



Temenos Q2 2011 results show solid performance in a challenging market environment

Geneva, Switzerland, 27 July, 2011 – Temenos Group AG (SIX: TEMN), the market leading provider of core banking solutions, today reports second quarter 2011 results demonstrating sustained performance in a challenging market environment.

Q2 Financial and Operating highlights

- Licence revenue growth +14%; total revenue growth +22%
- Adjusted EBIT margin +120bps
- 10 new banks signed for T24, including significant wins in Private Wealth and Retail
- Breakthrough product release – T24, the best-selling core banking solution, now available in component form and in the mainframe environment

Commenting on the results, new Temenos CEO Guy Dubois said, “These are solid results in a challenging market environment. The uncertainty surrounding the banking sector caused delays in decision-making, principally in Europe, which negatively impacted demand in the quarter. This is reflected in our revised outlook for the year.

Despite the challenges in Europe, we had solid licence revenue growth in Q2 and our pipeline remains strong with no changes in the competitive environment. Also in the quarter, the services business returned to revenue growth and adjusted EBIT was much improved on both an absolute and a margin basis.

Temenos remains the best placed vendor to capitalise on the structural growth in the core banking software market.”

Revenue

Revenue for the second quarter was USD 122.5m, up from USD 100.2m in the same period last year, representing an increase of 22%. Licence revenue for the quarter was USD 39.2m, 14% higher than in 2010. For the LTM 2011, total revenue was USD 479.4m, up 19% on LTM 2010, with LTM licence revenue at USD 165.9m, 25% higher than the same period last year.

Adjusted EBIT

Adjusted EBIT (EBIT before one-off restructuring charges of USD36.3m and amortisation of acquired intangibles of USD4.6m - see further details of restructuring charge below) was USD 23.7m, 31% higher than in Q2 2010. Adjusted EBIT for the last twelve months was USD 111.8m compared to USD 98.5m in the prior period, representing a 14% increase. The adjusted EBIT margin was 19%, an increase of 120 basis points on the prior year, with LTM 2011 adjusted EBIT margin at 23%, 120 basis points lower than in the prior 12 months.



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Restructuring

Total restructuring in the quarter was USD 36.3m, up from USD 4.0m in Q2 2010. The Q2 2011 charge is comprised of USD 3.7m related to the acquisitions of Viveo and Odyssey, USD 5.0m in cost reduction charges and a USD 27.6m accounts receivables write-off. This write-off relates to projects where Temenos has been incurring significant costs and reputational effect which have been negatively impacting future sales.

Earnings Per Share (EPS)

Adjusted EPS, which excludes amortization of acquired intangibles and restructuring charges, was USD 0.27 in the quarter, up from USD 0.23 in the same quarter of the previous year, which represents growth of 17%. The LTM adjusted EPS was 1.40, up 6% on the previous 12 months.

Cash

Operating cash was an outflow of USD 6.2m in the quarter, reflecting chiefly a large adverse movement on payables. On a twelve month basis, operating cashflow was USD 91.6m, 7% lower than in the comparative period and representing a 115% operating cashflow into EBITDA conversion.

Revised Outlook

In line with the pre-announcement made on July 15, 2011, our outlook for like-for-like licence growth is 5-10%, which implies a licence revenue range of USD 176-184m, given FX movements in the H1 and our 2010 average rates. For total revenues, the company now anticipates a growth range of 13.5 – 17.5% growth, which would imply approximately USD 508 – 526m in total revenues. We have also slightly reduced our expected adjusted EBIT margins to 24.5-25.5%. We maintain our guidance for 100% conversion of operating cashflow into EBITDA and believe that our tax rate will be 10-12% for the full year 2011.

Conference call

At 17.30 GMT/ 18.30 CET/ 12.30 EST, today, July 27 2010, Guy Dubois, 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) 1453 444 566 (UK)
0800 694 0257 (UK Free Call)
+41 (0) 565 800 007 (Swiss Local Call)
0800 828 006 (Swiss Free Call)
+1 866 966 9439 (USA Free Call)

Conference ID # 83541861

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/>



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ENDS

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 more than 60 offices worldwide, Temenos serves over 1,200 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 is top of the IBS Sales League Table 2010; winner every year since its launch of the Best Core Banking Product in Banking Technology magazine's Readers' Choice Awards and ranks 26th in the American Banker top 100 FinTech companies. Temenos customers are proven to be more profitable than their peers: data from *The Banker – top 1000 banks* shows that Temenos' customers enjoy a 54% higher return on assets, a 62% higher return on capital and a cost/income ratio that is 7.2 points lower than non-Temenos customers.

