Temenos

Interim Report 2009

TEMENOS
The Banking Software Company

Contents

TEMENOS GROUP AG

The amounts are expressed in thousands of US dollars

unaudited

Consolidated income statement (condensed)

for the six months ended 30 June

	2009	2008
Revenues		
Software licensing	**55,159**	64,897
Maintenance	**56,325**	47,449
Services	**51,655**	71,965
Total revenues	**163,139**	184,311
Operating expenses		
Sales and marketing	**37,150**	35,422
Services	**49,759**	70,351
Software development and maintenance	**35,245**	38,286
General and administrative	**21,802**	23,624
Total operating expenses	**143,956**	167,683
Operating profit	**19,183**	16,628
Other income (expenses) - net	**(3,208)**	356
Finance expenses - net	**(3,562)**	(1,544)
Profit before taxation	**12,413**	15,440
Taxation (note 2)	**(87)**	181
Net income for the period	**12,326**	15,621
Attributable to:		
Equity holders of the parent	**12,600**	15,701
Minority interest	**(274)**	(80)
Earnings per share for profit attributable to the equity holders of the Group (in US$): (note5)		
basic	**0.22**	0.27
diluted	**0.21**	0.26

TEMENOS GROUP AG

Consolidated statement of comprehensive income (condensed)

The amounts are expressed in thousands of US dollars

for the six months ended 30 June

unaudited

	2009	2008
Profit for the period	**12,326**	15,621
Other comprehensive income:		
Currency translation difference	**7,463**	(8,797)
Cash flow hedge	**6,744**	(998)
Available-for-sale financial assets	**(14)**	-
Total other comprehensive income, net of tax	**14,193**	(9,795)
Total comprehensive income for the period	**26,519**	5,826
Attributable to:		
Equity holders of the parent	**26,775**	5,887
Minority interest	**(256)**	(61)

TEMENOS GROUP AG

Consolidated balance sheet (condensed)

The amounts are expressed in thousands of US dollars

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	30 June 2009	31 December 2008
Assets		
Current assets		
Cash and cash equivalents	**76,136**	65,600
Trade and other receivables	**270,558**	287,519
Other financial assets	**5,711**	3,839
Prepayments	**9,026**	9,111
Total current assets	**361,431**	366,069
Non-current assets		
Property, plant and equipment (note 5)	**14,524**	14,618
Intangible assets (note 5)	**194,123**	188,855
Trade and other receivables	**12,537**	9,544
Deferred tax asset	**35,687**	38,912
Total non-current assets	**256,871**	251,929
Total assets	**618,302**	617,998
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	**62,817**	84,756
Other financial liabilities	**9,906**	14,711
Deferred revenues	**84,994**	84,624
Income taxes payable	**5,572**	11,162
Borrowings (note 6)	**14,195**	13,277
Provisions for other liabilities and charges	**10,765**	9,519
Total current liabilities	**188,249**	218,049
Non-current liabilities		
Borrowings (note 6)	**174,115**	173,169
Deferred tax liabilities	**9,213**	9,686
Income tax liabilities	**8,412**	9,870
Trade and other payables	**2,995**	2,614
Total non-current liabilities	**194,735**	195,339
Total liabilities	**382,984**	413,388
Shareholders' equity		
Share capital (note 3)	**174,122**	174,122
Treasury shares (note 3)	**(17,388)**	(20,677)
Share premium and capital reserves	**(76,317)**	(77,217)
Fair value and other reserves	**(28,763)**	(42,938)
Retained earnings	**183,183**	170,583
	234,837	203,873
Minority interest	**481**	737
Total equity	**235,318**	204,610
Total liabilities and equity	**618,302**	617,998

TEMENOS GROUP AG

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Consolidated statement of cash flows (condensed)

for the six months ended 30 June

	2009	2008
Cash generated from operations	**28,795**	1,769
Income taxes paid	**(4,024)**	(1,581)
Net cash generated from operating activities	**24,771**	188
Cash flows from investing activities		
Purchase of property, plant and equipment, net of disposals	**(1,296)**	(2,878)
Purchase of intangible assets, net of disposals	**(1,409)**	(2,369)
Capitalised development costs (note 5)	**(9,216)**	(8,245)
Acquisitions of subsidiaries, net of cash acquired	**(1,540)**	(18)
Settlement of financial instruments	**498**	(860)
Interest received	**63**	658
Others, net	**(52)**	-
Net cash used in investing activities	**(12,952)**	(13,712)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	**-**	17
Acquisition of treasury shares	**-**	(30,340)
Interest payments	**(2,666)**	(2,051)
Repayments of borrowings (note 6)	**(6,879)**	-
Proceeds from debt refinancing (note 6)	**9,178**	-
Payment of finance lease liabilities (note 6)	**(249)**	(294)
Others, net	**(1,160)**	(3,069)
Net cash used in financing activities	**(1,776)**	(35,737)
Effect of exchange rate changes	**493**	1,335
Increase (decrease) in cash and cash equivalents in the period	**10,536**	(47,926)
Cash and cash equivalents at the beginning of the period	**65,600**	93,062
Cash and cash equivalents at the end of the period	**76,136**	45,136

