



Temenos Releases Full Q2 2012 Results

Geneva, Switzerland, 25 July, 2012 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to banks globally, today reports its full second quarter 2012 results.

Q2 Financial and Operating highlights

- Large wins at ME Bank in Australia and Jordan Ahli Bank in the Middle East
- Launch of Temenos Enterprise Frameworks Architecture (TEFA), alongside latest release of T24 R12
- 8 Customer Go-lives
- Maintenance revenue resilient with growth of 6% in constant currency terms
- Services recovery gaining traction – margins have improved by 400 basis points in the last twelve months

<i>USDm, except EPS</i>	Q2 2012	Q2 2011	Change	LTM Q2 2012	LTM Q2 2011	Change
Software licensing	24.2	39.2	-38%	126.4	165.9	-24%
Maintenance	50.1	49.0	2%	198.1	182.6	8%
Services	31.3	34.2	-8%	129.4	130.9	-1%
Total revenues	105.6	122.5	-14%	453.9	479.4	-5%
Adjusted EBIT *	10.8	23.7	-55%	76.1	111.8	-32%
Adjusted EPS *	0.05	0.27	-81%	0.61	1.40	-56%

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

Commenting on the results, Temenos CEO David Arnott said, “Q2 was a disappointing quarter. The environment is difficult with high levels of uncertainty delaying decisions, especially with new name customers. But, in addition, we had some sales execution issues, which caused the decline in licensing to be much steeper than anticipated. The bright spots in the quarter were sales to the installed base, sales into Asia Pacific and the Middle East and sales in retail and private wealth management, which are holding up well.

In order to improve performance, we are taking a number of actions. Firstly, we are reducing costs by an additional USD20m, which will lock in a cost base of USD350m in 2013. Secondly, we have simplified some structures and processes to bring greater alignment in the organisation. Lastly, we have reduced some of the management layers. We have a great team and this is the time to have our best people as actively as possible.

The structural drivers for system renewal in banking are continually growing in intensity. Banks face a number of challenges – around cost pressure, new regulation, a changing competitive environment and more exacting customers – which can only be met with technology investment. Nonetheless, at present, most banks are still deferring action. Our strategic priorities are unchanged, we remain the best-placed vendor to capitalise on the pent-up demand when it materialises and, in short term, the actions we are taking will protect profitability and improve execution.”



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The Banking Software Company

Revenue

Revenue for the second quarter was USD 105.6m, down from USD 122.5m in the same period last year, representing an decrease of 14%. Licence revenue for the quarter was USD 24.2m, 38% lower than in 2011. For the LTM 2012, total revenue was USD 453.9m, down 5% on LTM 2011, with LTM licence revenue at USD 126.4m, 24% lower than the same period last year.

Adjusted EBIT

Adjusted EBIT (EBIT before one-off restructuring charges and amortisation of acquired intangibles) was USD 10.8m, 55% lower than in Q2 2011. Adjusted EBIT for the last twelve months was USD 76.1m compared to USD 111.8m in the prior period, representing a 32% decrease. The adjusted EBIT margin was 10%, 9 percentage points lower than the prior year, with LTM 2012 adjusted EBIT margin at 17%, 6 percentage points lower than in the prior 12 months.

Earnings Per Share (EPS)

Adjusted EPS, which excludes amortization of acquired intangibles and restructuring charges, was USD 0.05 in the quarter, down from USD 0.27 in the same quarter of the previous year, which represents a decline of 81%. The LTM adjusted EPS was 0.61, down 56% on the previous 12 months.

Cash

Operating cash was an outflow of USD 13.5m in the quarter, reflecting chiefly a large adverse movement on payables. On a twelve month basis, operating cashflow was USD 99.2m, 8% higher than in the comparative period and representing a 137% operating cashflow into EBITDA conversion.

Outlook

In line with the announcement made on July 12, 2012, the company anticipates a constant currency growth range of -5% to +1%. The company expects to achieve adjusted EBIT margin between 19% and 22%. Lastly, the company expects a 100% conversion of operating cashflow into EBITDA.

In connection with the USD20m cost rationalisation programme, the company expects USD5-10m of restructuring charges.

Conference call

At 17.30 GMT/ 18.30 CET/ 12.30 EST, today, July 25 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)



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0800 828 006 (Swiss Free Call)
+1 866 966 9439 (USA Free Call)

Conference ID # 14408729

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 June 2012	Three months to 30 June 2011	Twelve months to 30 June 2012	Twelve months to 30 June 2011
Revenues				
Software licensing	24,191	39,237	126,390	165,888
Maintenance	50,107	49,005	198,114	182,649
Services	31,345	34,220	129,350	130,900
Total revenues	105,643	122,462	453,854	479,437
Operating expenses				
Sales and marketing	20,635	56,766	97,877	122,401
Services	36,582	37,616	144,719	152,403
Software development and maintenance	26,037	29,774	109,759	104,363
General and administrative	15,496	15,506	75,299	65,918
Total operating expenses	98,750	139,662	427,654	445,085
Operating profit/(loss)	6,893	(17,200)	26,200	34,352
Other expenses				
Net interest expenses	(1,075)	(1,478)	(6,491)	(8,395)
Borrowing facility expenses	(477)	(502)	(2,030)	(3,692)
Foreign exchange loss	(1,465)	(1,833)	(7,359)	(435)
Total other expenses	(3,017)	(3,813)	(15,880)	(12,522)
Profit/(loss) before taxation	3,876	(21,013)	10,320	21,830
Taxation	(3,925)	(772)	(17,351)	(1,151)
(Loss)/profit for the period	(49)	(21,785)	(7,031)	20,679
Attributable to:				
Equity holders of the Company	(49)	(21,765)	(7,066)	20,984
Non-controlling interest	-	(20)	35	(305)
	(49)	(21,785)	(7,031)	20,679
Earnings per share (in US\$):				
basic	-	(0.31)	(0.10)	0.31
diluted	-	(0.31)	(0.10)	0.30
adjusted	0.05	0.27	0.61	1.40



