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Half Year Results - December 2004

By Technology One

Business Software Solutions

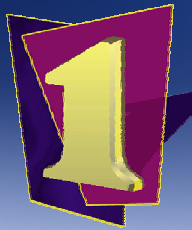
The Power of One



Connected Intelligence

Adrian_DiMarco@TechnologyOneCorp.com
Executive Chairman

February 2005
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AGENDA

- 2005 Half Year Results
- Significant Achievements Last Six Months
- Outlook
- Long Term Growth Prospects

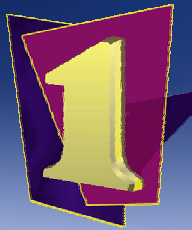




2005 Half Year Results

- Record half year revenue \$26.3m: up 7%
- Record half year Profit After Tax \$4.49m: up 18%*
 - Profit Before Tax \$6.33m: up 15%
- Expenses excluding R&D up: 6%
- Company continued to invest in its future
 - R&D spend at 19%
 - R&D fully expensed as incurred

*R&D Tax Concessions reduces Taxable Income



2005 Half Year Results

- Initial licence fee revenue up 18%
 - Licence fees to new customers up 10%
 - Licence fees to existing customers up 54%
- Annual licence fee revenue up 21%
- Consulting services revenue up 5%





2005 Half Year Results

- Finance One suite 4% increase in revenue over the previous half year
 - Involved in almost all deals
 - Have not yet tapped the full potential of our Payroll/HR solution (People One)
- Proclaim One revenue up 24%
- Student One revenue up 66%





2005 Half Year Results

- Trading performance was inconsistent
 - Project Services Revenue down \$1.1m, Profit down \$534k
 - Products strong results in: Qld, SA, VIC, NZ
 - Products weaker results in: TAS, WA, NSW, MA
 - Some specific state issues are being addressed
 - Indicates the robustness of the TNE business model

- Three operating areas posted a loss
 - Malaysia (\$135k)
 - WA (\$16k)
 - Project Services NSW (\$109k)





2005 Half Year Results

- Return on Equity (adjusted) improved to 24% (vs 19% last year)
- Operating Cash Flow of \$5.6 million (vs \$4.49m NPAT)
- Balance sheet strong
 - Cash on hand*: \$24.6m (vs \$19.8m last year)
 - Debt/Equity: 3% (vs 3% last year)
- Transparency of results – all R&D fully expensed

