

**Temenos**  
**Wednesday, 17<sup>th</sup> February 2010**  
**18.30 CET**  
Chaired by Ben Robinson

**Ben Robinson**

Hi, everyone, and thanks for joining the conference call today to discuss Temenos's Q4 and Full Year 2009 results. On the call with me are Andreas Andreades, CEO, David Arnott, CFO, and Max Chuard, Head of Corporate Finance and Investor Relations. You can download the slides for the results presentation from the Investor Relations section on our website. As usual, our prepared remarks will be followed by a Q&A section and 24 hours from now you'll be able to download a transcript to the entire call from our website. Before I hand you over to the speakers, I just want to make you aware of the legal disclaimer on slide 2 of the presentation. Various factors may cause actual result to differ materially from company estimates and indeed may cause company estimates to change. Therefore undue reliance should not be placed on the forward-looking statements made during this call which reflect the company's opinions only as of today. I will now hand you over to Andreas who'll give an update on the business and strategy.

**Andreas Andreades**

Thank you, Ben. Hello, everybody, and thank you for joining the call today. I'd like to start with the 2009 highlights on slide number 5 of the presentation. We clearly had a great year both within the context of the macros but also on a stand-alone basis. Now, in summary we grew our trading profit by 26% to USD80 million. This gives us a margin of 21.7% which is up 600 basis points on 2008 and, incidentally, we have now caught up with our pre-crisis margin projections. Operating cashflow was USD118 million, a conversion rate of 107% of EBITDA into cashflow. Net like-for-like licences, that is excluding acquisitions in Metavante and net of cost of sales, grew by 8% in the year and 15% in both Q3 and Q4. Our analysis, which is shared by the industry analysts as well, is that the core banking spend fell last year yet ours grew. So, we continue to gain market share and, adding on the Viveo acquisition, we go into 2010 with a market share that is five points higher than in 09. So, all else being equal, we'll be able to capture five points more of the recovery in spending. We signed 43 new co-branded customers during the year, including eight tier 1 institutions. 50 banks went live on T24 and this is a new record. In December we completed the USD81 million acquisition of Viveo in France. This is the largest acquisition we have made and we expect it to deliver significant benefits to shareholders and clients alike. And, lastly, we signed three global strategy partnerships and will talk about this later on.

I will not spend time on slide 6. We use this as a quick checklist to show how we made or exceeded all of the financial objectives we set ourselves at this time last year – gross operating profit, maintenance revenues and cash conversion. On slide 7 we wanted to highlight how well-positioned the company is going into 2010. The market share gains leave us as the key leader in core banking and with momentum. We have a compelling product roadmap. As many of you know, we are converging our core banking platforms,

which will reinforce our R&D scale of advantage. To ARC and Insight we now add best in class Anti Money Laundering and Payment software, giving a much broader product suite. The business is more scalable. We've separated out our service organisation to help it to scale. While we've complemented this delivery challenge with important partnerships, Cognizant on the system integration side and Deloitte for management consulting. Viveo brings more critical mass. I talked about the importance of critical mass before – a further 450 core banking customers and 21 million of additional maintenance, giving us the power to invest more and faster. And, finally, the organisation is more agile than before, meaning that we can respond much faster to changing market conditions than in the past.

Now, over on slide 8 we give another view of licence sales. With lower core banking spending in 09, there were fewer deals out there. Our response to this was to concentrate our resources on the larger tier 1s, signing eight in 2009 against one in 2008. This helped us to raise our deal size, resulting in an increase in like-for-like licences of 8% with 43 new deals. Taller licence sales from the Misys replacement programme, which continued successfully in 09, represented 8% of our licence sales or more than USD10 million. This is significantly higher than in 2008.

On slide 9 we give an update on ARC and Insight. Insight actually had an outstanding year. We only launched this product, if you recall, in Q1 and already it has had 31 takers. Deal size is rising fast and we built out the functionality of the system as light reference customers also confirm the value proposition and the fast return on investment. ARC also had a good year adding a further 23 clients. During the year we had our first banks to go live on the ARC software, which helped to build credibility and momentum. Together ARC and Insight contributed 10% to total licences.

