</b>	<b>243,221</b>
<b>Total assets</b>	<b>789,968</b>	<b>803,581</b>	<b>608,543</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	94,405	87,724	91,259
Deferred revenues	109,340	114,176	85,676
Income taxes payable	5,948	5,848	6,931
Borrowings	33,362	36,357	13,775
<b>Total current liabilities</b>	<b>243,055</b>	<b>244,105</b>	<b>197,641</b>
<b>Non-current liabilities</b>			
Borrowings	230,847	237,232	172,535
Deferred tax liabilities	13,778	15,740	9,011
Income taxes payable	1,042	2,440	10,132
Retirement benefit obligations	2,190	2,190	884
Trade and other payables	851	905	2,573
<b>Total non-current liabilities</b>	<b>248,708</b>	<b>258,507</b>	<b>195,135</b>
<b>Total liabilities</b>	<b>491,763</b>	<b>502,612</b>	<b>392,776</b>
<b>Shareholders' equity</b>			
Share capital	194,651	178,340	174,122
Treasury shares	-	-	(20,450)
Share premium	(93,846)	(85,231)	(73,286)
Fair value and other reserves	(42,726)	(32,019)	(40,893)
Retained earnings	239,523	239,218	175,668
<b>Total shareholders' equity</b>	<b>297,602</b>	<b>300,308</b>	<b>215,161</b>
<b>Minority interest</b>	<b>603</b>	<b>661</b>	<b>606</b>
<b>Total liabilities and equity</b>	<b>789,968</b>	<b>803,581</b>	<b>608,543</b>



## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2010	Three months to 31 March 2009	Twelve months to 31 March 2010	Twelve months to 31 March 2009
<b>Cash flows from operating activities</b>				
Profit before taxation	350	4,931	64,269	61,318
<u>Adjustments:</u>				
Depreciation and amortisation	9,917	6,755	33,289	25,787
Other non-cash items	(718)	6,812	25,531	28,483
<u>Changes in working capital:</u>				
Trade and other receivables	1,767	4,383	15,797	(46,681)
Trade and other payables	12,491	(16,312)	(8,966)	(19,918)
Deferred revenues	(2,089)	918	2,215	4,865
<i>Cash generated from operations</i>	<b>21,718</b>	7,487	<b>132,135</b>	53,854
Income taxes paid	(1,624)	(2,284)	(4,314)	(4,285)
<i>Net cash generated from operating activities</i>	<b>20,094</b>	5,203	<b>127,821</b>	49,569
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(311)	(421)	(2,026)	(2,743)
Disposal of property, plant and equipment	-	3	40	88
Purchase of intangible assets	(461)	(695)	(2,641)	(5,686)
Disposal of intangible assets	250	-	250	-
Capitalised development costs	(4,752)	(3,990)	(20,275)	(20,617)
Acquisitions, net of cash acquired	(888)	(995)	(81,967)	(70,912)
Disposal of subsidiary, net of cash disposed	2,590	-	-	-
Cash effect from financial instruments	(1,802)	(128)	(3,608)	(7,344)
Interest received	67	27	224	443
Others, net	-	(52)	-	(52)
<i>Net cash used in investing activities</i>	<b>(5,307)</b>	(6,251)	<b>(110,003)</b>	(106,823)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of shares, net of related expenses	2,751	-	4,261	15
Proceeds from borrowings	-	-	69,057	69,590
Cash impact of debt refinancing	-	9,178	-	9,178
Acquisition of treasury shares	-	-	-	(4,303)
Interest payments	(2,286)	(2,405)	(2,873)	(3,747)
Payment of financial instrument related expenses	(105)	(787)	(1,158)	(5,717)
Payment of finance lease liabilities	(115)	(116)	(590)	(467)
Other, net	(2)	(8)	(14)	(8)
<i>Net cash generated from financing activities</i>	<b>243</b>	5,862	<b>68,683</b>	64,541
<b>Effect of exchange rate changes</b>	<b>(2,579)</b>	(1,768)	<b>(45)</b>	(5,155)
<b>Increase in cash and cash equivalents in the period</b>	<b>12,451</b>	3,046	<b>86,456</b>	2,132
<b>Cash and cash equivalents at the beginning of the period</b>	<b>142,651</b>	65,600	<b>68,646</b>	66,514
<b>Cash and cash equivalents at the end of the period</b>	<b>155,102</b>	68,646	<b>155,102</b>	68,646