

TechnologyOne Investor Update: Half Year Results

1 July 2005 - 31 December 2005



On behalf of Technology One Limited ("TechnologyOne"), I am pleased to announce the company's results under the new Australian International Financial Reporting Standards (AIFRS), for the half year ending 31 December 2005, showing a record Profit Before Tax (PBT) of \$7.2 million.

A handwritten signature in black ink, reading "A. Di Marco".

Adrian Di Marco,
CHAIRMAN



technologyone
business software solutions

INTERPRETING OUR RESULTS UNDER AIFRS[#]

The new AIFRS standards have caused some transitional reporting issues in the 2006 half year. The major impact to TechnologyOne of the new AIFRS standards has been in the area of revenue recognition.

Comparing our AIFRS Profit Before Tax (PBT) of \$7.2 million to the corresponding period last year under AIFRS shows an increase of 52%, and an increase of 14% on the corresponding period last year under AGAAP*.

We expect on a full year basis these transitional reporting issues to be minimal. As an example, our 30 June 2005 full year PBT under AIFRS compared to under AGAAP shows minimal differences as follows:

AGAAP reported PBT for 2005	\$14.4 million
AIFRS PBT for 2005	\$14.3 million

As such TechnologyOne believes it is more appropriate to look at the company's progression to meet its full year projection. For the 2006 full year we expect AIFRS PBT to be between \$15.2 and \$15.9 million, an increase of between 5 and 10%.

Other areas impacted by AIFRS have been Amortisation and Foreign Currency which are insignificant in their net effect.

ANALYSIS OF PERFORMANCE

TechnologyOne recorded a Profit After Tax (PAT) of \$5.1 million. Revenue for the half year has increased to \$31.6 million. Cash Flow remained strong, with Operating Cash Flow of \$4.2 million taking our Cash and Cash Equivalents to \$22.6 million. Our adjusted Return on Equity (ROE) is 28%.

The strength of our product strategy was highlighted with Initial Licence Fees to new customers of \$6.9 million, up 182% on the prior year under AIFRS, and up 70% on the prior year under AGAAP.

STRONG NEW BUSINESS

TechnologyOne's current products continued to be very successful in winning substantial new business from our competitors. Thirty-five new customers were signed, including high profile organisations like the Government of Papua New Guinea, Adelaide Bank, Queensland Airports, Workcover Queensland and Ministry of Justice in New Zealand.

In the half year we continued to perform strongly in our core markets:

- General Commercial - securing 23 new customers.
- Local Government - securing five new authorities.
- State and Federal Government - securing five new departments and agencies.
- Higher Education - securing two new customers.
- HR & Payroll - securing 19 new clients, taking the number of customers of our TechnologyOne HR & Payroll solution to 126.

Clearly we have seen opportunities open up in the tier one enterprise space for our products, with the signing of a number of significant deals such as the whole of Government of Papua New Guinea and also the Ministry of Justice in New Zealand. We expect to see further opportunities as organisations become disillusioned with the offerings from our competitors, and see the significant benefits that our new Connected Intelligence (Ci) series and our unique Power of One business model offers.

STRONG R&D PROGRAM

Research and development (R&D) continues to be a significant and important investment by TechnologyOne. In this half, \$5.8 million, an increase of \$877,000, and representing 18% of Revenue, was invested in R&D across our extensive portfolio of enterprise applications. The company continued world best practice and fully expensed all R&D as incurred.

HIGHLIGHTS

The highlights of the last six months are as follows:

- Strong new business
- Strong R&D program
- Strategic initiatives in R&D
- Organisational changes
- Preparation for TechnologyOne United Kingdom

* Australian Generally Accepted Accounting Principles (AGAAP) which are the previous Australian accounting standards.

Australian International Financial Reporting Standards (AIFRS) which are the new Australian accounting standards.



STRATEGIC INITIATIVES IN R&D

TechnologyOne Financials Ci continued to gain traction, with all new customers choosing this release. Over 90 sites have committed to this exciting new platform, of which 31 sites are now live. We continued to enhance our Financials solution, with Release 11.2 now nearing completion. Release 11.2 is particularly important because this release has the extensive modifications required for our entry into the United Kingdom (UK). Release 11.2 will also incorporate the first release of our HR & Payroll solution on the Ci platform.

Over the next 12 to 18 months we will continue to focus on delivering more of our products on the Ci platform, including the first release of our Student Management, Property & Rating and Supply Chain solutions. We are also planning many new and exciting initiatives in R&D.

Though our product solution suite is very broad today, encompassing Financials, Supply Chain, HR & Payroll, Property & Rating, Student Management, and Work & Asset Management, TechnologyOne continues to look at ways to further expand our total solution suite. It is clear that companies are looking for one solution from one vendor, and we continue to investigate options to provide our customers with a totally integrated solution 'out of the box' to meet their enterprise needs.

To this end, initial development has now started on our unified Business Intelligence solution. We have also started the first stage of research and investigation into the development of a Customer Relationship Management solution. In addition, we have also completed the first stage of research into the area of strategic planning and as a result, have entered into a partnership agreement with another Australian software company to market, sell and support their product offering, as part of our overall solution. We will trial this partnership over the next six months.

ORGANISATIONAL CHANGES

TechnologyOne successfully competes against the world's biggest software companies. Our success comes because we continue to challenge the 'status quo', and look for new ways to improve what we do.