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	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Assets				
Current assets				
Cash and cash equivalents	59,105	68,120	154,950	76,335
Trade receivables	263,278	259,410	268,576	291,175
Other receivables	32,799	35,901	31,018	42,079
Total current assets	355,182	363,431	454,544	409,589
Non-current assets				
Property, plant and equipment	13,669	13,547	13,210	15,329
Intangible assets	402,264	414,540	404,103	425,738
Trade receivables	38,656	40,818	46,173	25,500
Other receivables	2,595	3,018	3,145	3,288
Deferred tax assets	30,393	32,387	33,814	38,389
Total non-current assets	487,577	504,310	500,445	508,244
Total assets	842,759	867,741	954,989	917,833
Liabilities and equity				
Current liabilities				
Trade and other payables	100,936	110,768	138,119	111,819
Deferred revenues	148,049	172,239	180,503	131,317
Income tax liabilities	13,426	14,094	15,667	11,374
Borrowings	10,682	10,798	11,123	10,888
Total current liabilities	273,093	307,899	345,412	265,398
Non-current liabilities				
Borrowings	213,034	192,842	242,624	257,364
Deferred tax liabilities	6,643	7,531	8,448	11,649
Income taxes payable	1,544	1,544	1,544	1,550
Retirement benefit obligations	3,850	4,043	3,849	4,370
Trade and other payables	3,972	4,154	4,931	3,372
Total non-current liabilities	229,043	210,114	261,396	278,305
Total liabilities	502,136	518,013	606,808	543,703
Shareholders' equity				
Share capital	239,798	239,798	239,677	239,365
Treasury shares	(112,089)	(113,473)	(113,473)	(108,111)
Share premium	23,695	22,037	19,367	13,280
Fair value and other reserves	(71,932)	(59,834)	(69,997)	(39,111)
Retained earnings	261,151	261,200	272,607	268,217
Total shareholders' equity	340,623	349,728	348,181	373,640
Non-controlling interest	-	-	-	490
Total equity	340,623	349,728	348,181	374,130
Total liabilities and equity	842,759	867,741	954,989	917,833



TEMENOS GROUP AG

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	Three months to 30 June 2012	Three months to 30 June 2011	Twelve months to 30 June 2012	Twelve months to 30 June 2011
Cash flows from operating activities				
Profit/(loss) before taxation	3,876	(21,013)	10,320	21,830
<u>Adjustments:</u>				
Depreciation and amortisation	12,033	12,798	46,425	44,955
Other non-cash items	5,360	6,854	21,581	31,632
<u>Changes in working capital:</u>				
Trade and other receivables	(6,620)	7,292	(805)	408
Trade and other payables	(10,134)	4,624	(7,018)	6,953
Deferred revenues	(18,043)	(16,711)	28,655	(14,223)
<i>Cash (used in)/ generated from operations</i>	(13,528)	(6,156)	99,158	91,555
Income taxes paid	(1,936)	(1,181)	(7,976)	(3,003)
Net cash (used in)/generated from operating activities	(15,464)	(7,337)	91,182	88,552
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,256)	(1,612)	(4,886)	(5,832)
Disposal of property, plant and equipment	-	11	91	411
Purchase of intangible assets	(886)	(863)	(4,615)	(3,038)
Capitalised development costs	(9,560)	(7,587)	(43,906)	(26,544)
Acquisitions, net of cash acquired	-	(405)	(3,325)	(78,526)
Disposal of subsidiary, net of cash disposed	-	-	378	-
Settlement of financial instruments	1,125	(10,241)	10,689	(13,748)
Interest received	26	17	167	181
Net cash used in investing activities	(10,551)	(20,680)	(45,407)	(127,096)
Cash flows from financing activities				
Proceeds /(repayment) of debt	19,994	50,091	(45,030)	112,588
Cash impact of debt refinancing	-	-	-	12,014
Acquisition of treasury shares	-	(11,789)	(5,361)	(108,111)
Interest payments	(1,410)	(893)	(6,552)	(5,517)
Payment of financial instrument related expenses	(279)	(569)	(995)	(7,490)
Payment of finance lease liabilities	(92)	(286)	(424)	(795)
Net cash generated from/(used in) financing activities	18,213	36,554	(58,362)	2,689
Effect of exchange rate changes	(1,213)	1,055	(4,643)	10,335
Net (decrease)/increase in cash and cash equivalents in the period	(9,015)	9,592	(17,230)	(25,520)
Cash and cash equivalents at the beginning of the period	68,120	66,743	76,335	101,855
Cash and cash equivalents at the end of the period	59,105	76,335	59,105	76,335