For more information please visit www.temenos.com

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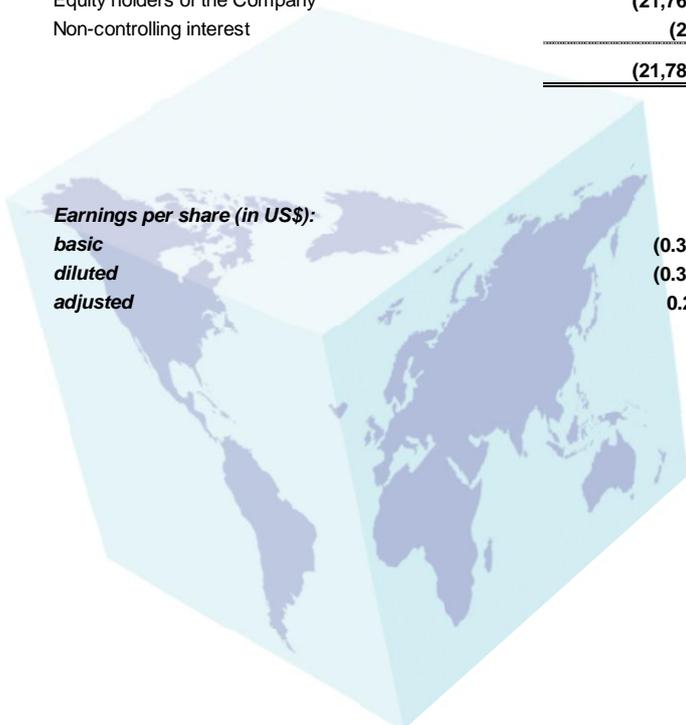


TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2011	Three months to 30 June 2010	Twelve months to 30 June 2011	Twelve months to 30 June 2010
Revenues				
Software licensing	39,237	34,274	165,888	132,343
Maintenance	49,005	34,899	182,649	130,772
Services	34,220	31,007	130,900	138,186
Total revenues	122,462	100,180	479,437	401,301
Operating expenses				
Sales and marketing	56,766	20,279	122,401	72,232
Services	37,616	33,403	152,403	121,708
Software development and maintenance	29,774	21,360	104,363	73,554
General and administrative	15,506	14,301	65,918	60,089
Total operating expenses	139,662	89,343	445,085	327,583
Operating (loss)/profit	(17,200)	10,837	34,352	73,718
Other expenses				
Net financing and interest expenses	(1,980)	(2,374)	(12,087)	(8,717)
Foreign exchange loss - net	(1,833)	(613)	(435)	(367)
Total other expenses	(3,813)	(2,987)	(12,522)	(9,084)
(Loss)/profit before taxation	(21,013)	7,850	21,830	64,634
Taxation	(772)	(64)	(1,151)	(422)
(Loss)/profit for the period	(21,785)	7,786	20,679	64,212
Attributable to:				
Equity holders of the Company	(21,765)	7,710	20,984	64,051
Non-controlling interest	(20)	76	(305)	161
	(21,785)	7,786	20,679	64,212
Earnings per share (in US\$):				
basic	(0.31)	0.12	0.31	1.06
diluted	(0.31)	0.12	0.30	0.98
adjusted	0.27	0.23	1.40	1.32