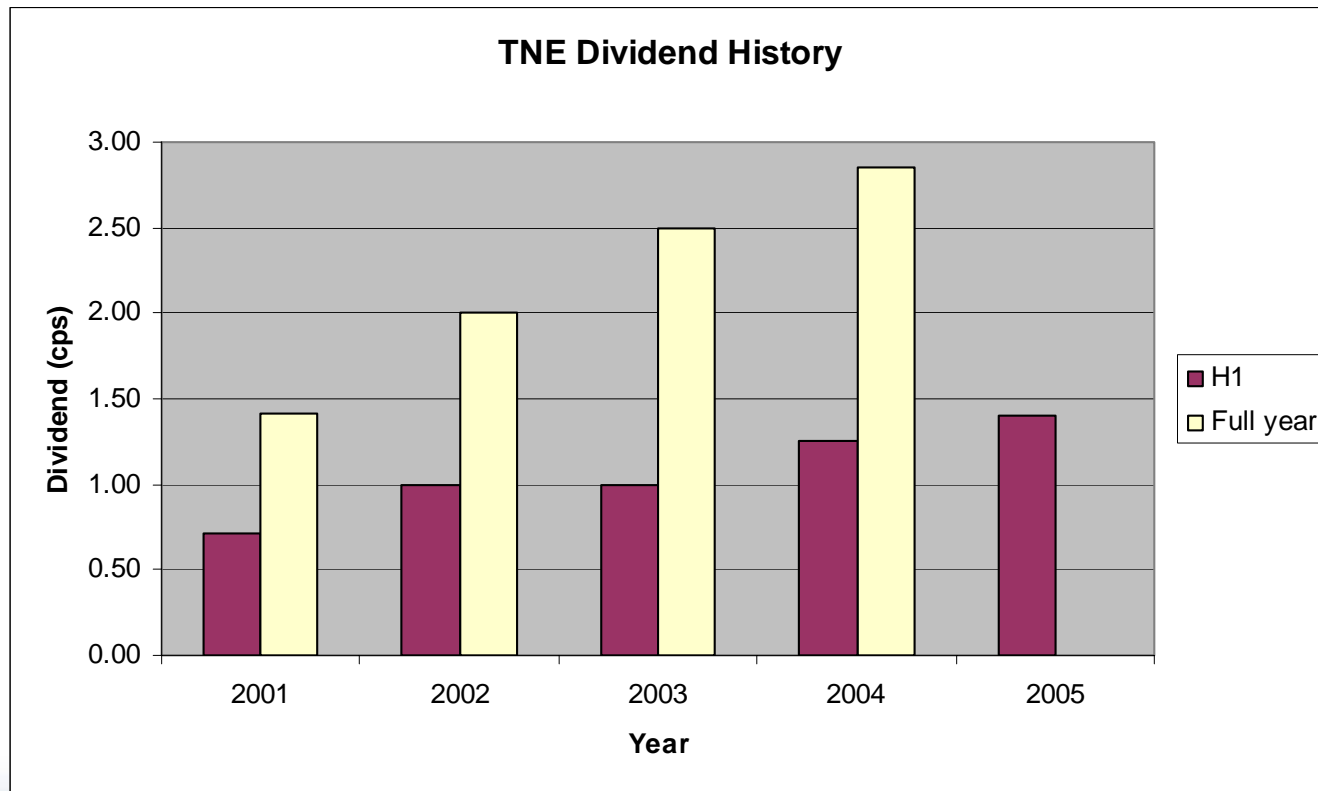
*Cash includes short term investments

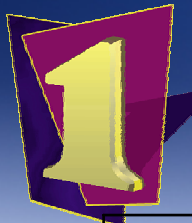




2005 Half Year Results

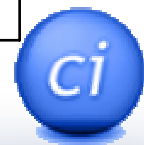
- Dividend increased for first half to 1.40 cents (up 12%)
 - Board to decide if full year dividend to increase above 2.85 cents paid last year





Half Year Reporting Table

H1 2005 v H1 2004	H1	H1	2005 v 2004	
	2005	2004	Variance	Increase
	\$ (000)	\$ (000)	\$ (000)	%
Total Revenue	26,311	24,586	1,725	7
Revenue	25,660	24,125	1,535	6
Expenses	14,204	13,407	797	6
EBITDAR	11,456	10,718	738	7
R&D	4,965	4,862	103	2
EBITDA	6,491	5,856	635	11
Depreciation and Amortisation	479	433	46	11
Amortisation of Intangibles	333	361	(28)	(8)
EBIT	5,679	5,062	617	12
Net Interest Income	651	461	190	41
NPBT	6,330	5,523	807	15
NPAT Pre Amortisation	4,827	4,185	642	15
NPAT Reported	4,494	3,824	670	18
Earnings Per Share - Reported (Cents)	1.50	1.28	0.22	17
Dividend Per Share (Cents)	1.40	1.25	0.15	12





Half Year Reporting Table

H1 2005 v H1 2004	H1	H1	2005 v 2004	
	2005	2004	Variance	Increase
	\$ (000)	\$ (000)	\$ (000)	%
Adjusted Return on Shareholders' Equity	24%	19%		
Cash and Cash Equivalents	24,585	19,822	4,763	24
Net Operating Cash Flow	5,620	4,264	1,356	32
Debt/Equity	3%	3%		
EBITDA Margin	25%	24%		
NPBT Margin	24%	22%		
R&D as Percentage of Total Revenue	19%	20%		

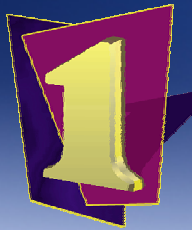


Significant Achievements Last Six Months

- Signed 39 new contracts in the half (vs 35 last half)

- Finance One continued to perform strongly
 - Involved in majority of deals
 - Strategic deals signed:
 - Government of Samoa
 - National Heart Foundation
 - Papua New Guinea Harbours Ltd
 - Royal Flying Doctors
 - Todd Energy (NZ)
 - Ministry of Defence NZ