Now, over on slide number 10 we give an update on services. The business is now scaling successfully, helping to grow capacity while improving margins by 800 basis points, 18%. At the same time we were able to take a record number of customers live on T24.

On slide 11, before I pass on to David, I wanted to update you on the partner programme, a key component of our growth strategy. We are enjoying our first successes with Cognizant. In particular I'd like to highlight a large joint services project that was secured in Q4 with an existing tier 1 client. We are revising the Cognizant forecast of trained consultants upwards to 1,000 in three years. If you recall, when we concluded this agreement in May of last year, the number was 500. It will allow us to deliver value to our clients without shifting the mix of our business towards services. We are also going to market together on a number of new T24 opportunities and the value proposition of Temenos and Cognizant is very compelling. Today we announced to the market our new partnership with Deloitte. This will greatly increase our management consultancy capabilities and help introduce T24 to a much wider network of banks and opportunities. Already, even though recently signed, we have won a joint consulting engagement advising on the global roll-out of T24 as a tier 1 bank. There is no doubt that adoption of Microsoft technology in banks is rising fast and as the only core banking vendor to have a strategic partnership with Microsoft, we are well placed to ride this wave. In 09 the number of T24 customers using the Microsoft platform and database increased rapidly and with this joint strategic push we think this can accelerate. Finally, together with IBM, we are making our core banking software available on the mainframe, giving these customers

the ability to run our software without having to change technology platforms. This opens the market to more banks and in particular bigger banks.

Now, with that I'd like to pass on to David for a look at the numbers.

### **David Arnott**

Thank you, Andreas. If you turn to slide 13 of the presentation, I'd like to start with a quick look at the 2009 financial highlights. Profit grew by 26% in the year and ETS by 8%. Reported licensing was down but, as Andreas has already pointed out, this is because of Metavante revenue in the comparative. Non-Metavante licences grew by 8% in the year and I'd like to come back to explain that in a second. Overall revenues were lower by 9%.

On slide 14 I've shown the different revenue lines and operating profit and cash for the quarter and full year. I'm not going to go through the whole thing but there's a few things I'd like to highlight, which are the numbers I've circled here. Maintenance grows strongly as we grow our cumulative client base. All our contracts have CPI and with the impact of acquisitions maintenance has grown by 16% in 2009 and is now at USD117 million. Note that after three quarters of lower than comparative revenues due to Metavante, in the fourth quarter we're nearly back to flat on a year ago. With strong signings, good cost control, maintenance revenue increases and improved services margins, our EBIT grew 26% in the year and we grew EBIT margins by 600 basis points and EBITDA margins by an even bigger 820 basis points. EBITDA margins have now reached 30% and we've got further upside potential over the next few years. This, coupled with the revenue growth, is exceptional leverage and will deliver significant increases in operating profit, EPS and cashflow going forward, which brings us on to cashflow. Operating cashflow in the quarter was not far off with what we generated in the whole of 2008 and in the year we more than doubled cashflows to USD118 million. Note, and this is very important, that within this we've been absorbing a reduction in payables over the year as we move towards a more offshore and partner-led model, meaning that our previous payables to contractors are now replaced with salaries that we pay in the month. This swing took about USD35 million from our underlying operating cashflow performance. We've converted 107% of our last 12-month EBITDA into operating cashflow and were it not for the payables swing, this would have been something like 140%. This has been driven by a reduction in DSOs, through better project execution, better upfront payment terms on the deals as well as to a small extent collection from Metavante cash in the year. This leaves us with a very strong balance sheet and I'll come back to that in a second.

