



Temenos delivers good results across all metrics and reaffirms full year guidance

GENEVA, Switzerland, 22 October 2013 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its third quarter 2013 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q3 2013	Q3 2012	Change	LFL*	Q3 2013	Q3 2012	Change	LFL*
Software licencing	30.9	29.6	4%	4%	30.9	29.6	4%	4%
Software-as-a-Service	1.6	-	NA	7%	1.6	-	-	7%
Total software licencing	32.4	29.6	10%	4%	32.4	29.6	10%	4%
Maintenance	53.2	50.2	6%	4%	53.2	50.2	6%	4%
Services	23.9	30.2	-21%	-22%	23.9	30.2	-21%	-22%
Total revenues	109.6	110.0	0%	-3%	109.6	110.0	0%	-3%
EBIT	25.8	20.8	24%		21.7	12.4	75%	
EBIT margin	23.5%	18.9%	4.6% pts		16.6%	6.9%	9.7% pts	
EPS (USD)	0.28	0.22	27%		0.23	0.10	130%	

A full reconciliation of IFRS to non-IFRS results can be found in Appendix II

* Like-for-like (LFL) excludes contributions from acquisitions and adjusts for movements in currencies

** Earnings before interest, tax, depreciation and amortisation (EBITDA) into cash generated from operations

Financial highlights

- Like-for-like software licencing growth of 4%, the fourth consecutive quarter of growth
- Services strategy ahead of expectations with continued improvement in non-IFRS services margin (-4% in Q3 2013 vs -11% in Q3 2012)
- Non-IFRS EBIT up 24%, with non-IFRS EBIT margin up 5% pts, and IFRS EBIT up 75%
- Non-IFRS EPS more than doubled for the twelve months ending September 2013
- Operating cash inflow of USD 16.1m in Q3 (Q3 2012: USD 11.4m) with cash conversion** of 125% in the twelve months ending September 2013; DSOs expected to reduce by c. 20 to 25 days in 2013
- 2013 share buyback completed with USD 54m returned to shareholders
- Remain on track to deliver reaffirmed 2013 guidance

Sales and operational highlights

- Strong sales into the installed base with continued resilience in Europe
- First sales of T24 on a SaaS basis in the US
- Continued leadership in product development with launch of Temenos Payment Suite and expansion of availability of T24 on the Azure platform
- Global core banking agreement signed with Accenture with a commitment to double the number of certified consultants, taking the total to 250
- Temenos positioned as a “leader” in Gartner’s Magic Quadrant for 5th consecutive year
- Accelerating sales activity and sound execution underpins confidence in achieving full year guidance

Commenting on the results, **Temenos CEO David Arnott said:**

“Q3 has once again been a quarter of good execution, delivering on our strategic plan that we set out earlier this year, with the fourth quarter of consecutive licence growth, underlining further market share gains. Delivery of our services strategy is ahead of expectations with the shift to higher value services taking place faster than expected and resulting in strongly improving margin. Our strong pipeline for Q4 gives us confidence in delivering our full year guidance, with increasing large retail bank deal activity outside of Europe, especially in LatAm and Asia, especially encouraging.

Our multi-product offering means that we are not dependent on any one product or any one geography to achieve growth. We continue to out-spend and out-innovate the market and we have already started to see significant interest following the launch of Temenos Payment Suite, our ground breaking payments hub, which takes us into a fast growing USD 6bn market. Having a broad solution set spanning several fast-growing markets gives us confidence in achieving our medium term targets, including growing software licensing by at least 10% every year.”

Revenue

Both IFRS and non-IFRS revenue for the quarter was USD 109.6m, which was flat on Q3 2012 despite the significant fall in services revenues. Software licence revenue for the quarter was USD 30.9m, 4% higher than in the same period in 2012.

