Financial Results & Business Update

Quarter and year ended 31 December 2008

18 February 2009

TEMENOS

The Banking Software Company

Presentation Overview

Agenda	Speaker	Position
Introduction	Ben Robinson	Associate Director, IR & Strategy
Strategy and Business Update	Andreas Andreades	CEO
Financial Update	David Arnott	CFO
Outlook and Summary	Andreas Andreades	CEO
Q&A	Andreas Andreades David Arnott Max Chuard	CEO CFO Director

Disclaimer

Any remarks that we may make about future expectations, plans and prospects for the company 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 conference call represents the company's estimates as of 18 February 2009. 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. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 18 February 2009.

Strategy and Business Update

Andreas Andreades
CEO

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2008 Highlights

- Revenue growth of 23%
- Adjusted EPS growth of 10%
- Operating cashflow of USD56m
- 48 new customer wins
- Successful completion and integration of 3 acquisitions
- Strengthened management team across several areas
- Further independent recognition of product
- Record number of go-lives
- First success for Metavante Partnership in the US (TCB and T24)

Quarter 4 2008

After 3 outstanding quarters...

...Q4 proved to be a difficult quarter for Temenos:

- For the first time since the start of the credit crisis, customers delayed signings
- Extreme macro uncertainty made some CEOs reluctant to commit to projects
- >10 deals slipped out of the Q4 forecasts
- We are seeing slow but steady conversion of delayed pipeline
- Uncertainty still impacting sales cycle

Overview of FY Sales

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Taking the year as a whole, headline licence growth flat...

→ +1% in reported terms

→ -1% in like-for-like terms

...reflecting lack of growth in new name clients

→ new name clients at 48 vs. 49 in prior year

The clients were also smaller...

→ Last significant tier 1 deal was in Q1

...but deal size remained consistent given price rise and additional modules...

→ Banks taking on average more modules

→ Per user per module pricing increase of 20% was sustained in Q4

ARC and Misys replacements progressing well

ARC

- We sold 35 ARC licences in 2008, up 21% year on year...
- ...reflecting increased take-up from the installed base...
- ...where no of sales was up almost 90% year on year

Misys replacements

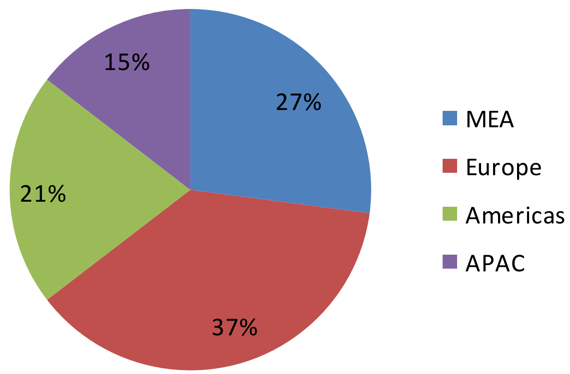
- The average deal size of the Misys deals continues to rise, up 13% y-o-y...
- ...as we sign multi-site Misys customers
- The pipeline is still strong
- To date, we have replaced 21 Misys customers

Overview of new customer sales

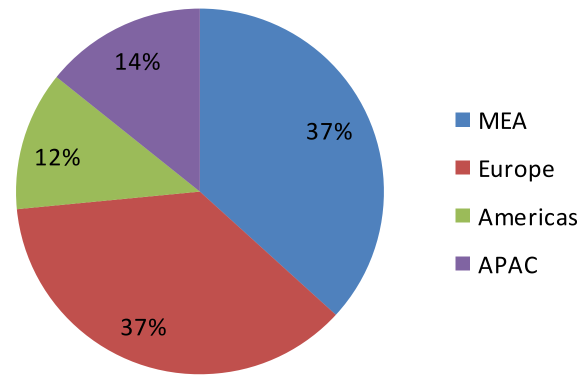
New clients varied across regions:

New clients (number)

FY 2008

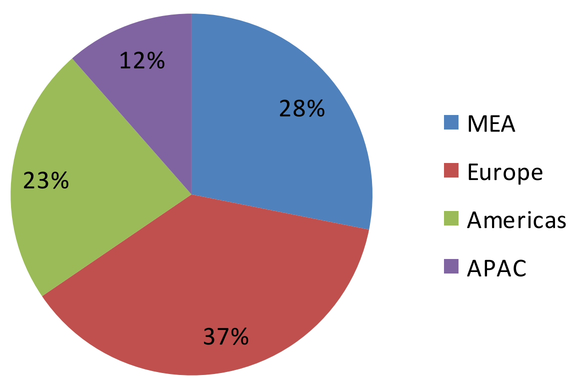


FY 2007

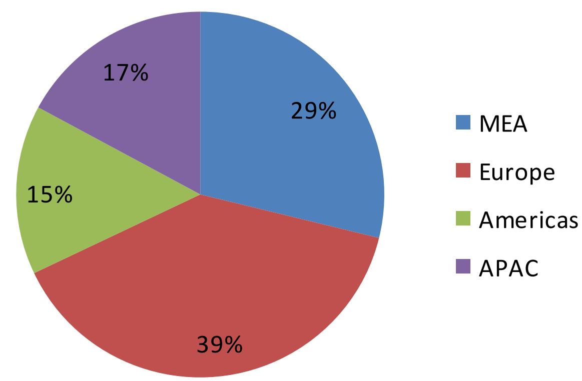


New clients (licence value)