On slide 15 I'm showing the underlying business performance across our revenue lines by adjusting our Metavante as well as the impact of FX and acquisitions and you can see that on this basis all of the lines are performing very well. Total revenues were down 8%, driven by a continued decline in service revenue year-on-year as we rebalance our revenue mix towards a lower share of services in the total mix and focus on running a smaller but more profitable services business. As Andreas has mentioned, our services margins in the year reached 18%, up from 10% in 2008, and services revenues as a share of the total were down to 34%. Maintenance grows by 8% as we grow our cumulative client bases at a rate of 18% of accumulative T24 signings, give or take a small amount of FX movement. Licensing is down 1%, which I'd like to take a second to reconcile to the 8% signings

growth Andreas has talked about. Our signings are calculated as the net value that will flow through to Temenos and this flows through the P&L through two lines – licence revenue and cost of sales, which represents third party agent and distribution fees, which is included in sales and marketing expense. The extent of this gross-up year-on-year is a function of the client mix and if you look briefly at the cost analysis slide in the Appendices, you'll see that year-on-year there was a USD7 million reduction in cost of sales as we signed a higher mix of tier 1 customers which we internally treat as a net against revenues. Taking these costs against licence revenues as we do, you'll reconcile for the 8% growth.

The next slide shows the same metrics for the quarter and, again, if you adjust for cost of sale you'll come to the 15% net signings growth that we achieved in Q4. There's a couple of other small differences that we can walk you through separately off the call.

Let's move to the below the line items on slide 17. Adjusted EPS grew by 8% in the year. We've got very good management of below the line items, including excellent rates on our financing, a very efficient tax structure and good management of below the line foreign exchange and, really, these are the three drivers for the EPS accretion, other than the strong EBIT growth, of course. There are two drivers for the lower conversion of EBIT growth into EPS. The one-off currency gain in 2008 related to swapping the financial objects debt from pounds into dollars to take advantage of the weak pound and also the higher year-on-year finance charges as a result of our acquisitions of financial objects and Informa in the third quarter of 2008, which therefore carry a full year's interest expense in 2009 but only one quarter's worth in 2008.

On slide 18 I wanted to show some metrics around our cashflow for the quarter and full year 2009. As I've mentioned, we converted 118% of our EBITDA into cashflow for the quarter, bringing the full year to 107%.

On slide 19 I've shown some metrics around our cash and debt and leverage. Our debt comprises USD135 million of convertible bond with a coupon of 1.5% which matures in 2013 by which time we expect it to convert into equity. We've drawn down USD137 million of debt so far for our acquisitions which is with a consortium of seven banks and has got fixed repayment schedules up to 2012. So, in total this gives us USD274 million of debt, even if the likelihood that the bond doesn't convert is minimal. Turning below to our leverage, if you treat the convertible as equity, as we do ourselves, we have almost zero net debt on our balance sheet today and even taking the convertible technically as debt leaves us at about one times EBITDA leverage, which is still very low on the back of three transactions in 15 months and a credit to the business model which generates significant free cashflows. Looking forward at any future transactions, we continue to favour debt over equity, given the momentum in our business to deliver future shareholder value while at the same time remaining cautious as to acceptable leverage levels, as we've demonstrated successfully in the past. In the short term our cash position plus the expectation of delivering significant free cashflow during 2010 leaves us very well positioned to take advantage of any opportunities that do arise.

On my final slide I'd like to introduce a new metric we'll be tracking going forward. On the back of our acquisitions we're replacing EBIT with adjusted EBIT with the difference being that we add back restructuring charges and amortisation of acquired intangibles. I've shown what this new metric would look like for 2008 and 2009 in the little table. For

cashflow conversion we'll still use reported EBITDA into operating cashflow conversion as a percentage for our outlook but, consistent with what we're doing with the P&L, we'll also report on adjusted EBITDA into adjusted cashflow conversion with adjusted cashflow defined as operating cashflow with restructuring costs added back, which we feel gives the best understanding of our underlying cash conversion trends.

That ends the financial update part of the presentation.

## **Max Chuard**

Thank you, David. Moving into slide 22, I would like to start by giving a quick overview of Viveo. Viveo is the leading French provider of application software for banks and financial institutions. Established in 1983 the company has around 410 employees based out of the offices in France, Belgium, Romania and Switzerland. The company enjoys a very large client base of approximately 750 clients located in 35 countries with 400 of them in France. Most of the leading French banks are Viveo customers. In the year ending 31<sup>st</sup> December 2008 Viveo generated revenues of approximately USD65 million with high single-digit margins.