EBIT

Non-IFRS EBIT was USD 25.8m in Q3, 24% higher than in Q3 2012, with a non-IFRS EBIT margin in Q3 of 23.5%, up 4.6% points on 2012. IFRS EBIT was up 75% from USD 12.4m in Q3 2012 to USD 21.7m in Q3 2013.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.28 in the quarter, compared to USD 0.22 in the prior year. For the twelve months to September 2013, non-IFRS EPS was USD 1.21, more than doubling from USD 0.59 in 2012. IFRS EPS for the quarter moved from USD 0.10 to USD 0.23.

Pre-tax operating cash

Operating cash was USD 16.1m in Q3 2013 compared USD 11.4m in Q3 2012. For the twelve months to September 2013, operating cash was USD 157.2m, representing a 125% conversion of EBITDA into operating cash.

2013 share buyback programme

Having repurchased USD 54m of shares, the 2013 share buyback programme initiated on 18 June 2013 is now complete. In total, 2,134,786 registered shares of the company were bought back at an average price per share of CHF 23.44 on a second trading line on the SIX Swiss Exchange. These shares represent 2.96% of the company's share capital. All shares repurchased under the buyback program will be proposed for cancellation in a capital reduction at the AGM in 2014.

2013 guidance

Our guidance for 2013 on a non-IFRS basis is:

- Total non-IFRS revenue growth of 4.5% to 7.5% (implying non-IFRS revenue of USD 469m to USD 482m)*
- Software licensing growth of 5% to 10% (implying software licensing revenue of USD 131m to USD 137m)*
- Non-IFRS EBIT margin of 21.7% to 23.2% (implying non-IFRS EBIT of USD 102m to USD 112m)*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

** Based on the currency assumptions set out below which remain the same as at the Q1 and Q2 2013 results*

Conference call

At 17.30 BST / 18.30 CET / 12.30 EST, today, 22 October 2013, David Arnott, CEO, and Max Chuard, CFO, will host a conference call to present the results and offer an update on the business outlook. Listeners can access the conference call using the following dial in numbers:

+44 (0)1452 569 335	(UK and International)
0808 238 0673	(UK Free Call)
0445 804 038	(Swiss Local Call)
0800 650 052	(Swiss Free Call)
+1 866 655 1591	(USA Free Call)

Conference ID # 79155239

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/results-and-presentations/>

Currency assumptions for 2013 guidance

In preparing the 2013 guidance, the Company has taken the actual Q1, Q2 and Q3 2013 results and for Q4 2013 assumed the following (which are unchanged from the assumptions in the Q1 and Q2 2013 results):

- USD to Euro exchange rate of 0.780;
- USD to GBP exchange rate of 0.658; and
- USD to CHF exchange rate of 0.950.

Non-IFRS financial information

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. In the reconciliation of IFRS to non-IFRS found in Appendix II, the Company sets forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information. The Company's non-IFRS figures exclude any deferred revenue write-down resulting from acquisitions, discontinued activities that do not qualify as such under IFRS, acquisition related charges such as advisory fees and integration costs, charges as a

result of the amortisation of acquired intangibles, costs incurred in connection with a restructuring plan implemented and controlled by management, and adjustments made to reflect the associated tax charge relating to the above items.

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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 other financial institutions. Headquartered in Geneva with 58 offices worldwide, Temenos software is proven in over 1,500 customer deployments in more than 140 countries across the world. Temenos' 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: in the period 2008-2010, Temenos customers enjoyed on average a 30% higher return on assets, a 46% higher return on capital and an 8.5 percentage point lower cost/income ratio than banks running legacy applications.