FY 2008



FY 2007



With acquisitions, our installed base now stands at over 700 banks

Update on Metavante Partnership

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TCB

- In January, Everbank become the first adopter of the Global Customer Information Management (CIM) product, a component of Metavante’s next-generation core processing solution, which is based on Temenos’ TCB solution.
- Together we continue to invest in TCB for the US as we believe that the market will be buoyant once the large banks have stabilised

T24

- EverBank took T24 for its World Markets business in Q3
- There is more activity/a stronger pipeline for T24 than for TCB/large tier banks

Integration of Informer and Financial Objects largely complete...

- Staff have been integrated with the Temenos team
- Salesforce retrained to sell T24
- Offices amalgamated

At the time of the acquisitions, we guided for USD3.1m (USD2.5m at 2009 FX) of cost synergies

We now expect **USD7m in 2009**

...and has been very successful

- We are ahead of our projected cost synergies
- And expect significant revenue synergies this year
- ....particularly from Financial Objects customers adopting T24, where the level of interest is extremely encouraging

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In November we acquired Lydian Associates

- the acquisition greatly enhances our Business Intelligence offering...
- ...allowing our clients to use a pre-packaged range of analytical tools to interrogate their data and make better-informed decisions
- Allows for daily performance, profitability and liquidity analysis at divisional, customer and product levels
- The first release of our integrated BI product suite is now available
- Sales list price is higher than ARC...
- ...and has a proven record of delivering value...
- ...reflected in its large installed base of 45 Misys Equation and Midas customer

Our Business Intelligence product suite, **Temenos Insight**, has the potential to be **as significant a revenue driver as ARC**

Update on acquisitions

Until revenue visibility improves, acquisition policy will be pragmatic

- Our aim is to balance capital protection...
- ...with the opportunity to make strategic acquisitions...
- ...at attractive valuations
- ...that can be easily absorbed...
- ...and will deliver quick but significant investor returns

Services Update

In 2008, we achieved a record number of go-lives...

- In 2008, 44 T24 customers went live (vs. 36 in 2007)
- Peak number of concurrent projects handled by our services team was >150

... reflecting the success of services initiatives

- Temenos Application Management, Temenos Implementation Methodology, Management Consulting, Model Bank have all helped the services business to scale to meet demand

... which have also helped margins...

- Margins were up 220 basis points in 2008 (and 980bps in 2007)

Why are we launching a partner programme?

- To create a scalable growth model for Temenos
- Create a community to deliver complete solutions
- Create indirect sales channel for T24
- To cater for tier 1 banks

Why now?

- Temenos is ready
  - Temenos and the core banking market have reached the size and maturity to attract large system integrators/management consultants
- T24 is ready
  - It is a truly packaged solution
  - There is a process-led approach to specifying and implementing T24
  - There is a defined delivery methodology

McKinsey estimates that the total budget for core banking replacements was EUR15bn in 2008 - chiefly services

Introducing New Partner Programme for 2009

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What are the plans?

To attract and certify a community of partners consisting of:

- Management consultants/ System Integrators
- Staff Augmenters
- Technology Partners

When will it start to deliver?

- Director appointed, programme launched in January
- Already in advanced discussions with several SIs
- Aim to have two at least two top-tier partnerships by second half of year
- We will provide regular updates

Financial Update

David Arnott
CFO

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Income Statement Highlights – FY 2008

	FY 2008	FY 2007	△ yoy
Licence revenue	150.1	148.8	+1%
Total revenue	406.9	329.9	+23%
EBIT	64.0	62.5	+2%
Adjusted EPS*	1.13	1.03	+10%

*Adjustments in 2008 total USD13.1m – see appendix for reconciliation

USDm, except EPS USD

Income Statement Highlights – Q4 2008

	Q4 2008	Q4 2007	Δ yoy
Licence revenue	49.9	68.3	-27%
Total revenue	122.2	125.3	-2%
EBIT	36.1	43.7	-17%
Adjusted EPS*	0.73	0.66	+11%

*Adjustments total USD5.1m – see reconciliation in appendix

USDm, except EPS USD

Income Statement Detail

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USDm	Q4 08	Q4 07	△	FY 08	FY 07	△
Licences	49.9	68.3	-27%	150.1	148.8	+1%
Maintenance	28.4	21.7	+31%	101.2	76.3	+33%
Services	44.0	35.3	+25%	155.7	104.7	+49%
Total revenue	**122.2**	**125.3**	**-3%**	**406.9**	**329.9**	**+23%**
R&D	(17.5)	(17.0)	+3%	(74.9)	(57.1)	+31%
Cost of services	(33.5)	(30.2)	+11%	(140.8)	(97.0)	+45%
Sales and marketing	(19.4)	(22.3)	-13%	(74.9)	(71.8)	+4%
G&A	(15.7)	(12.1)	+30%	(52.3)	(41.5)	+26%
Total operating costs	**(86.1)**	**(81.6)**	**+6%**	**(343.0)**	**(267.4)**	**+28%**
EBIT	**36.1**	**43.7**	**-17%**	**64.0**	**62.5**	**+2%**
Margin	29.5%	34.9%	**-540bps**	15.7%	18.9%	**-320bps**
Operating cashflow	43.8	50.7	-14%	56.2	64.8	-13%