Over to slide 23 you will find the key highlights of the transaction. We signed and closed the deal at the same time, just before the end of last year, on the 24<sup>th</sup> of December, more precisely. We bought 100% of Viveo Group for a price of USD81 million, which equates to approximately 3.8 times 2010 expected maintenance revenues. The deal has been financed entirely by existing debt facilities. The main rationale for the deal is as follows: It will accelerate our growth and allow us to lead the French market with more than 50% combined market share. It gives us an excellent opportunity to cross-sell within the Viveo client base. With around 450 core banking clients it complements our product portfolio with excellent Anti Money Laundering and straight-through processing payment software which I will comment on in more detail in a moment. It adds a significant recurring maintenance stream, approximately USD21 million for this year. And, finally, there are clear R&D synergies through consolidation of core banking platforms.

As I said, the acquisition brought two complementary products. On slide 24 I will start with our new Anti Money Laundering offering. This is a complete offering providing customers with KYC that offers screenings of clients and accounts, profiling provides behaviour analysis and a real-time transaction filter and check against blacklists. The product is compliant with the European 3<sup>rd</sup> Directive, OFAC, USA Patriot Act. This new product can be sold with T24 but also on a stand-alone basis.

The second product, on slide 25, addresses payments. This is a product that automatically repairs SWIFT messages using active () agents to improve straight-through processing. This is a product that serves on a stand-alone basis on the benefit of () () (). We've already launched internally those two products with our sales organisation and it is part of the 2010 targets. We are very excited by both products and we expect these to generate about 10% of the Group's licences this year.

On slide 26 is a list of some of the key clients using the AML and Payment solutions. The products are high-end and proven in leading tier banks such as UBS, which uses the AML

on a global basis, as well as Barclays using it for several of its global operations, and Citi using it for the payment applications of all its SWIFT repairs.

My last now is to sum up on the Viveo acquisition. This acquisition gave us substantial market share into the French market, which is worth approximately USD100 million of licence and maintenance but only penetrated by 10%. We expect Viveo to contribute USD60 million to the Group revenues before revenue synergies with 35% of the mix coming from maintenance, 38% from services and 27% from licences. We expect the STP payment and the AML software to represent 10% of group licences in 2010. We see scope for improvement in margin and in two years' time we expect Viveo to operate at Group margin levels. And, finally, we signed an SI partnership at the end of last year with GFI Informatique on a regional basis which will help us deliver on our operating objective in France.

With that I will pass over to Andreas to talk us through the outlook for this year and concluding remarks.

### **Andreas Andreades**

Thank you, Max. I won't take long. Just before going into outlook I'd like to spend a couple of words on the market opportunity and that's on slide 29. As you can see, the market is still less than 20% penetrated for external vendor software and is worth over USD12 billion for licence and maintenance. Those that recognise this slide, we stripped out the services element at your request as we believe also that it's a far more relevant metric for the market opportunities, as this is what we are focussing on. Clearly this opportunity does not provide a constraint to long-term growth but what is important in the short term is the speed at which banks move to purchase software.

In terms of drivers for adoption, I wanted to show you the graph on slide 30. You can see clearly that banks spend more on IT than any other industry, in fact twice the average as a percent of total cost. Notwithstanding the idea that banks may have more complex IT requirements, this is clearly an unsustainable position, especially as tighter regulation, less leverage and slow economic growth will all constrain revenue growth over the coming years.

Now, on slide 31 I'd like to highlight again our credentials as the vendor of choice for banks that want to move on to a low-cost, modern, flexible infrastructure. We've proven quantitatively that banks that run Temenos as significantly more profitable than banks that don't and the reason is really threefold. Our software has a much lower cost of ownership. Established users like EFG Bank and Tekam (?) Bank, large banks in their own fields, spend about 5% to 6% of costs on IT against the average of more than 14%. Our software gives a single customer view across the bank, helping to manage risk successfully and it also allows for quick time to market for new products and a differentiated customer service, both of which help drive revenue growth.