**TEMENOS**

The Banking Software Company

Appendix I – Q3 2013 IFRS primary statements**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2013	Three months to 30 September 2012*	Twelve months to 30 September 2013	Twelve months to 30 September 2012*
Revenues				
Software licensing	30,861	29,595	130,888	118,322
Software-as-a-Service	1,573	-	3,216	-
Total software licensing	32,434	29,595	134,104	118,322
Maintenance Services	53,224	50,235	209,440	198,746
	23,903	30,196	113,827	125,957
Total revenues	109,561	110,026	457,371	443,025
Operating expenses				
Sales and marketing	22,127	19,683	102,674	98,812
Services	25,407	34,122	124,359	143,139
Software development and maintenance	26,011	25,471	93,247	106,091
General and administrative	14,278	18,360	58,070	74,265
Total operating expenses	87,823	97,636	378,350	422,307
Operating profit	21,738	12,390	79,021	20,718
Other expenses				
Net interest expenses	(2,099)	(1,653)	(6,957)	(6,268)
Borrowing facility expenses	(339)	(477)	(1,565)	(2,000)
Foreign exchange loss	(529)	(209)	(1,788)	(6,267)
Total other expenses	(2,967)	(2,339)	(10,310)	(14,535)
Profit before taxation	18,771	10,051	68,711	6,183
Taxation	(2,902)	(3,097)	(11,531)	(18,193)
Profit/(loss) for the period	15,869	6,954	57,180	(12,010)
Attributable to:				
Equity holders of the Company	15,869	6,954	57,180	(12,134)
Non-controlling interest	-	-	-	124
	15,869	6,954	57,180	(12,010)
Earnings per share (in US\$):				
basic	0.23	0.10	0.83	(0.18)
diluted	0.23	0.10	0.81	(0.18)
non-IFRS	0.28	0.22	1.21	0.59

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 September 2013	30 June 2013	31 December 2012 *	30 September 2012 *
Assets				
Current assets				
Cash and cash equivalents	57,175	67,297	117,734	72,641
Trade receivables	231,761	231,057	239,709	252,354
Other receivables	31,695	31,254	23,639	30,401
Total current assets	320,631	329,608	381,082	355,396
Non-current assets				
Property, plant and equipment	13,251	13,245	13,798	14,466
Intangible assets	466,241	453,063	436,124	407,425
Trade receivables	32,800	34,125	39,400	35,726
Other receivables	7,171	2,533	2,229	2,586
Deferred tax assets	25,430	26,931	30,326	28,806
Total non-current assets	544,893	529,897	521,877	489,009
Total assets	865,524	859,505	902,959	844,405
Liabilities and equity				
Current liabilities				
Trade and other payables	107,273	106,612	119,300	98,419
Deferred revenues	123,671	144,483	156,742	112,866
Income tax liabilities	10,410	10,021	11,916	15,088
Borrowings	10,871	10,823	10,735	10,681
Total current liabilities	252,225	271,939	298,693	237,054
Non-current liabilities				
Borrowings	244,558	204,218	203,625	238,255
Deferred tax liabilities	4,039	4,640	6,318	5,456
Income taxes payable	1,593	1,660	1,544	1,544
Trade and other payables	3,963	3,356	1,591	3,888
Retirement benefit obligations	3,544	3,245	3,102	3,083
Total non-current liabilities	257,697	217,119	216,180	252,226
Total liabilities	509,922	489,058	514,873	489,280
Shareholders' equity				
Share capital	239,798	239,798	239,798	239,798
Treasury shares	(135,157)	(97,320)	(105,264)	(108,315)
Share premium	15,500	15,881	20,398	23,394
Fair value and other reserves	(70,275)	(77,779)	(64,941)	(68,379)
Retained earnings	305,736	289,867	298,095	268,627
Total shareholders' equity	355,602	370,447	388,086	355,125
<i>Non-controlling interest</i>	-	-	-	-
Total equity	355,602	370,447	388,086	355,125
Total liabilities and equity	865,524	859,505	902,959	844,405

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".

* Consolidated statement of financial position at 30 September 2012 has also been re-presented to net "Trade receivables" against "Deferred revenues" in respect of the invoices for future maintenance stream that were not collected at the balance sheet date.