TEMENOS GROUP AG

Consolidated statement of changes in equity (condensed)

The amounts are expressed in thousands of US dollars

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	Share capital	Treasury shares	Share premium	Fair value and other reserves	Retained earnings	Minority interest	Total
Balance at 31 December 2007	**170,867**	**(696)**	**(92,589)**	**(6,354)**	**105,872**	**336**	**177,436**
Total comprehensive income for the period	-	-	-	(9,814)	15,701	(61)	5,826
Cost of share option	-	-	8,537	-	-	-	8,537
Exercise of share options		13,180	(14,376)	-	-	-	(1,196)
Acquisition of treasury shares	-	(30,340)	-	-	-	-	(30,340)
	-	(17,160)	(5,839)	(9,814)	15,701	(61)	(17,173)
Balance at 30 June 2008	**170,867**	**(17,856)**	**(98,428)**	**(16,168)**	**121,573**	**275**	**160,263**
Balance at 31 December 2008	**174,122**	**(20,677)**	**(77,217)**	**(42,938)**	**170,583**	**737**	**204,610**
Total comprehensive income for the period	-	-	-	14,175	12,600	(256)	26,519
Cost of share option	-	-	3,776	-	-	-	3,776
Exercise of share options		3,289	(2,869)	-	-	-	420
Share issuance costs	-	-	(7)	-	-	-	(7)
	-	3,289	900	14,175	12,600	(256)	30,708
Balance at 30 June 2009	**174,122**	**(17,388)**	**(76,317)**	**(28,763)**	**183,183**	**481**	**235,318**

1 Basis of preparation

This condensed interim financial information for the six month ended 30 June 2009 has been prepared in accordance with IAS 34 (Interim financial reporting). The consolidated interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

2 Accounting policies

Except as described below, the accounting policies used in the preparation of these interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2008.

Income tax is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Group is not subject to pronounced seasonal or cyclical fluctuations but, historically, the Group recognises a higher volume of licensing business in the second half of the financial year.

There were no material changes in respect of the Group's contingent liabilities, including litigation settlement, since the last annual balance sheet date.

There were no acquisitions or disposals affecting the composition of the Group for this interim period.

The current economic environment has not resulted in a significant or unusual adverse effect in the financial statements during the interim period. Since the last annual balance sheet date there are no significant additional financial risks and the Group still remains strongly vigilant to mitigate these risks.

Standards, amendments and interpretations effective in 2009

-IAS 1 (revised) 'Presentation of Financial Statements'. The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. The Group has elected to present two statements: an income statement and a statement of comprehensive income.

-IFRS 8 'Operating Segments'. IFRS 8 replaces IAS 14 and requires a "management approach", under which segment information is presented on the same basis as that regularly reviewed by the Chief operating decision maker. The adoption of this new standard did not result in fundamental changes in the Group's segmental reporting as the reportable segment indentified in accordance with IFRS 8 are mainly the same as previously reported under IAS 14.

Standards, amendments and interpretations effective in 2009 that are either not expected to have any significant impact or not relevant to the Group's financial statements

- IFRS 1 (Revised and Amendment) ‘First time adoption of IFRS’, and IAS 27 ‘Consolidated and separate financial statements'.
- IFRS 2 (Amendment), ‘Share-based payment’.
- IFRS 7 (Amendment), ‘Financial instruments: Disclosures’
- IAS 1 (Amendment), ‘Presentation of financial statements’.
- IAS 8, ‘Accounting policies, changes in accounting estimates and errors’
- IAS 10, ‘Events after the reporting period’.
- IAS 19 (Amendment), ‘Employee benefits’.
- IAS 16 (Amendments), ‘Property, plant and equipment’ (and consequential amendment to IAS 7, ‘Statement of cash flows’).
- IAS 18 (Amendment), 'Revenue'.
- IAS 20 (Amendments), ‘Accounting for government grants and disclosure of government assistance’.
- IAS 23 (Amendments), ‘Borrowing costs’.
- IAS 32 (Amendment), ‘Financial instruments: Presentation’, and IAS 1 (Amendment), ‘Presentation of financial statements’ – ‘Puttable financial instruments and obligations arising on liquidation’.
- IAS 28 (Amendment), ‘Investments in associates’ (and consequential amendments to IAS 32, ‘Financial Instruments: Presentation’, and IFRS 7, ‘Financial instruments: Disclosures’).
- IAS 29 (Amendments), ‘Financial reporting in hyperinflationary economies’.
- IAS 31 (Amendment), ‘Interests in joint ventures’ (and consequential amendments to IAS 32 and IFRS 7).
- IAS 34 (Amendment), ‘Interim financial reporting’
- IAS 36 (Amendment), ‘Impairment of assets’.
- IAS 38 (Amendments), ‘Intangible assets’.
- IAS 39 (Amendments), ‘Financial instruments: Recognition and measurement’.
- IAS 40 (Amendments), ‘Investment property’ (and consequential amendments to IAS 16).
- IAS 41 (Amendments), ‘Agriculture’.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, ‘Agreements for construction of real estates’.
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’.

