



Temenos Q3 2009 results show 81% growth in operating profit and trebling of operating cashflow – margin reaches 23%

Geneva, Switzerland, 21 October 2009 – Temenos Group AG (SIX: TEMN), the global provider of integrated core banking solutions, today reports third quarter results demonstrating continued strong growth in operating profit based on resilient licence sales and tight cost management.

Q3 09 Financial and Operating highlights

- Operating profit growth of 81% to USD20.3m (Q308: USD11.2m)
- Operating margin expansion of over 1,000bps to reach 23% (Q308:11.1%)
- An increase in like-for-like licences* of 6% in the quarter against a tough comparative quarter
- 2 tier 1 deals, taking to 6 the number of tier 1 deals so far this year
- Operating cash of USD31.6m in the quarter, an increase of 195% on the same quarter last year (Q308: USD10.7m)

Commenting on the results, Temenos CEO Andreas Andreades said, "I am very pleased with this set of results. Against a tough comparative quarter, we grew underlying licences, while operating profit increased strongly in both absolute and percentage terms and, for the second quarter running, we generated operating cash well in excess of EBITDA.

At the end of last year, we set out to change the operating model to make the business more cash generative and to lock in higher profitability. This is clearly paying off as, even with lower revenues, the business is much more profitable and cash generative than in the past.

Looking ahead, we anticipate – and are investing for - growth in 2010. Thanks to better payment terms, an expanding partner network and a market-leading product, Temenos will be able to invest and realise significant growth in the year ahead while continuing to expand margins and converting operating cash around the level of EBITDA.

Revenue

Revenue for the third quarter was USD88.6m, down from USD100.4m in the same period last year, representing a decline of 12%. Licence revenue for the quarter was USD26.8m, 24% behind the previous year. For the Last Twelve Months (LTM), total revenue was USD373.9m, down 9% on 2008, with licence revenue at USD131.9m, 22% behind the previous 12 months.



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Operating profit

Operating profit for the quarter was USD20.3m, compared with USD11.2m in the same period last year, an increase of 81%. The LTM operating profit was USD 75.7m, up from USD71.5m in the prior period, representing a 6% increase. Margin for the quarter was 23%, 1,190 basis points higher than in the prior year, with the LTM margin at 20.2%, 280 basis points lower than the previous 12 months.

Earnings Per Share (EPS)

Adjusted EPS, which excludes amortisation of acquisition-related intangibles and restructuring charges, was USD0.34 in the quarter, up from USD0.13 in the same quarter of the previous year. The LTM adjusted EPS was USD1.35, 25% up on the previous 12 months.

Cash

Operating cash was USD31.6m in the quarter, representing cash conversion - conversion of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) into operating cashflow – of 113% for the quarter.

Outlook

With one quarter of the financial year remaining, Temenos replaces an operating margin outlook of 19-20% with a range for operating profit of USD75-USD80m.

The outlook for full year operating costs has been lowered by USD10m, reflecting a lower outlook for services revenues and costs of USD10m. The new outlook range for services stands at USD120-130m.

The company continues to expect full year maintenance revenues of around USD118. Further, the full year outlook for operating cashflow and free cashflow also remain unchanged, at USD110m and USD80m, respectively.

Conference call

At 17.30 GMT/ 18.30 CET, today, October 21st, 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

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



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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 51 offices worldwide, Temenos serves over 700 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. Temenos is top of the IBS Sales League Table 2008, winner of the Best Core Banking Product category in Banking Technology magazine's Readers' Choice Awards 2008, winner of the Financial-i Leaders in Innovation award for the most innovative core banking systems solution 2008 and is listed in the American Banker top 100 FinTech companies.

For more information please visit www.temenos.com

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.

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consolidated income statement

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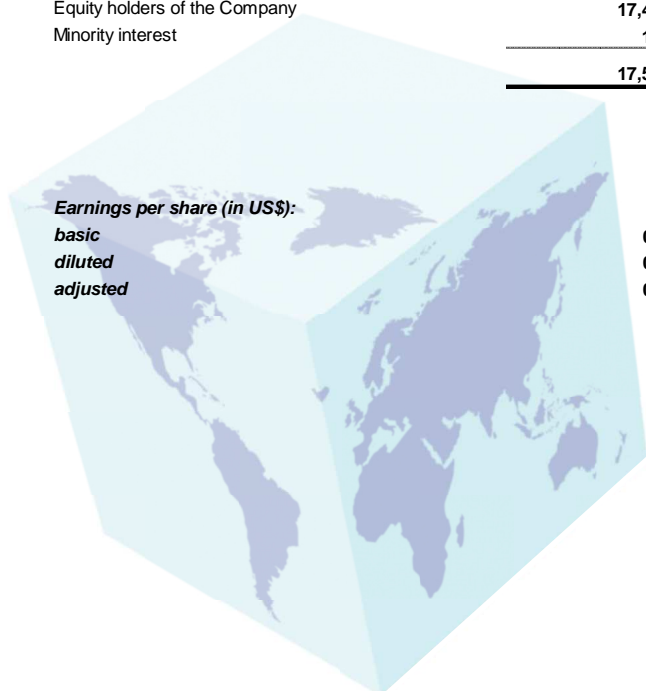
All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2009	Three months to 30 September 2008	Twelve months to 30 September 2009	Twelve months to 30 September 2008
Revenues				
Software licensing	26,840	35,302	131,857	168,504
Maintenance	29,209	25,377	113,924	94,564
Services	32,510	39,740	128,128	146,970
<i>Total revenues</i>	88,559	100,419	373,909	410,038
Operating expenses				
Sales and marketing	16,403	20,151	72,913	77,823
Services	27,514	36,932	110,800	137,519
Software development and maintenance	13,283	19,168	66,017	74,496
General and administrative	11,019	12,982	48,518	48,666
<i>Total operating expenses</i>	68,219	89,233	298,248	338,504
Operating profit	20,340	11,186	75,661	71,534
Other income (expenses)				
Net financing and interest expenses	(2,119)	(2,325)	(7,590)	(4,616)
Foreign exchange (loss) gain - net	(594)	(3,621)	4,581	(2,250)
<i>Total other income (expenses)</i>	(2,713)	(5,946)	(3,009)	(6,866)
Profit before taxation	17,627	5,240	72,652	64,668
Taxation	(108)	(202)	1,709	252
Profit for the period	17,519	5,038	74,361	64,920
Attributable to:				
Equity holders of the Company	17,418	5,056	73,971	64,984
Minority interest	101	(18)	390	(64)
	17,519	5,038	74,361	64,920