I will not spend time on slide 32 but rather go directly on to slide 33. Suffice to say that we are very confident about where we are in view of 2010. The improvements we started to report in confidence and closure rates at the beginning of last year in Q1 were sustained throughout the year. 2010 promises to be a much better than 09 and we are therefore

returning to providing a revenue outlook. We are also beginning to make incremental investments in key sales and product initiatives. We acknowledge at the same time that the macroeconomic situation is still far from perfect and not without risks. Therefore we are still being cautious and we manage costs tightly.

On slide 34 on Outlook, the first thing you will notice is that the revenue range of 18% to 25%, which include Viveo, is quite wide. As the year progresses and visibility improves, we intend to tighten this range. We expect an adjusted EBIT margin of 25% for 2010. This results in 25% EBIT growth at the midpoint of the revenue range. We expect the strong cash conversion to continue, given that the changes we've made in the business are for the long term and the outlook is for 100% EBITDA incorporating cash conversion. Finally, we expect a zero tax rate, absorbing the impact of the Viveo acquisition within the Temenos tax structure.

I'd like now to finish with slide 35 and with two quick comments. We have now turned the corner on the revenue front and soon will be reporting growth and, secondly, we've restored the long-term trend for operating growth, reinventing ourselves during what was arguably the toughest year for business in living memory.

So, with those two thoughts I'd like to open the call for Q&A.

## Questions and Answers

### ***Roger Steiner – Kepler Capital Markets***

*Yes, good evening. Three questions, if I may. The first one on outlook. If I try sort of to backward find out what you have implied in there, in underlying licence growth, I'd probably get to a figure which is somewhere in the mid single digits growth year-on-year. I mean, looking at what you have reported the last two quarters, which is sort of 15% growth in Q3 and Q4, I just wonder whether you wanted to shed a bit more light on why that should drop down back into single digits in 2010. The second question on Viveo, AML and Payment solutions, I mean, you stated that licences should account for sort of 10% of group licences in 2010 and I just wonder whether that's sort of incremental, sort of on top of the 60 million guide that Viveo should contribute in 2010 or whether that's included in the 60 million at this date for Viveo in 2010. And maybe the last one on services. Obviously the margin was, I mean, incredibly high in 2009 and I just wonder whether that's sustainable into 2010 and onward years, so whether you even see further upside to that margin on the services side.*

Okay, Roger, this is David. Let me take the first of those questions. You're right on the maths, that low single digits is what you get to at a midpoint of the outlook. You're also right that we've had now two quarters of 15% growth taking the full year growth to 8%. So, that is below the trend we've seen in the last three quarters. However, at this stage of the year a couple of points to mention. First of all, we're guiding for a 25% increase in EBIT, which is a significant improvement on the back of such a strong year. Secondly, again it's a month and a half into the year. We don't yet have the visibility to guide on any more than that at this stage, although the drivers do remain there.

*Okay. But no visible change in trend so far that...*

Correct.

Yes, correct.

It's Andreas and I'll take it on from there for the other two questions which I'm going to make the first question a little bit more interesting because the Anti Money Laundering and Payments licence revenue we target to be incremental, mostly incremental to the Viveo revenue base. These are two products that we are very excited about. They run out of the Belgian operations of Viveo. We've already launched them within the sales organisation as global products. We don't necessarily target a cross-sell effort there, it's both stand-alone and cross-sell, and they've already gone into the quotas and the targets for the sales organisation on a global basis. So, the integration was quite fast and we are doing a lot and we see the opportunity to be a significant one. So, now we are adding, if you like, a third NG (?) next to ARC and Insight that provides us with a product extension that is more than successful and exciting. So, that is on the Anti Money Laundering and Payments. And also they do broaden the profile of the company in its entirety. We move into areas that until now we've had limited, if you like, market presence. The third question regarding services margins, I'd say, first of all, clearly they're sustainable at the level they are. If you recall, last year or two years ago we started working on initiatives like Model Quang (?) and Temenos Application Management and the new methodology, together with the partner content, if you like, of the services business we believe we can sustain these margins. I think it would be a little bit too much to talk about incremental margin from there or, let's say, a significant incremental margin from there but we feel good about where the business is heading. Does that answer the question?