3 Share capital

As at 30 June 2009, the issued shares of TEMENOS Group AG comprised 59,005,487 common shares of a nominal value of CHF 5 each. All issued shares are fully paid.

		Nominal value (in thousands)	
	number	in CHF	in US$
Issued, as at 30 June 2009 and 31 December 2008	59,005,487	295,027	174,122

As at 30 June 2009 the number of treasury shares held by the Group amounted to 785,821. Treasury shares include shares held for resale and other shares allotted to members of the TEMENOS Employee Share Option Scheme or other option holders at the time that they exercise their options.

According to its Articles or Association, Temenos Group AG has also the following capitals

- authorized capital (article 3 ter)	25,846,177
- conditional capital for employee participation (article 3 quater (1))	9,759,292
- conditional capital for financials instruments (article 3 quater (2)) (of which 9,000,000 are reserved for the Convertible bond)	13,930,680

4 Earnings per share

The basic earnings per share are calculated by dividing the net income attributable to the equity holders of the Group by the weighted average number of issued and outstanding shares in that period, excluding Treasury shares.

The diluted earnings per share is the basic earnings per share adjusted for dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: convertible debt and share options. Conversion of the convertible debt would be anti-dilutive and has therefore been excluded from the calculations as reported in the income statement

5 Property, plant and equipment and intangible assets

	Property, plant and equipment	**Intangible assets**
Six months ended 30 June 2008		
Opening net book amount at 1 January 2008	16,446	93,535
Additions	1,843	2,074
Capitalised development costs	-	8,245
Charge for the period	(2,301)	(7,911)
Foreign currency exchange differences, impairment and other movements	(397)	2,137
Closing net book amount 30 June 2008	15,591	98,080
Six months ended 30 June 2009		
Opening net book amount at 1 January 2009	14,618	188,855
Additions	1,371	1,048
Acquisition of subsidiary	-	192
Disposal	(31)	-
Capitalised development costs	-	9,216
Charge for the period	(1,967)	(12,520)
Foreign currency exchange differences, impairment and other movements	533	7,332
Closing net book amount 30 June 2009	14,524	194,123

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6 Borrowings

	2009	2008
Current		
Obligations under finance leases	481	439
Other loans	19	29
Bank borrowings	13,237	-
Convertible bond	458	534
Total Current	14,195	1,002
Non-current		
Obligations under finance leases	608	756
Other loans	27	44
Bank borrowings	47,671	-
Convertible bond	125,809	129,630
Total Non-Current	174,115	130,430
Total borrowings	188,310	131,432

Movements in borrowings is analysed as follows:

Six months ended 30 June 2009	
Opening balance as at 1 January 2009	186,446
Repayments of borrowings	(7,128)
Debt refinancing	9,178
Increase in borrowings - other	(186)
Closing net book amount 30 June 2009	188,310
Six months ended 30 June 2008	
Opening balance as at 1 January 2008	118,174
Repayments of borrowings	(294)
Increase in borrowings - other	13,552
Closing net book amount 30 June 2008	131,432

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7 Segmental analysis

The chief operating decision maker has been identified as the Group's management board. This board reviews the Group's operating segments in order to assess performance and allocate resources. Assessment of the performance of the operating segments is based on the operating profit/(loss). Segment operating result is measured on the basis of the same accounting policies as the Group's financial statements.

The Group's reportable segments are managed through three main geographic zones : "America", "Asia" and "Europe, Middle East & Africa" and "All other segments" which comprises all non-core products; TCB product; R&D and other non-geographical services functions that does not meet the qualitative thresholds. These reportable segments are based upon the Group's internal organization and management structure and is the primary way in which the chief operating decision maker is provided with discrete financial information. Revenues generated by the reportable segment are derived from licensing, maintenance and service implementation.

REPORTABLE SEGMENTS ANALYSIS

The following is an analysis of the Group's revenue and operating profit by operating segment for the period ended June:

	Asia		America		Europe, Middle East & Africa		All other segments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External revenues	24,507	26,556	19,513	14,164	107,913	126,566	10,830	15,523	162,763	182,809
Internal revenues *	1,912	1,722	67	81	5,735	2,680	10,054	8,416	17,768	12,899
Total revenues	26,419	28,278	19,580	14,245	113,648	129,246	20,884	23,939	180,531	195,708
Operating profit	6,596	8,211	5,134	(1,908)	43,098	40,450	(18,866)	(13,403)	35,962	33,350

* Transfer prices for internal revenue are based on the "cost-plus" methodology.

RECONCILIATION TO THE GROUP'S INCOME STATEMENT

	2009	2008
Total operating profit for reportable segments	35,962	33,350
Corporate expenses *	(14,904)	(15,576)
Intersegment elimination	(1,875)	(1,146)
Other income (expenses) - net	(3,208)	356
Finance income (expenses) - net	(3,562)	(1,544)
Profit before taxation	12,413	15,440

* Corporate expenses include, amongst other, the Group's headquarter functions such as legal, human resource, finance, management, information technology, treasury and other unallocated business supports not meeting the definition of an operating segment.

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