



Temenos meets full year outlook with Q4 licence growth of 17%
Company guides for 2013 revenue and licence growth with significant margin improvement

Geneva, Switzerland, 26 February 2013 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to banks globally, today reports its fourth quarter and full year 2012 results.

<i>USDm, except EPS</i>	Q4 2012	Q4 2011	Change	FY 2012	FY 2011	Change
Software licensing	47.9	41.1	17%	125.1	146.0	-14%
Maintenance	52.8	49.9	6%	201.7	197.3	2%
Services	33.5	36.0	-7%	123.4	130.1	-5%
Total revenues	134.2	127.0	6%	450.2	473.5	-5%
Adjusted EBIT *	47.9	35.2	36%	85.5	87.7	-3%
Adjusted EPS (USD) *	0.61	0.30	103%	0.88	0.87	1%

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

- Q4 strong across all KPIs and full year results delivered within outlook range
- Strong sales to the installed base of products with shorter sales cycles and quicker payback
- 10 new customer wins in Q4 taking the total to 37 for the full year; 43 go-lives in 2012
- Adjusted EBIT margin up 8.0% pts in Q4 and up 0.5% pts for the full year
- Adjusted EPS growth of 103% in Q4 and 1% for the full year
- Cost target achieved with adjusted costs lower in Q4 than in Q3; 2013 cost base of USD 360m reaffirmed
- Operating cash inflow of USD 114m in Q4 underpinned full year cash conversion of 102%
- Net Debt / EBITDA of 1.0x at year end
- Strength of cashflows and balance sheet support initiation of annual dividend
- Change to composition of Executive Committee
- 2013 guidance of revenue and licence growth with significant margin improvement
- Medium term strategy to be presented tomorrow with targets including licence growth of 10%+ per annum

Commenting on the results, Temenos CEO David Arnott said:

“2012 was a year of transition and we finished with strong momentum going into 2013, having laid the foundations in the second half of the year for sustained growth. As we expected, Q4 was strong on all KPIs with our new organisational structure improving execution. 2013 will see strong growth in revenue and profitability, underpinned by maintenance growth and lower costs which are already locked-in.

Tomorrow we will host an event for analyst and investors at which we will set out our strategy for the medium term and related targets. Temenos operates in a USD 5.5bn market, which is growing and which is underpinned by structural drivers. We have the credentials to extend our market leadership, including the largest customer base



TEMENOS

The Banking Software Company

and the best record of customer success in the industry. Our strategy is simple, builds on sound fundamentals and capitalises on our strong product and customer assets. In addition, we have a clear strategy for services and partners, which will underpin execution and help us to develop key markets. Our plan envisages strong licence and revenue growth, which coupled with operational leverage, will drive strong earnings and shareholder value creation.”

Revenue

Revenue for the fourth quarter was USD 134.2m, up from USD 127.0m in the same period last year, representing an increase of 6%. Licence revenue for the quarter was USD 47.9m, 17% higher than in the same period in 2011. Total revenue in the full year was USD 450.2m, down 5% on 2012, with Licence revenue at USD 125.1m, 14% lower than the prior year.

Adjusted EBIT

Adjusted EBIT (EBIT before one-off restructuring charges and amortisation of acquired intangibles) was USD 47.9m in Q4, 36% higher than in Q4 2011. Adjusted EBIT for the full year was USD 85.5m compared to USD 87.7m in 2011, representing a 3% decrease. The adjusted EBIT margin in Q4 was 35.7%, up 8.0% pts on Q4 2011.

Adjusted earnings per share (EPS)

Adjusted EPS, which excludes amortization of acquired intangibles and restructuring charges, was USD 0.61 in the quarter, up from USD 0.30 in the same quarter of the previous year, which represents an increase of 103%. 2012 full year adjusted EPS was 0.88, up 1% on the previous 12 months.

Operating cash

Operating cash was an inflow of USD 114.3m in Q4 compared to USD 124.8m in 2011. For the full year, operating cashflow was USD 97.7m representing a 102% conversion of EBITDA into operating cashflow.

Dividend

Temenos is highly cash generative with a strong balance sheet which enables investment in the business, including industry leading R&D spend, and funding for targeted acquisitions whilst also providing for returning value to shareholders.