Significant Achievements Last Six Months

- People One in 20 new deals (vs 4 last half year)
 - 73 People One customers now
 - Gaining momentum – On the way to being one of Australia's leading Payroll/HR solutions
 - Untapped potential in our existing user base
 - Another 12 to 24 months before we go after Best of Breed Payroll/HR market, giving customers a choice
- Retail One
 - No new deals in the first half
 - Focus in next 12 months shifts to R&D rather than sales
 - Note Supply Chain component in 29 of the 39 new deals





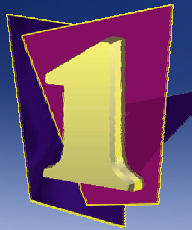
Significant Achievements Last Six Months

- Proclaim One 6 new deals (vs 3 last half year)
 - Barossa Council (SA)
 - City of Campbelltown (SA)
 - City of Holdfast Bay (SA)
 - Mareeba Shire Council (QLD)
 - Snowy River Shire Council (NSW)
 - Wyndham City Council (VIC)

- Leading supplier in Local Government in Australia

- Good opportunities going forward





Significant Achievements Last Six Months

- Student One
 - James Cook University signed
 - Clear win over other contenders is a strong lead indicator
 - Limited but good opportunities in the medium term

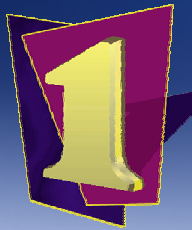




Significant Achievements Last Six Months

- Continued penetration in New Zealand
 - Far North District Council
 - Ministry of Defence
 - NZ Automobile Association
 - Port of Tauranga
 - Todd Energy
- Good opportunities going forward

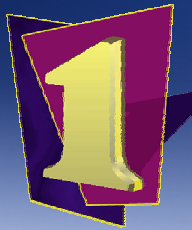




Significant Achievements Last Six Months

- Malaysia only one new contract
 - Nandos Chickenland
 - New Business Development Manager appointed
 - Expect improvement in second half

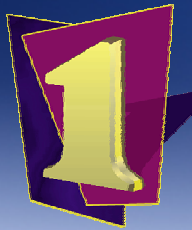




Significant Achievements Last Six Months

- Project Services
 - Reduced performance as forewarned last year
 - NSW major focus to grow the sales pipeline
 - Second half continues to look challenging





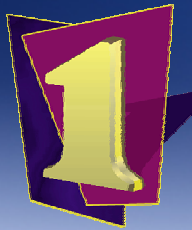
Significant Achievements Last Six Months

- Biz One initiative to increase our penetration in the SME market

- Why Biz One?
 - Finance One is seen as too big for SMEs
 - Pricing and implementation too expensive for SMEs
 - Appropriate Pricing Model and Basis for Calculation
 - Template driven solution with some limitation on functionality

- More successful trials now run as follows:
 - IFAP (Industrial Foundation for Accident Prevention Industrial Foundation for Accident Prevention)
 - Cross City Motorways
 - Bravura Solutions
 - SMB Fleet Management

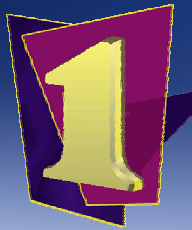




Significant Achievements Last Six Months

- Further trials to continue over next six months
 - Opportunity still unclear



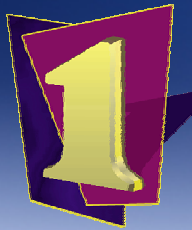


Significant Achievements Last Six Months

- Release One of our new integrated Project Management/Work Order Management solution (Work One):
 - Out of The Box solution for Finance One customers
 - Strong potential going forward
 - Significant development still required
 - Low/Mid end solution for:
 - Capital Intensive Industries
 - General Professional Services Organisation
 - Strategic Partnership being put in place for Mid/Large organisations