Like-for-like* revenue growth

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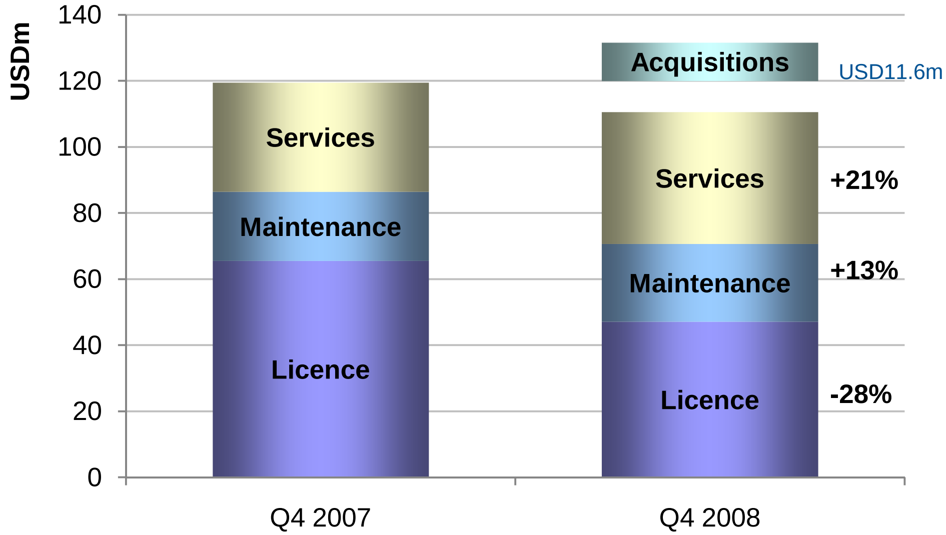
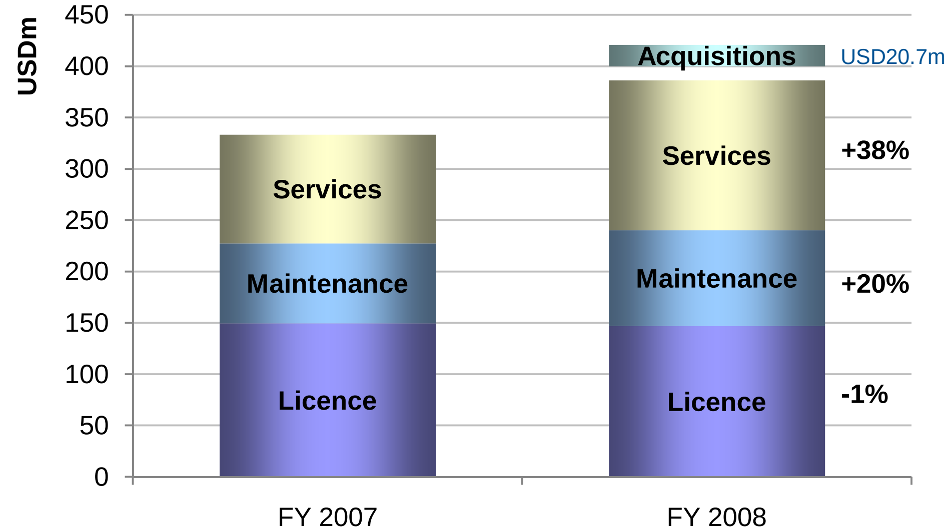
Q4 08 l-f-l growth -7%



FY 08 l-f-l growth +16%



2007 restated at 2008 FX (adds USD2.9m to Q4 07 and deducts USD5.9 to FY 07)

* Adjusted for FX movements and any contribution from acquisitions

Non-operating income and expense

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	Q4 08	Q4 07	△	FY 08	FY07	△
EBIT	**36.1**	**43.7**	**-17%**	**64.0**	**62.5**	**+5%**
Net Finance charge	(1.9)	(0.8)	**+155%**	(5.8)	(3.1)	+85%
FX (loss)/gain	8.4	1.0	**+724%**	5.1	5.0	+2%
Tax	1.9	0.3	**+597%**	1.9	0.3	+589%
Net earnings	**44.5**	**44.3**	**+1%**	**65.2**	**64.7**	**+1%**
Adjusted EPS*	**0.73**	**0.66**	**+11%**	**1.13**	**1.03**	**+10%**

- Net Finance Charge higher because of interest on loans to finance Informer and Financial Objects acquisitions
- FX gain mainly crystallised gain from swapping GBP Financial Objects debt into USD, representing USD10m of cash inflow to be received in March ‘09