*Yes, excellent. Thanks a lot.*

### ***Raymo Lensjall (?) – Bank of America Merrill Lynch***

*Thank you. Thanks for taking my question. I mean, I have to say, I have to agree with Roger, if I do the math and then add the 30 million you expect on the Payments, then you're getting a relatively ridiculously low guidance. A question, first of all, on the Cognizant partnership. You talked about a first interesting partnership you have with a tier 1 bank. I wonder if you could talk a little more about that. And then, secondly, historically you talked a little bit about your maintenance run rate. I'm just wondering whether you could talk about that. And then the last question is I'm struggling a little bit to model your services business going forward in terms of how much is Cognizant and how much will Deloitte take out of your own run rate. So, in other words, what's the cannibalisation effect for you or will we still continue to see growth in that business line? Thank you.*

Thank you, Raymo. I'll take the first one and the third one and then David will take the second one which probably you have to repeat because we couldn't write fast enough. But, okay, Cognizant, the opportunity we talked about is a classic example of how we can actually leverage the broad presence of the Cognizant organisation within large tier 1 banks. They have a very extensive account management presence within the market and by sitting together and doing account planning together with the client we identified a

large number of projects that effectively resulted in a lot of work for Cognizant and a little bit of work for us and a lot of, if you like, satisfied people within our client. And this is the model we want to be pursuing, increasing the pie of services revenue without necessarily increasing the range of services within our business. And, leading me to your third question, we remain within the 30% to 35% revenue mix as a guideline for services. In fact, in 2009 we are well within that range of 34%. We are pretty pleased with where it is. I have to say that with Cognizant increasing the number of trained consultants to 1,000 from 500, that we put together last May as an objective, the number got revised upwards twice. It got revised upwards to 700 and earlier this year it was up to 1,000. We believe that the level of opportunity is actually bigger than they thought and bigger than even what we might think at this point in time. Now, how fast we can scale the Deloitte partnership is a different question. We'll start as we said, on a country by country roll-out and see where the market takes us. But we are pretty excited with what is happening there.

Raymo, this is... If you're okay with those two, I think your middle question was on maintenance renewal rate. Assuming that was the question, our maintenance renewal rates still remain very, very high, very high 90s, 98/99%, if that's what you're trying to...

*No, I'm trying to find out about the maintenance run rate because last year you felt comfortable guiding for a number.*

Oh, okay. You mean why we haven't guided specifically.

Let me explain why we gave maintenance last year, which was the only year we gave maintenance, because the environment was very different and I think people were putting an increased value, if you like, on the recurring revenue stream. I think we are out of that environment, clearly. That's why we didn't give the maintenance revenue rate.

But in terms of modelling we probably could have given a number and I'm sure you'll be able to come to a very, very close number in Excel in your model and we can help you if you can't but there was nothing that you should read into that.

*Lovely.*

We gave you the maintenance for Viveo, what to expect for this year. So, you should be able to come up to the 2010 numbers.

*Lovely. Thank you.*

### **Chris Kwandberg (?) – UBS**

*Yes, thanks for taking my question. Just three quick ones, if I may. First off I just wonder if you can make any comments around any sort of seasonality you expect this year going through the year. Are you looking for the same sort of quarterly trends as you might seen in... sort of winding back to about sort of 2008 or earlier? And then further just two quick ones, if you can comment on the state of your pipeline with tier 1 banks. There are obviously a good number of signings in 2009 but wondering quite what the scope of the opportunity is that you see there today. And, lastly, if you could just comment on what you see as consensus EBIT on your new guidance basis. That'll be helpful. Thanks.*

Okay. David, do you want to take the seasonality or shall I have a go?

I'm happy to have a go. We're not seeing anything different in seasonality to what we've seen in the past. Clearly it's, I would say, very comparable to 2009.