Taking into account the growing maturity of the company and the strength of future cashflows, subject to shareholder approval at the AGM on 24 May 2013, Temenos intends to pay an initial annual dividend of CHF 0.28 (c.USD 0.30) on 31 May 2013. The dividend record date will be set on 30 May 2013 with the shares trading ex-dividend on 28 May 2013. Temenos policy is to distribute a sustainable to growing dividend.

Change to composition of Executive Committee

Mark Cullinane, formerly Director of Corporate Development and Chief Operating Officer, and Temenos have agreed to terminate their relationship as of today, 26 February 2013. Temenos values highly the contribution and



TEMENOS

The Banking Software Company

achievements of Mr. Cullinane over his ten year tenure with Temenos, a period which saw the company grow significantly.

2013 guidance

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

- Total non-IFRS revenue growth of 2.5% to 5.5% (implying non-IFRS revenue of USD 462m to USD 475m)***
- Licence growth of 5% to 10% (implying Licence revenue of USD 131m to USD 138m)***
- Non-IFRS cost base of USD 360m reaffirmed with non-IFRS EBIT margin of 22.0% to 23.5% (implying non-IFRS EBIT of USD 102m to USD 112m)**
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

** Definition of non-IFRS to be included in the Q4 and FY results presentation

*** At constant currency

Medium term targets

Our medium term targets on a non-IFRS basis are:

- Non-IFRS revenue growth of 5%+ on average per annum with
 - Licence growth of 10%+ on average per annum
 - Services contributing 20% to 25% of group revenue and be profitable
- Non-IFRS EBIT margin improvement of 100 to 150bps on average per annum
- 100%+ conversion of EBITDA into operating cashflow
- DSOs reducing by 10 to 15 days per annum
- Tax rate of 17% to 18%

Further details of Temenos' strategy for 2013 and beyond will be provided at the Analyst & Investor Event to be held tomorrow (further details below).

Conference call

At 17.30 GMT/ 18.30 CET/ 12.30 EST, today, 26 February 2013, 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 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 # 93371356



TEMENOS

The Banking Software Company

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/>

Analyst & Investor Event

Temenos will tomorrow host an event for analysts and investors at Deutsche Bank, 1 Great Winchester Street, London EC2N 2DB from 10am to 2pm (UK time). Should you wish to attend the event, please register your attendance at <http://www.temenos.com/investor-relations/analyst--investor-event-wednesday-27-february-2013/>.

Press and Investor contacts

Investors

Andrew Smith
Head of Investor Relations, Temenos
Tel: +44 (0) 207 423 3713
Email: asmith@temenos.com

Media

James Macey White / David Shriver
Tulchan Communications
Tel: +44 (0) 207 353 4200
Email: temenos@tulchangroup.com

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 1,200 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





TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 December 2012	Three months to 31 December 2011	Twelve months to 31 December 2012	Twelve months to 31 December 2011
Revenues				
Software licensing	47,895	41,076	125,141	146,032
Maintenance	52,796	49,890	201,653	197,318
Services	33,501	36,043	123,415	130,119
<i>Total revenues</i>	134,192	127,009	450,209	473,469
Operating expenses				
Sales and marketing	30,383	38,484	90,712	133,480
Services	34,567	35,173	142,533	152,425
Software development and maintenance	20,608	28,345	98,354	119,292
General and administrative	14,235	18,710	70,495	70,318
<i>Total operating expenses</i>	99,793	120,712	402,094	475,515
Operating profit/(loss)	34,399	6,297	48,115	(2,046)
Other expenses				
Net interest expenses	(1,633)	(1,979)	(5,922)	(6,476)
Borrowing facility expenses	(479)	(570)	(1,909)	(2,160)
Foreign exchange loss	72	(2,687)	(3,508)	(5,395)
<i>Total other expenses</i>	(2,040)	(5,236)	(11,339)	(14,031)
Profit/(loss) before taxation	32,359	1,061	36,776	(16,077)
Taxation	(3,447)	(9,023)	(12,617)	(12,231)
Profit/(loss) for the period	28,912	(7,962)	24,159	(28,308)
Attributable to:				
Equity holders of the Company	28,912	(8,086)	24,159	(28,252)
Non-controlling interest	-	124	-	(56)
	28,912	(7,962)	24,159	(28,308)
Earnings per share (in US\$):				
basic	0.42	(0.12)	0.35	(0.41)
diluted	0.42	(0.12)	0.35	(0.41)
adjusted	0.61	0.30	0.88	0.87