*See appendix for reconciliation

Balance sheet – debt and funding

	Value (USDm)	Comments
Existing Debt		
Convertible bond	128.5	*1.5% coupon, matures 2013*
Credit facilities	56.8	*Consortium of 7 banks, repayment up to end of 2012*
Other	1.1	*Obligations under finance leases*
Total	186.4	
Cash	65.6	*Held in short-term deposits*
Unusued facilities	163.2	*Drawable until end of 2010;USD45m for working capital, rest for acquisitions*
Available funding	228.8	

Balance Sheet – significant movements

Trade receivables - as reported

Balance	2008	2007	Δ
Trade receivables (Current)	279.4	187.1	+49%
Trade receivables (non-current)	8.2	26.0	(68%)
Total	287.6	213.1	+35%

Trade receivables - restated for acquisitions

Balance	2008	2007	Δ
Total receivables	287.6	230.1	+25%

vs. revenue growth of 23%

Trade payables

	2008	2007	Δ
As reported	111.6	80.0	+40%
Restated	111.6	100.0	+12%

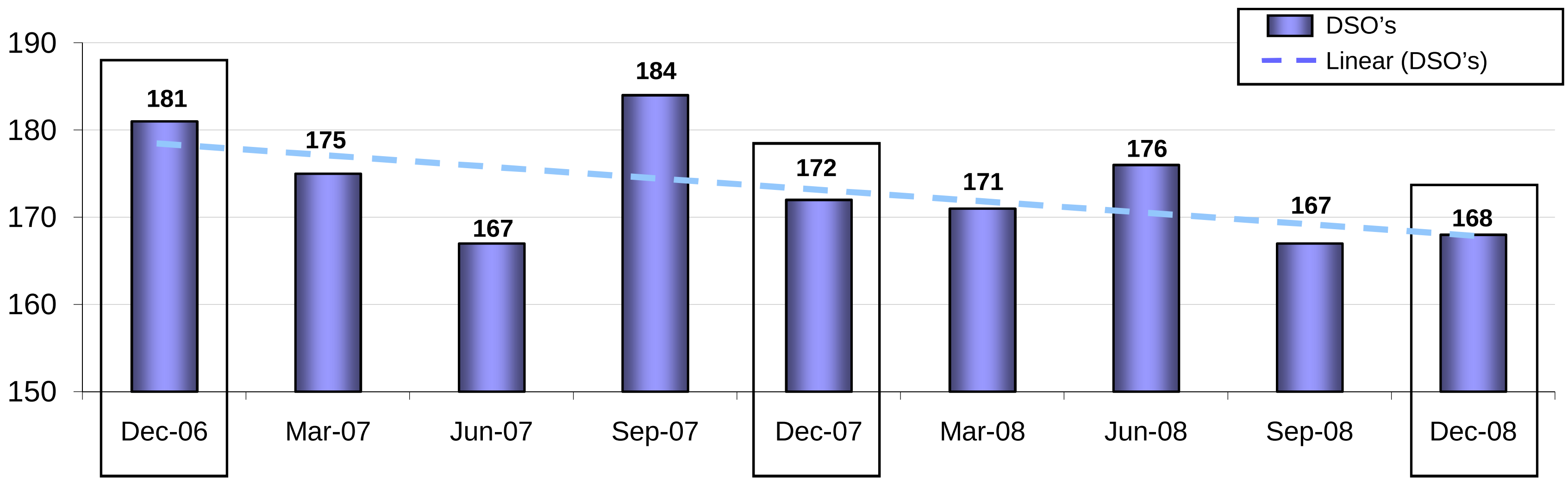
vs. opex growth of 28.3%

Receivables have only increased in line with revenue growth...

...hence no deterioration in DSOs...

DSOs – still tracking down

4 day decrease in DSOs in year, trend remains downwards



Sustained improvement driven by

<u>Shorter implementation times</u>:

Down from average of 18 months in 06 to 9-12 months

<u>Improving payment terms</u>:

In aggregate in 2008, now stand at:

55% up-front

30% on dates

15% on milestones

*See appendix for calculation

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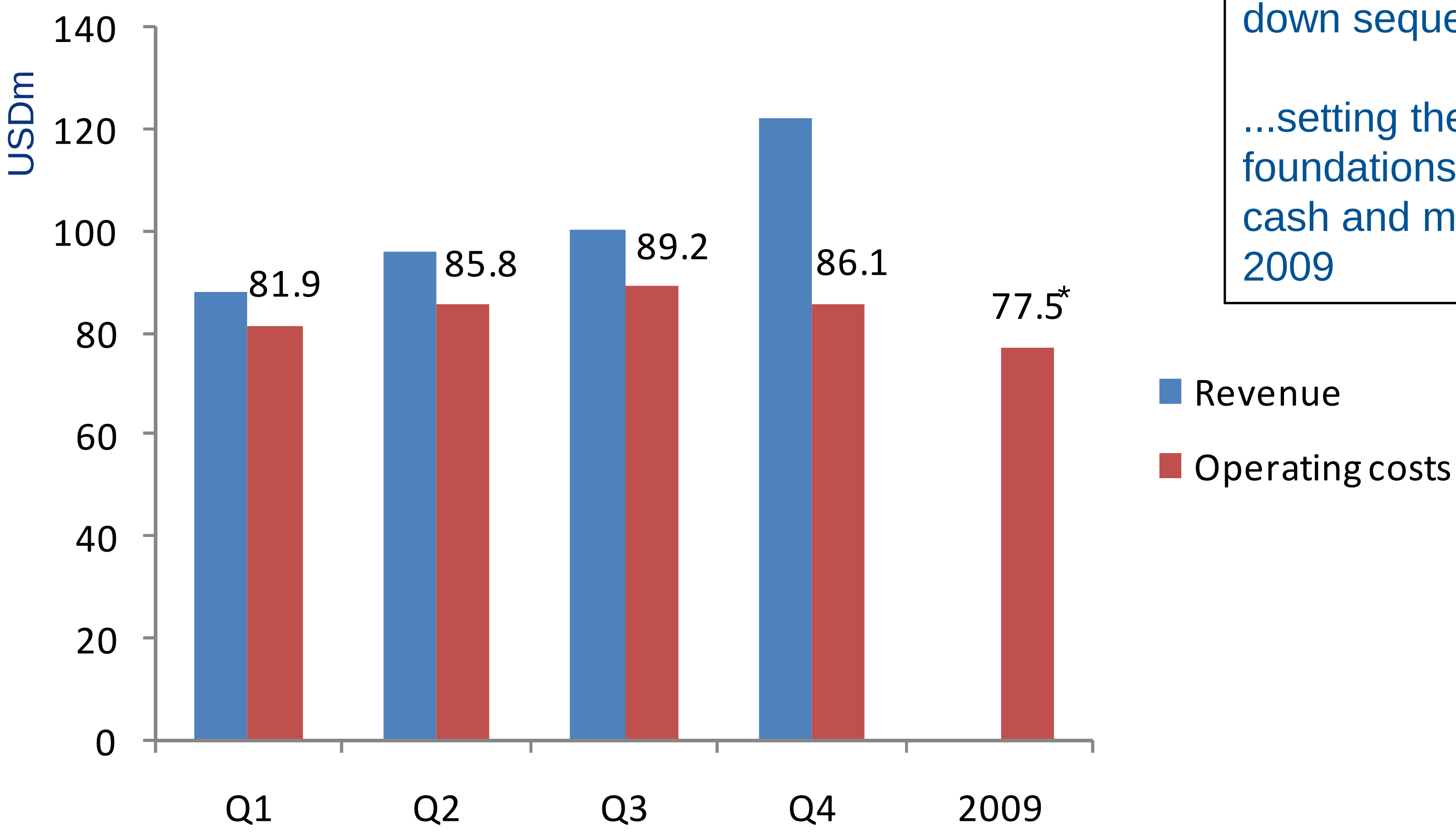
A sequential fall in operating expenses in Q4, '09 cost base materially lower



The cost base is under control and coming down sequentially...

...setting the foundations for strong cash and margins in 2009

*Assumes 2009 costs are borne equally across the four quarters

Outlook and Summary

Andreas Andreades
CEO

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Revenue visibility remains limited...

- In Q4, the level of uncertainty was high and some CEOs were unwilling to commit to large capex projects
- Still uncertainty exists

...Therefore, we give outlook on margins and costs, instead of revenues

- We target operating margins of 19% to 20% (EBITDA 27% to 28%)
- In addition to beneficial FX movement of USD27.5m, we have already cut USD33m from cost base..
- ...giving a 2009 cost run rate of USD310m*
- Effect to be seen already from Q1

* Reconciliation in appendix

We expect cash generation to be strong...

- We expect EBITDA into operating cashflow conversion of no less than 75%
- D&A likely to be USD30m in 2009 given higher amortisation from acquisitions
- Cash cost savings are higher than stated cost savings
- Lower growth will result in less working capital investment in licences and services

Given higher D&A in 2009, we expect **c.100% conversion of operating profit into operating cashflow**

...And the level of locked-in maintenance helps to underpin both cash and margins

- Baseline maintenance of c.USD118m in 2009
- Mix likely to move in favour of maintenance (>30% of mix in 2009)
- Highest margin revenue line and minimal working capital investment