**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2013	Three months to 30 September 2012*	Twelve months to 30 September 2013	Twelve months to 30 September 2012*
Cash flows from operating activities				
Profit before taxation	18,771	10,051	68,711	6,183
<u>Adjustments:</u>				
Depreciation and amortisation	13,008	11,759	47,263	46,029
Other non-cash items	7,804	5,585	21,930	22,128
<u>Changes in working capital:</u>				
Trade and other receivables	4,593	3,927	15,823	5,668
Trade and other payables	(4,599)	151	(4,129)	3,336
Deferred revenues	(23,512)	(20,094)	7,650	24,890
Cash generated from operations	16,065	11,379	157,248	108,234
Income taxes paid	(1,583)	(1,415)	(8,094)	(8,576)
Net cash generated from operating activities	14,482	9,964	149,154	99,658
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,356)	(2,009)	(3,520)	(5,676)
Disposal of property, plant and equipment	-	13	9	83
Purchase of intangible assets	(852)	(1,257)	(4,646)	(4,063)
Capitalised development costs	(9,831)	(9,572)	(42,161)	(42,243)
Acquisitions, net of cash acquired	(485)	-	(27,121)	(2,557)
Disposal of subsidiary, net of cash disposed	316	-	316	-
Settlement of financial instruments	(1,483)	(7,562)	(3,563)	(1,914)
Interest received	47	12	300	142
Net cash used in investing activities	(13,644)	(20,375)	(80,386)	(56,228)
Cash flows from financing activities				
Proceeds /(repayment) of debt	34,992	25,000	(103,420)	(45,045)
Proceeds from issuance of bond	(97)	-	104,184	-
Acquisition of treasury shares	(44,532)	-	(53,647)	-
Interest payments	(1,824)	(1,460)	(5,762)	(6,570)
Dividend paid	(22)	-	(20,400)	-
Payment of financing costs	(727)	(216)	(5,247)	(850)
Payment of finance lease liabilities	(37)	(84)	(279)	(376)
Net cash (used in)/generated from financing activities	(12,247)	23,240	(84,571)	(52,841)
Effect of exchange rate changes	1,287	707	337	(1,599)
Net (decrease)/increase in cash and cash equivalents in the period	(10,122)	13,536	(15,466)	(11,010)
Cash and cash equivalents at the beginning of the period	67,297	59,105	72,641	83,651
Cash and cash equivalents at the end of the period	57,175	72,641	57,175	72,641

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".

Appendix II – reconciliation of IFRS to non-IFRS Q3 2013 Income Statement

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies.

To compensate for these limitations, the supplemental non-IFRS financial information should be read not in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

IFRS - Non-IFRS Reconciliation Thousands of US Dollars	3 Months Ending 30 Sep						Change	
	2013 IFRS	Adjustment	2013 Non-IFRS	2012 IFRS	Adjustment	2012 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	32,434		32,434	29,595		29,595	10%	10%
Maintenance	53,224		53,224	50,235		50,235	6%	6%
Services	23,903		23,903	30,196		30,196	(21%)	(21%)
Total Revenue	109,561		109,561	110,026		110,026	(0%)	(0%)
Total Operating Expenses	(87,823)	4,013	(83,809)	(97,636)	8,459	(89,177)	(10%)	(6%)
Restructuring	(831)	831	-	(4,897)	4,897	-	(83%)	
Acquisition related charges			-	(454)	454	-	(100%)	
Amort of Acquired Intangibles	(3,183)	3,183	-	(3,108)	3,108	-	2%	
Operating Profit	21,738	4,013	25,752	12,390	8,459	20,849	75%	24%
Operating Margin	20%		24%	11%		19%	76%	24%
Financing Costs	(2,967)		(2,967)	(2,339)		(2,339)	27%	27%
Taxation	(2,902)	(403)	(3,305)	(3,097)		(3,097)	(6%)	7%
Net Earnings	15,869	3,610	19,480	6,954	8,459	15,413	128%	26%
EPS (\$ per Share)	0.23	0.05	0.28	0.10	0.12	0.22	129%	27%