Earnings per share (in US\$):

<i>basic</i>	0.30	0.09	1.27	1.13
<i>diluted</i>	0.27	0.08	1.17	1.02
<i>adjusted</i>	0.34	0.13	1.35	1.08





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All amounts are expressed in thousands of US dollars

	30 September 2009	30 June 2009	31 December 2008	30 September 2008
Assets				
Current assets				
Cash and cash equivalents	100,003	76,136	65,600	44,124
Trade receivables	243,450	261,138	279,357	266,838
Other receivables	23,124	24,157	21,112	24,682
Total current assets	366,577	361,431	366,069	335,644
Non-current assets				
Property, plant and equipment	14,134	14,524	14,618	15,449
Intangible assets	197,871	194,123	188,855	183,804
Trade receivables	6,100	11,200	8,200	20,064
Other receivables	1,420	1,337	1,344	1,244
Deferred tax assets	30,070	35,687	38,912	30,040
Total non-current assets	249,595	256,871	251,929	250,601
Total assets	616,172	618,302	617,998	586,245
Liabilities and equity				
Current liabilities				
Trade and other payables	67,062	83,488	108,986	100,646
Deferred revenues	80,264	84,994	84,624	82,322
Income taxes payable	6,103	5,572	11,162	18,856
Borrowings	13,809	14,195	13,277	8,209
Total current liabilities	167,238	188,249	218,049	210,033
Non-current liabilities				
Borrowings	182,666	174,115	173,169	183,264
Deferred tax liabilities	8,599	9,213	9,686	9,138
Income taxes payable	2,798	8,411	9,870	-
Trade and other payables	2,987	2,995	2,614	709
Total non-current liabilities	197,050	194,734	195,339	193,111
Total liabilities	364,288	382,983	413,388	403,144
Shareholders' equity				
Share capital	174,122	174,122	174,122	174,122
Treasury shares	(7,522)	(17,388)	(20,677)	(21,061)
Share premium	(83,420)	(76,317)	(77,217)	(79,152)
Fair value and other reserves	(32,460)	(28,761)	(42,938)	(17,687)
Retained earnings	200,600	183,182	170,583	126,629
Total shareholders' equity	251,320	234,838	203,873	182,851
Minority interest	564	481	737	250
	251,884	235,319	204,610	183,101
Total liabilities and equity	616,172	618,302	617,998	586,245



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consolidated cash flow statement

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2009	Three months to 30 September 2008	Twelve months to 30 September 2009	Twelve months to 30 September 2008
Cash flows from operating activities				
Profit before taxation	17,627	5,240	72,652	64,668
<u>Adjustments:</u>				
Depreciation and amortisation	7,680	6,028	29,779	20,972
Other non-cash items	5,409	3,489	18,205	10,213
<u>Changes in working capital:</u>				
Trade and other receivables	19,977	(32,161)	21,768	(93,778)
Trade and other payables	(13,477)	18,048	(33,978)	30,190
Deferred revenues	(5,574)	10,014	(4,193)	30,813
<i>Cash generated from operations</i>	31,642	10,658	104,233	63,078
Income taxes paid	(564)	(799)	(4,887)	(3,766)
<i>Net cash generated from operating activities</i>	31,078	9,859	99,346	59,312
Cash flows from investing activities				
Purchase of property, plant and equipment	(678)	(660)	(2,954)	(5,146)
Disposal of property, plant and equipment	3	-	111	55
Purchase of intangible assets	(879)	(630)	(4,500)	(2,613)
Disposal of intangible assets	-	-	-	1
Capitalised development costs	(4,825)	(5,074)	(20,650)	(19,352)
Acquisitions, net of cash acquired	(827)	(65,350)	(6,925)	(68,408)
Cash effect from financial instruments	104	(1,194)	(4,062)	(808)
Interest received	38	123	161	1,213
Others, net	-	-	(52)	-
<i>Net cash used in investing activities</i>	(7,064)	(72,785)	(38,871)	(95,058)
Cash flows from financing activities				
Proceeds from issuance of shares, net of related expenses	-	-	-	17
Proceeds / (repayment) of borrowings	(4)	69,590	(6,885)	69,590
Cash impact of debt refinancing	-	-	9,178	-
Acquisition of treasury shares	-	(4,303)	-	(34,643)
Interest payments	(199)	(59)	(4,107)	(2,293)
Payment of financial instrument related expenses	(432)	(1,825)	(1,814)	(5,123)
Payment of finance lease liabilities	(207)	(78)	(605)	(424)
<i>Net cash generated from (used in) financing activities</i>	(842)	63,325	(4,233)	27,124
Effect of exchange rate changes	695	(1,411)	(363)	934
Increase (decrease) in cash and cash equivalents in the period	23,867	(1,012)	55,879	(7,688)
Cash and cash equivalents at the beginning of the period	76,136	45,136	44,124	51,812
Cash and cash equivalents at the end of the period	100,003	44,124	100,003	44,124