Concluding remarks

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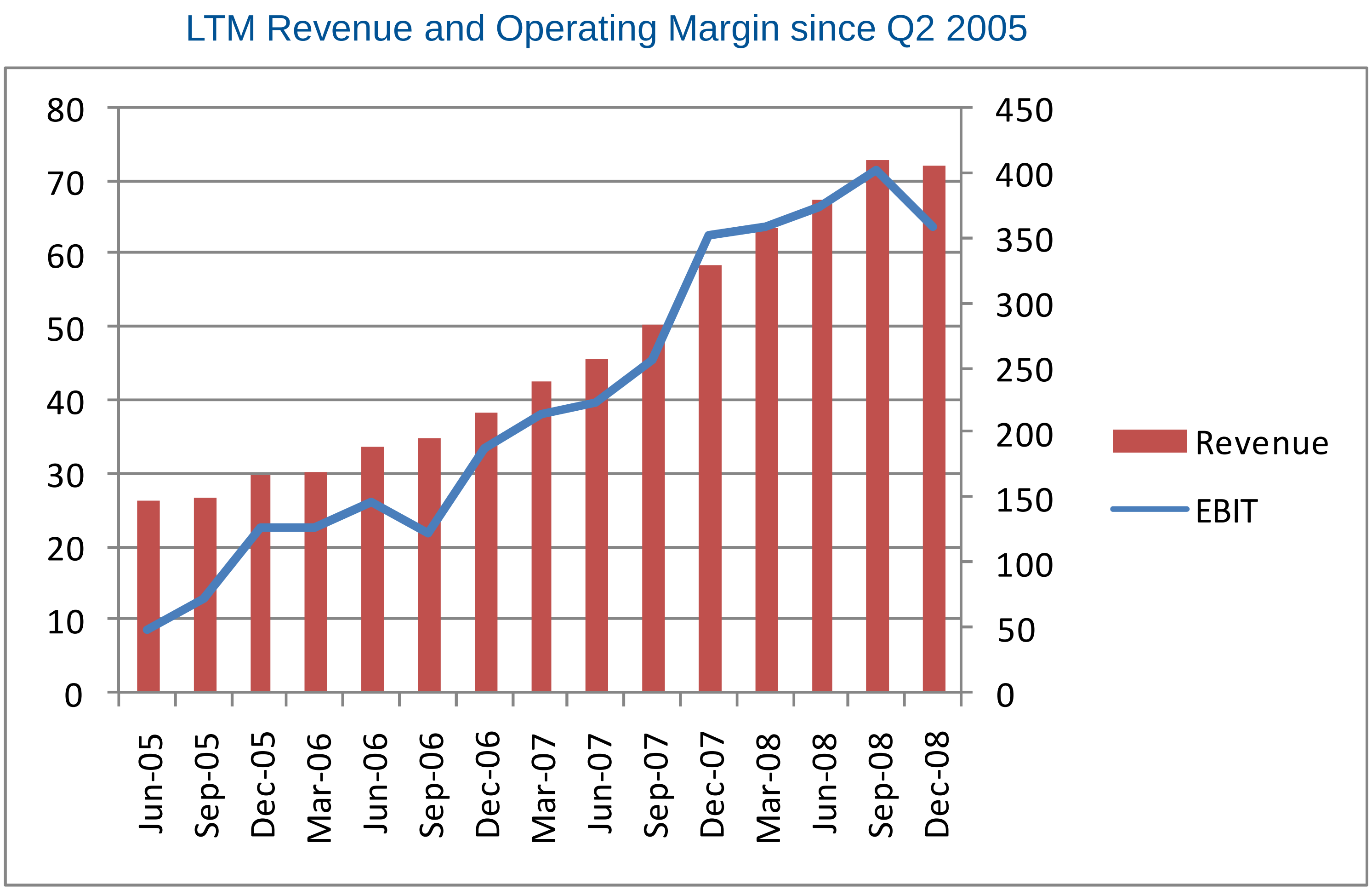
We have shown that we can grow BOTH revenue AND margin:



Concluding remarks

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Despite disappointing finish to the year, we remain well placed...

- Our business model remains unique in core banking
  - → Packaged solutions, high R&D, single annual release
- We are the market leader
  - → Highest sales in core banking market, win rate >80%
- We are enjoying the advantages of being market leader
  - → Recruiting and retaining the best people, pricing power, interest from top SIs

...and once banks beyond stabilisation phase, market will grow strongly again

- Structural growth...
  - → Shift from in-house to third-party core banking systems
- Underpinned by strong drivers
  - → Need to reduce costs, manage risk, improve productivity, grow revenue