- XLOne reporting tool extended across all our enterprise applications

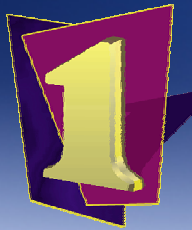




Significant Achievements Last Six Months

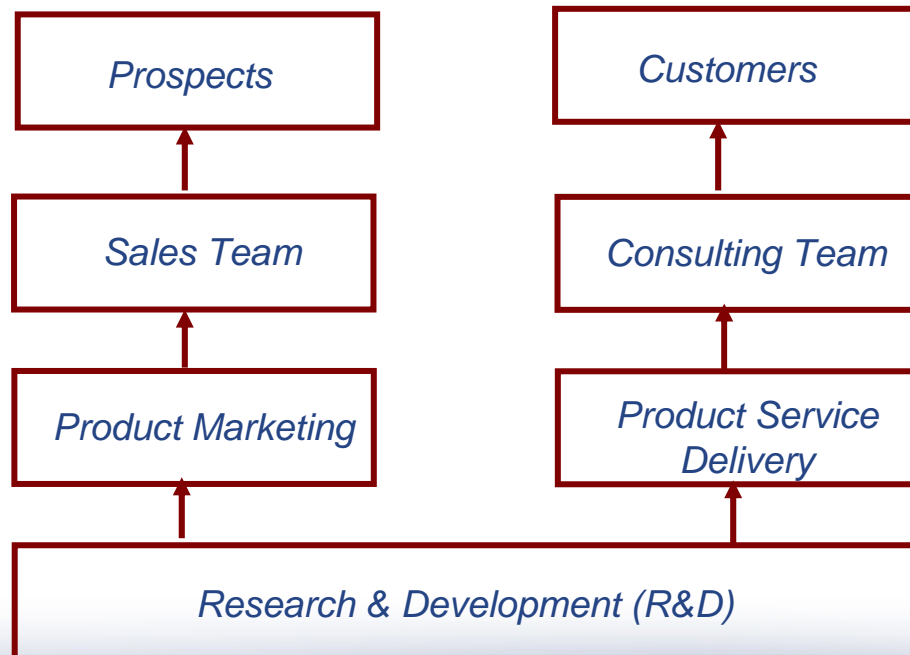
- Continued R&D across all products
- R&D into our next generation products (Connected Intelligence series) on track
- Finance One CI released and now live at 4 sites
 - All new Finance One sales are on the CI platform

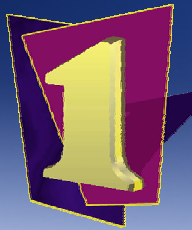




Significant Achievements Last Six Months

- New Product Service Delivery group formed
 - Provide support to our consultants to better deliver excellent customer service
 - Interface between R&D and our Consultants
 - Complimentary to our Product Marketing group formed last year





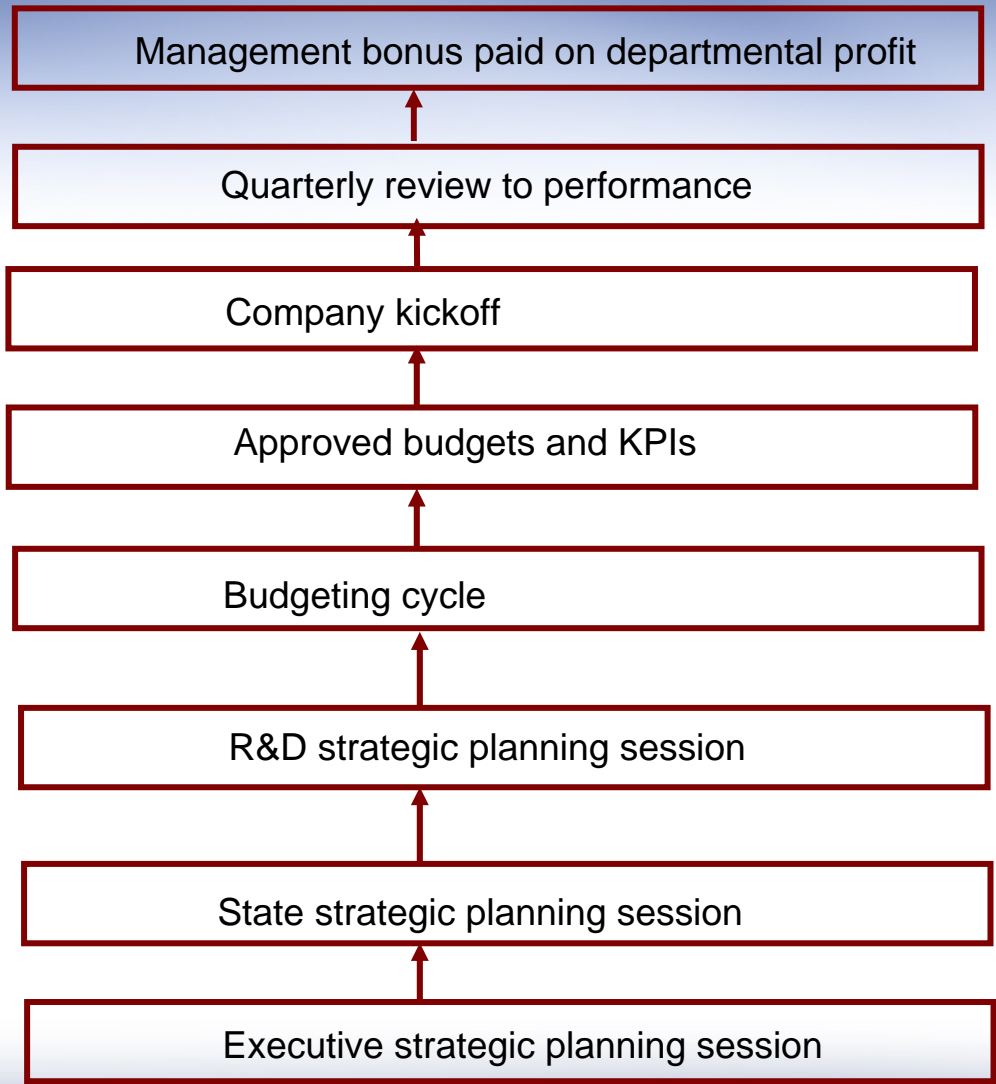
Significant Achievements Last Six Months