Yes. I mean, we need to be a little careful here. At the midpoint of our guidance it should be similar to 09. Now, clearly, if the macros keep improving and we are working against an improving macro environment, then you are likely to see the quarters becoming, if you like, better as we go through the year but not within the midpoint of the outlook. Let me take the tier 1 banks question then. What we started seeing in 2009, those that have been following Temenos probably are aware that in Norway we had a complete dry-up of tier 1 deals almost. We saw large banks starting in 2009 with... identifying and pursuing small projects, almost new initiatives or testing out different ways of doing things and we signed eight of those. As we progressed during the year we saw the larger banks getting a little bit more strategic and a little bit more understanding what they would like to do and I'd say that today there's quite a few large banks that have crystallised their strategies from a business perspective for the next, let's say, three to five years and that's both within our client base but also within the prospect, if you like, the provider market. And out of that inevitably they will be launching key strategy IT projects and co-banking will feature. Now, at what do they get to the, if you like, IT side of the equation is a little bit more difficult to predict but I can clearly say that they are one large step forward in terms of understanding what they would like to do from maybe this perspective.

Chris, it's Ben here. Probably I should take the one on consensus. So, the number that I collected in the last couple of weeks for adjusted operating profit, including Viveo, was USD108 million, however that consensus had a lower number for amortisation of acquired tangibles. So, I think it's probably about three million higher than that. So, I think my estimate would be it's about USD111 million for adjusted operating profit.

*Great. That's very helpful. Thanks.*

***Ho (?) Lams (?) – Citi***

*Just a couple more questions from me on the seasonality during Q4 of last year. It seems that the licences have a lower seasonality than, you know, previous years. I wonder if you can comment on, you know, whether this will be a one-off or whether you're seeing perhaps a longer-term type of trend towards a budget flush in Q4. And then, secondly, to do with the contribution from Viveo, how much of the basic EBIT contribution would be from Viveo in 2010. And then just finally with the products, I understand that, you know, Viveo have a Java-based V bank product. I wonder where that will go and how does it compare with the Java version of T24? Thank you very much.*

This is David. Let me take the first one of those in terms of seasonality and budget flush. I think we need to go back to 2008. Don't forget that Q4 was amiss against our high, excessively high expectations. The seasonality, in fact, was exactly consistent with what we'd seen in the prior years, it just wasn't as much as we'd hoped for and had been looking for. In 2009 we grew 8% for the year and 15% in both the third and fourth quarters, which is important. It wasn't that we saw budget flush into the fourth quarter

and we've said already that our pipeline remains strong going into 2010 and our visibility is improving. So, we're not seeing any slowdown and we're not particularly seeing any of the deals in Q4 as being budget-flushing beyond the normal. I don't know if that answers your question.

*Yes, thank you.*

Maybe I help a little bit here. From a business perspective, if you like, the years that banks had, if you like, divisional IT budgets and country IT budgets that were not used and they could get flushed under the radar screen, if you like, or the global CIO, I think they are gone, to be honest, because times continue to be difficult for banks and I think there is going to be a different focus and a different way of allocating and understanding whether spending is really strategic or not. So, I think generally we are going to see higher contents of strategic projects and a lower content of, if you like, flushing out budgets between December 24<sup>th</sup> and December 31<sup>st</sup>. I don't know. Does that help?

*Yes, that's very helpful.*

Hoy, let me take the... on Viveo. So, what I said before is we'll expect Viveo to get to the Group margins within two years. So, you can see a step, you know, to get there from where it is at single margin to get to where we are guiding at today.

*Okay. So, I should basically assume a linear kind of relationship there.*

Yes.

Well, you can assume something like that, yes.

I think you have to repeat the third question because we...

No, it's okay, I got it. We clearly, as part of our integration of Viveo into Temenos, will not run duplicate products. So, to the extent there is, if you like, IT within the Java-based core product, that will find its way into our product architecture but we'll be running with a simple product.

*Okay. Just one more follow-on, if I may. The G&A for Q4 looks relatively high compared to at least my estimate. I don't know whether there was any one-off spend that was included in that.*

That's very simple. A large part of the variable that comes to the G&A in the fourth quarter, that we've been talking about as we've gone through the year, is the variable portion of our cost base that would flex with the revenue. So, traditionally you do see that going up in the fourth quarter. There's been no locked-in increase in cash cost, if you like, in G&A going beyond the fourth quarter. And if I can close the loop to that to the maths of your 2010 cost base, if you take out what you'd expect, based on what Max has said, for the total costs for Viveo, and you back out an assumption for variable as a slight increase on 2009 and you divide that by four, that would pretty much be the underlying cost base you'd expect going into Q1. So, that should help with the modelling a little bit but it's purely variable in G&A.