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	30 June 2011	31 March 2011	31 December 2010	30 June 2010
Assets				
Current assets				
Cash and cash equivalents	76,335	66,743	160,274	101,855
Trade receivables	291,175	300,977	295,888	263,057
Other receivables	42,079	36,655	34,675	27,756
Total current assets	409,589	404,375	490,837	392,668
Non-current assets				
Property, plant and equipment	15,329	15,199	14,797	11,978
Intangible assets	425,738	422,336	406,680	265,046
Trade receivables	25,500	26,800	30,800	15,250
Other receivables	3,288	3,061	2,703	1,965
Deferred tax assets	38,389	37,687	38,429	32,200
Total non-current assets	508,244	505,083	493,409	326,439
Total assets	917,833	909,458	984,246	719,107
Liabilities and equity				
Current liabilities				
Trade and other payables	111,819	111,752	120,434	72,459
Deferred revenues	131,317	145,463	155,408	95,846
Income taxes payable	11,374	12,350	12,155	5,754
Borrowings	10,888	129,399	94,448	31,381
Total current liabilities	265,398	398,964	382,445	205,440
Non-current liabilities				
Borrowings	257,364	88,557	88,172	207,922
Deferred tax liabilities	11,649	12,055	13,334	9,004
Income taxes payable	1,550	1,550	1,550	1,242
Retirement benefit obligations	4,370	3,111	2,711	2,100
Trade and other payables	3,372	3,379	3,307	4,662
Total non-current liabilities	278,305	108,652	109,074	224,930
Total liabilities	543,703	507,616	491,519	430,370
Shareholders' equity				
Share capital	239,365	237,927	236,958	194,980
Treasury shares	(108,111)	(100,803)	(9,208)	(8,689)
Share premium	13,280	12,184	19,508	(89,760)
Fair value and other reserves	(39,111)	(37,938)	(55,896)	(55,683)
Retained earnings	268,217	289,982	300,859	247,233
Total shareholders' equity	373,640	401,352	492,221	288,081
Non-controlling interest	490	490	506	656
	374,130	401,842	492,727	288,737
Total liabilities and equity	917,833	909,458	984,246	719,107



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2011	Three months to 30 June 2010	Twelve months to 30 June 2011	Twelve months to 30 June 2010
Cash flows from operating activities				
(Loss)/profit before taxation	(21,013)	7,850	21,830	64,634
<u>Adjustments:</u>				
Depreciation and amortisation	12,798	9,328	44,955	34,885
Other non-cash items	6,854	4,148	31,632	24,507
<u>Changes in working capital:</u>				
Trade and other receivables	7,292	739	408	9,811
Trade and other payables	4,624	(23,044)	6,953	(26,809)
Deferred revenues	(16,711)	(11,582)	(14,223)	(8,765)
Cash (used in)/ generated from operations	(6,156)	(12,561)	91,555	98,263
Income taxes paid	(1,181)	(288)	(3,003)	(2,862)
Net cash (used in)/generated from operating activities	(7,337)	(12,849)	88,552	95,401
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,612)	(511)	(5,832)	(1,635)
Disposal of property, plant and equipment	11	-	411	265
Purchase of intangible assets	(863)	(1,239)	(3,038)	(3,165)
Capitalised development costs	(7,587)	(4,750)	(26,544)	(19,799)
Acquisitions, net of cash acquired	(405)	(2,768)	(78,526)	(86,781)
Disposal of subsidiary, net of cash disposed	-	944	-	3,534
Cash effect from financial instruments	(10,241)	(1,485)	(13,748)	(5,720)
Interest received	17	134	181	323
Net cash used in investing activities	(20,680)	(9,675)	(127,096)	(112,978)
Cash flows from financing activities				
Proceeds from issuance of shares, net of related expenses	-	-	-	4,261
Proceeds / (repayment) of debt	50,091	(15,466)	112,588	60,462
Cash impact of debt refinancing	-	-	12,014	-
Acquisition of treasury shares	(11,789)	(10,417)	(108,111)	(10,417)
Interest payments	(893)	(578)	(5,517)	(3,190)
Payment of financial instrument related expenses	(569)	(251)	(7,490)	(1,038)
Payment of finance lease liabilities	(286)	(226)	(795)	(683)
Other, net	-	51	-	40
Net cash generated from/(used in) financing activities	36,554	(26,887)	2,689	49,435
Effect of exchange rate changes	1,055	(3,836)	10,335	(6,139)
Net increase/(decrease) in cash and cash equivalents in the period	9,592	(53,247)	(25,520)	25,719
Cash and cash equivalents at the beginning of the period	66,743	155,102	101,855	76,136
Cash and cash equivalents at the end of the period	76,335	101,855	76,335	101,855