Appendices

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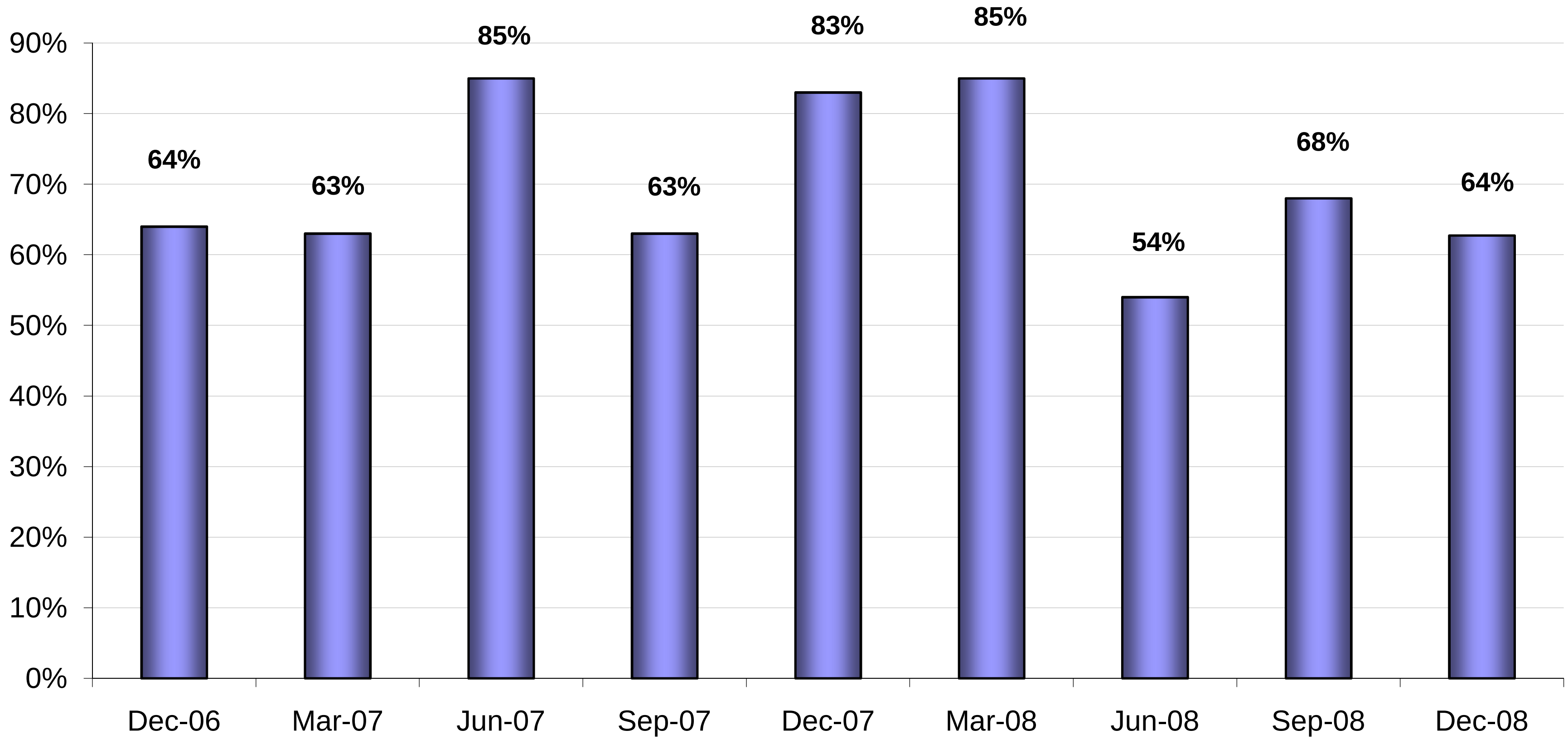
Adjusted EPS reconciliation

	Q4	FY
Earnings	**44.5**	**65.2**
Amortisation of acquired intangible assets	1.2	5.1
Restructuring	2.5*	2.5*
Bond Interest	1.3	5.5
Total Adj Earnings	**49.5**	**78.3**
Total Diluted # of shares	67.4	69.1
Adjusted EPS	**0.73**	**1.13**

All figures in USDm, except shares in m

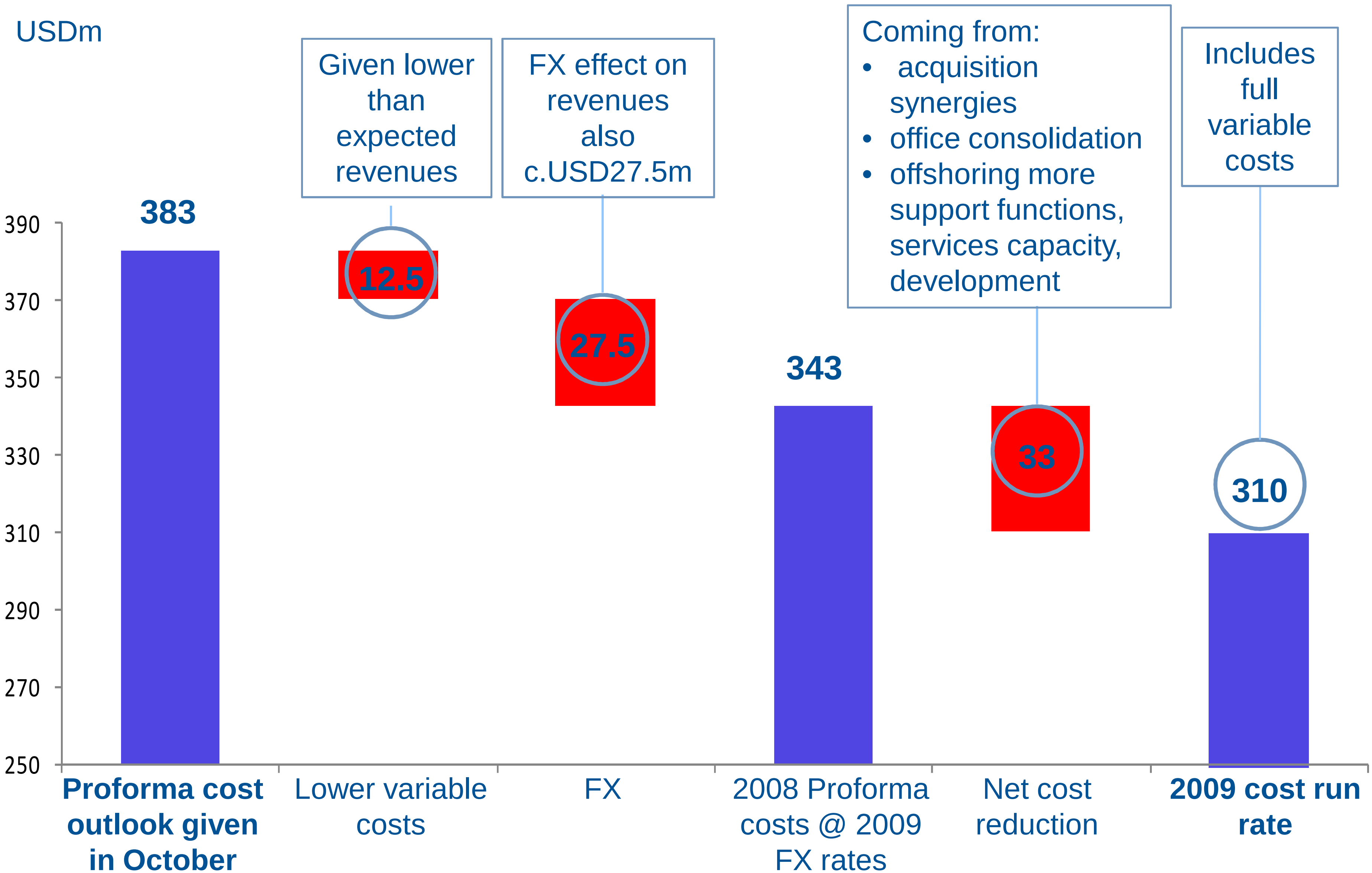
*USD1m for Financial Objects, USD1.5m for internal – associated with synergy realisation and cost-cutting