- Pipeline management improving
- Integrated strategic planning approach being adopted across the company





Integrated Strategic Approach



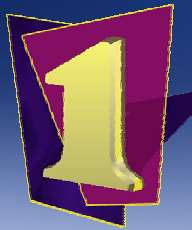


Outlook

- Aggressive R&D program to continue for the short term
 - 19-20% of revenue

- Connected Intelligence (CI) major R&D focus for next two years:
 - Finance One CI Stage 2
 - Retail One CI
 - People One CI
 - Student One CI
 - Proclaim One CI





Outlook

- Other major areas of R&D in the next 12/24 months:
 - Multi-currency for international markets
 - Works Order/Asset Management (continued work)
 - Business Intelligence
 - New Procurement system
 - Maturing of Retail functionality
 - HR functionality for People One
 - HESA/HEIMS for Student One

- CRM (Out of The Box) under consideration





Outlook

- Good start to the financial year

- Clearly on track for expected profit growth for 2004/2005 financial year will be at the higher end of our range:
 - 5% to 10% growth
 - Additional costs in the next half as we add more infrastructure to handle CI rollout as well as increase development resources

- UK is our next geography
 - Planning very advanced
 - Software modifications are still in progress
 - High Caliber Country Manager identified and negotiations in progress
 - Start date January 2006 based on Country Manager contract being finalised
 - Our expectation in the long term is that our UK business to be at least equal to our Australian operation





Outlook

- Challenges for 2005 and 2006 are as follows:
 - “Bed down” Finance One CI and establish it in the market
 - Progressively develop and release other CI products
 - Initial entry into UK market
- Market consolidation continues
 - Microsoft has four overlapping products that will be replaced with Project Green.
 - Oracle has three overlapping products that will be replaced with Project Fusion
 - Project Green and Fusion technical and logistical challenges are enormous!
 - This may lead to a significant customer attrition rate in the coming years





Outlook

- Higher Education confusion continues
 - Viability of alternative solutions in the Australian market in question
 - Callista has recorded major losses in last two years
 - Oracle yet to announce its future plans for Peoplesoft's student administration solution.
 - Peoplesoft's slow response to legislative changes required by Australian universities.

- Acquisitions and partnerships continue to be investigated
 - New vertical markets
 - Horizontal products to extend existing product breath





Growth Strategy

- Capitalise on market pickup and consolidation
- New generation products - Connected Intelligence (CI) series
- One integrated solution strategy
- Increase traction for our newer products
- Target the SME space – Biz One initiative
- Sharper focus on State and Federal Government
- New verticals through partnerships or acquisitions
- Sales growth from overseas expansion
- Protect our existing customer revenue base





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