In the last 12 months we undertook significant changes to our R&D teams to improve software innovation and quality so that we could commit to delivering a new standard in software that we are calling Awesome Software. I am confident we will see the benefits of this over the next few years.

Over the next 12 months, our focus will be on our Consulting Business, and how we can deliver a new standard of service to our customers called Exceptional Customer Service. This will be an important platform to manage our next stage of growth internationally.

PREPARATION FOR TECHNOLOGYONE UNITED KINGDOM

The company continued to work according to plan for the opening of our United Kingdom (UK) Office. Our first office location has now been selected in Maidenhead, and a Country Manager appointed. The extensive modifications required for the UK to our first product, TechnologyOne Financials are nearing completion and undergoing extensive testing. We are planning to open our first UK office in March 2006.

OUR STRATEGY FOR CONTINUING GROWTH

TechnologyOne today has developed two significant assets - our extensive portfolio of enterprise applications and our own distribution and support channel direct to our extensive range of customers. Growth in the coming years will come from maximising these two assets by:

- Increasing our portfolio of enterprise application either through R&D, acquisitions or partnerships.
- Cross selling our extended range of applications into our existing customer base, providing them a very cost effective and totally integrated suite of applications.
- Extending our customer base by going into new geographical areas, of which the UK will be a major focus in the next few years.
- Providing prospective customers a very clear and compelling alternative to our competitors.

COMPETITION

It is a unique time in the history of enterprise applications, which I believe will provide TechnologyOne significant opportunities in the next few years. The recent spate of large acquisitions by companies such as Microsoft and Oracle has left them with the considerable task of rationalising their product range. We expect it will take them a number of years to resolve these issues over which time there is real possibility that a significant number of their customers will become disillusioned and alienated. Meanwhile, our new Ci series provides us with a strong market leadership position and a very clear alternative for these prospective customers to choose.



Our success comes because we continue to challenge the 'status quo', and look for new ways to improve what we do.

BRAND CONSOLIDATION

As part of the entry into the UK, TechnologyOne has commenced a campaign to maximise the goodwill associated with the TechnologyOne name, and not dilute our sales and marketing efforts by promoting the various individual product brands we have. To this end we will only be promoting the TechnologyOne name going forward with our solution suite renamed as follows:

- TechnologyOne Financials (previously Finance One)
- TechnologyOne HR & Payroll (previously People One)
- TechnologyOne Supply Chain (previously Sales/Retail One)
- TechnologyOne Property & Rating (previously Proclaim One)
- TechnologyOne Student Management (previously Student One)
- TechnologyOne Work & Asset Management (previously Work One)

OUTLOOK

With the strong first half results, we are clearly in a very good position to deliver continuing strong growth for the full year. Over the next 18 months the company will continue investing strongly in R&D expenditure to bring our remaining applications across to our Ci platform and to extend our product offering, and increase staff to assist in the rollout of our Ci applications. These activities will lead to an increase in our cost base, which we will need to manage carefully in line with revenue growth.

The major opportunities over the next six months we expect will be in the following areas:

- TechnologyOne Enterprise Suite (integrated Financials, HR & Payroll, Supply Chain, Business Intelligence and Work & Asset Management)
- TechnologyOne Student Management

We also expect continuing improvement in the operating performance of the following regions:

- New South Wales
- Victoria

Looking longer term, I am confident the significant financial benefits from our considerable investment in R&D over the last few years will accelerate over the next 24 months, particularly as we increase our penetration in our existing markets, and establish our presence in new international markets.

FUTURE IMPACT OF AIFRS

With the introduction of AIFRS, we expect the half year financial results to not necessarily be a clear indicator of our full year results. This is because of the extended Christmas holiday break, and the tendency that once a decision has been made by a prospective customer to buy our products, the ensuing contracts may not be sufficiently advanced before the half year end, to be able to be recognised under the new AIFRS standard. To address this, in the future, as required, the company will provide additional guidance as to how the half year results positions the company in meeting its full year targets.

TECHNOLOGYONE SHARE PRICE

I normally do not comment about our share price, but have been asked the question on a number of occasions recently. The fact is that TechnologyOne is relatively unique on the Australian market, as we are one of only a few publicly listed software companies aggressively undertaking R&D, developing world class Intellectual Property (IP) as demonstrated by our new Connected Intelligence (Ci) series, coupled with a proven track record in the Australian and New Zealand market place, and plans to take this model to new international markets such as the UK.

I am confident over time, the market will come to better understand our company, and the significant benefits that our successful focus on the creation and commercialisation of world class R&D and our international expansion will deliver.

AFTERWORD

I would like to once again acknowledge the creative work of the TechnologyOne team. It is an honour to lead such a talented group of people who share the vision of becoming one of the world's great software companies.



ABOUT TECHNOLOGY ONE LIMITED

Technology One Limited ("TechnologyOne") has been providing comprehensive and deeply integrated enterprise business software solutions for over 20 years. The company's unique value proposition, The Power of One, is that it develops, markets, sells, implements and supports its own world class, fully integrated software solutions including financial management, human resource and payroll, supply chain management, business intelligence, property and rating, student management, and work and asset management. The company's new generation Connected Intelligence (Ci) solution suite is based on leading edge, state of the art technology and backed up by a substantial research and development program to ensure it continues to provide its clients with a significant competitive advantage and long term security.

It is an honour to lead such a talented group of people who share the vision of becoming one of the world's great software companies.

For more information, visit our website www.TechnologyOneCorp.com