EBITDA conversion*



* Conversion of LTM EBITDA in LTM operating cash flow

Reconciliation to lower cost run rate



Research and Development

USD millions	Q408	Q4 07	%	12 mths to Dec 2008	2007	
R&D Costs – as reported	17.5	17.0	3%	74.9	57.1	31%
Capitalised development costs	6.6	6.0		19.9	16.9	
Less Non cash items	(7.9)	(4.0)	98%	(21.1)	(13.8)	53%
Less ACTIS*	0.0	0.0		(1.4)	0.0	
Less Informer	(0.1)	0.0		(0.2)	0.0	
Less Financial Objects	(2.0)	0.0		(2.8)	0.0	
Currency impact	n/a	(2.2)		n/a	(1.0)	
R&D costs underlying	**14.1**	**16.7**	**(16)%**	**69.3**	**59.2**	**17%**

Sales and Marketing

USD millions	Q408	Q407	%	12 mths to Dec 2008	2007	
S&M costs – as reported	19.4	22.3	(13)%	74.9	71.8	4%
Less non-cash	(0.4)	(0.8)		(6.2)	(3.8)	
Less ACTIS*	0.0	0.0		(0.2)	0.0	
Less Informer	(1.7)	0.0		(3.1)	0.0	
Less Financial Objects	(1.2)	0.0		(1.4)	0.0	
Currency impact	n/a	(1.3)		n/a	0.5	
S&M costs underlying	**16.1**	**20.2**	**(20)%**	**64.0**	**68.5**	**(7)%**

General & Administrative Costs

USD millions	Q4 08	Q4 07	%	12 mths to Dec 2008	12 mths to Dec 2007	
G&A costs – as reported	15.7	12.1	30%	52.3	41.5	26%
Less non-cash	(2.6)	(1.9)		(10.7)	(8.4)	
Less ACTIS*	0.0	0.0		(0.4)	0.0	
Less Informer	(0.1)	0.0		(0.2)	0.0	
Less Financial Objects	(2.6)	0.0		(2.6)	0.0	
Currency impact	n/a	(0.7)		n/a	1.1	
G&A costs underlying	**10.4**	**9.5**	**9%**	**38.4**	**34.2**	**12%**

Impact of deferred tax assets on the effective tax rate

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- As at 31 December 2008 the Group has significant unrecognised deferred tax assets (DTAs). These arise from:
  - Losses carried forward
  - Taxable temporary differences arising from repatriation of the group's software intellectual property to Switzerland in 2006

USDm

Deferred tax arising from:	Total potential DTA	Recognised	Unrecognised
Tax losses carried forward	54.2	6.6	47.6
Repatriation of the IP to Switzerland	33.5	29.3	4.2
	87.7	35.9	51.8

- Deferred tax assets related to losses and temporary differences become increasingly recognisable as we gain improved visibility over future profits in the relevant jurisdictions
- Recognition of deferred tax assets on losses and temporary differences will reduce the group's effective tax rate for 2009 and thereafter
- For 2009 we assume that recognition of deferred tax assets will fully offset the income tax charge resulting in a zero overall tax charge
- The majority of the group's income from licensing activities is attributable to Swiss entities. Income is currently reduced by intellectual property amortisation and after amortisation is subject to tax at a rate of approximately 11-12%.

Thank You

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