*Excellent. Thank you very much.*

***Takis (?) Filiopilis (?) – Bank Vontenvel (?)***

*Yes, thank you. A couple of questions. Number one, if I do the reconciliation from your guidance, then I would arrive at a depreciation of around 20 million for 2010. Is that correct? Second, do you see any change in your amortised development cost? I think we had a run rate for 20 million now for two years. So, is there any change? Number three, you didn't talk about any potential restructuring costs or synergies. You know, what's your view on that one? And the last one, you mentioned on a slide there would be... there was two percentage points in market share gains. Was this mainly against your European peers or the Indian guys or what is happening out there? Thanks.*

Hi, Takis, this is David. Let me take the first two of those. The total depreciation and amortisation, including the impact of Viveo for 2010, is going to be around USD32 million. I'm not quite sure why you're coming to 20. We can take that offline.

*No, no, that was excluding the thing. Okay.*

Okay. All right. So, on the capitalised development, the capitalised development's been flat. It was 19.9 in 2008, 19.5 in 2009. I'm keeping it flat in our own internal numbers keep that flat for 2010 again. Now, you'll see the amortisation is catching up. Back in 2008 there was about a 5 million delta between the capitalisation and the amortisation, 2009 there's about a 3.5/4 million delta and in 2010 you'll see the delta is very low, it's almost immaterial, and therefore the impact of capitalisation doesn't impact the results, really, beyond a million and a half. And then, obviously, going forward there'll be no net impact. So, I'm keeping capitalisation flat.

*Okay.*

On the restructuring charge, Takis, we've seen some reports that have taken a position on that and basically they are materially correct.

*Okay. And the last one on market share?*

On market share. Yes. We won market share pretty much, I'd say, across the board. We won market share against European players. We believe we won market share against Iplex and NorAcon in 2009 and we also believe we won market share against companies like Tada (?). So, it's across the board. When the market, I think, demonstrably declined in 2009 with 8%, mathematically you could get to the two points. So, we feel very good about it.

*Okay.*

***Ferdie (?) Grebe (?) – Credit Suisse***

*Hi, guys, thanks for taking my questions. First, could you give us a little more detail on the ASPs on ARC and Insight? I think in the past you've given ballpark figures for those.*

*And then, second, do you plan to break out AML and Payment deals similar to ARC and Insight going forward? And then, finally, could you give us a little more colour on whether we're seeing partners begin to source deals and if any maybe partner-sourced deals have been signed?*

It's Andreas. I think on ASPs on ARC and Insight we've given because we told you the percent of licence and the number of deals we signed in the year, so you can work them out. We see the Insight deal size actually going up quite nicely and we are achieving quick, if you like, successful references with the product. It's a two-month implementation, so we will see the results very quickly. And on the back of that we've been able to build out more functionality and take pricing up. I have to admit, I did not quite get your second question. Maybe you could repeat it, then I'll have a chance to answer it.

*Yes, sure. Just in terms of AML and Payments, do you think you'll break those out similar to ARC and Insight in sort of number of deals or maybe a revenue breakout going forward?*

Yes, we will.

*And then the last question was just on partners beginning to source deals.*

We are working on a number of opportunities with Cognizant and, as I said, we are starting to see successes in the marketplace. With Deloitte we've announced our first joint engagement. To what extent we'll see partners, if you like, identifying opportunities alone and bringing them to us and we are able to close them, we have a few of those in our pipeline and we hope we'll get to them in the next few days or in the next few months. But we are very excited by that prospect, clearly, because once we get to that point, then the scalability of the business is much better than it ever has been. We will be reporting those as we win them. So, you'll know.

*Great. Thanks a lot.*

### **Closing Comments**

**Ben Robinson:** Hi, there. I just want to thank everyone for participating and just to let you know that Max and I will be around for a few more hours, so if you have any more follow-on questions, please give us a call. Thanks very much.

**All:** Thanks, everybody.