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 December 2012	30 September 2012	31 December 2011
Assets			
Current assets			
Cash and cash equivalents	117,734	72,641	154,950
Trade receivables	239,709	252,354	230,772
Other receivables	23,287	30,333	31,018
Total current assets	380,730	355,328	416,740
Non-current assets			
Property, plant and equipment	13,798	14,466	13,210
Intangible assets	436,124	407,425	404,744
Trade receivables	39,400	35,726	46,173
Other receivables	2,229	2,586	3,145
Deferred tax assets	30,326	28,806	33,814
Total non-current assets	521,877	489,009	501,086
Total assets	902,607	844,337	917,826
Liabilities and equity			
Current liabilities			
Trade and other payables	119,300	98,419	138,760
Deferred revenues	156,742	112,866	142,699
Income tax liabilities	11,916	15,088	15,667
Borrowings	10,735	10,681	11,123
Total current liabilities	298,693	237,054	308,249
Non-current liabilities			
Borrowings	203,625	238,255	242,624
Deferred tax liabilities	6,318	5,456	8,448
Income taxes payable	1,544	1,544	1,544
Trade and other payables	1,591	3,888	4,931
Retirement benefit obligations	4,079	3,788	3,849
Total non-current liabilities	217,157	252,931	261,396
Total liabilities	515,850	489,985	569,645
Shareholders' equity			
Share capital	239,798	239,798	239,677
Treasury shares	(105,264)	(108,315)	(113,473)
Share premium	20,398	23,394	19,367
Fair value and other reserves	(64,941)	(68,379)	(69,997)
Retained earnings	296,766	267,854	272,607
Total shareholders' equity	386,757	354,352	348,181
Non-controlling interest	-	-	-
Total equity	386,757	354,352	348,181
Total liabilities and equity	902,607	844,337	917,826



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 December 2012	Three months to 31 December 2011	Twelve months to 31 December 2012	Twelve months to 31 December 2011
Cash flows from operating activities				
Profit/(loss) before taxation	32,359	1,061	36,776	(16,077)
<u>Adjustments:</u>				
Depreciation and amortisation	11,758	10,319	47,469	46,773
Other non-cash items	2,426	3,491	21,062	24,198
<u>Changes in working capital:</u>				
Trade and other receivables	9,817	14,123	1,362	12,483
Trade and other payables	16,870	41,365	(20,453)	20,905
Deferred revenues	41,050	54,458	11,481	13,719
Cash generated from operations	114,280	124,817	97,697	102,001
Income taxes paid	(2,386)	(243)	(10,719)	(3,173)
Net cash generated from operating activities	111,894	124,574	86,978	98,828
Cash flows from investing activities				
Purchase of property, plant and equipment	(856)	(990)	(5,541)	(5,450)
Disposal of property, plant and equipment	-	61	23	120
Purchase of intangible assets	(1,265)	(1,150)	(4,178)	(4,525)
Capitalised development costs	(13,006)	(13,467)	(41,782)	(38,499)
Acquisitions, net of cash acquired	(14,411)	(294)	(16,674)	(1,467)
Disposal of subsidiary, net of cash disposed	-	-	-	378
Settlement of financial instruments	(1,361)	6,861	(10,136)	(396)
Interest received	158	51	250	164
Net cash used in investing activities	(30,741)	(8,928)	(78,038)	(49,675)
Cash flows from financing activities				
Proceeds /(repayment) of debt	(34,811)	(40,035)	(39,822)	70,060
Acquisition of treasury shares	-	-	-	(113,473)
Interest payments	(1,531)	(1,889)	(6,212)	(5,131)
Payment of financial instrument related expenses	(209)	(240)	(819)	(3,477)
Payment of finance lease liabilities	(64)	(87)	(353)	(701)
Net cash generated used in financing activities	(36,615)	(42,251)	(47,206)	(52,722)
Effect of exchange rate changes	555	(2,096)	1,050	(1,755)
Net increase/(decrease) in cash and cash equivalents in the period	45,093	71,299	(37,216)	(5,324)
Cash and cash equivalents at the beginning of the period	72,641	83,651	154,950	160,274
Cash and cash equivalents at the end of the period	117,734	154,950	117,734	154,950