



TechnologyOne Limited

2010

Half Year Report



Our Main Activities

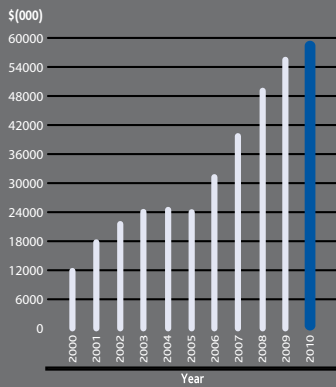
TechnologyOne is a leading supplier of powerful integrated enterprise software solutions for the following markets:

- Financial services
- Education
- Health, community services and not for profit
- Local government
- Government
- Utilities
- Managed services, including property, construction, and media and entertainment

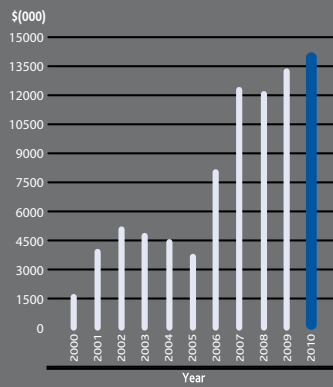
Tens of thousands of people each day use our world class enterprise software solutions, which we develop, market, sell, implement and support. Our Financials, Human Resource & Payroll, Supply Chain, Business Intelligence, Enterprise Budgeting, Performance Planning, Property & Rating, Student Management, Works & Assets, Enterprise Content Management and Customer Relationship Management, are used in large organisations and corporations in Australia, New Zealand, Asia and the United Kingdom.

Our 2010 Half Year Highlights

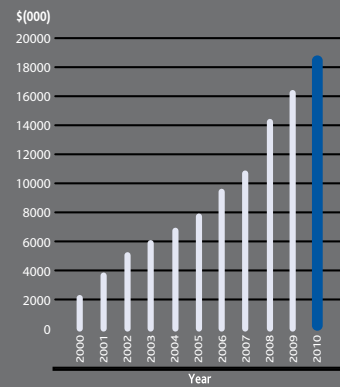
Revenue



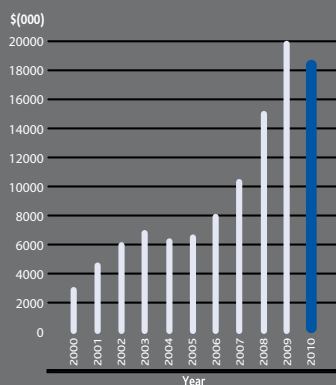
Licence Fees



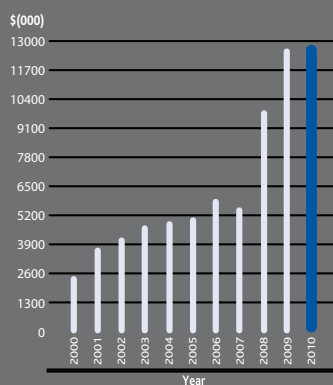
Annual Support & Maintenance



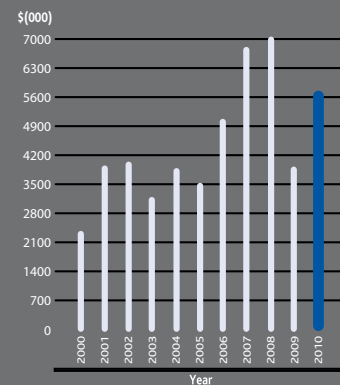
Consulting



R&D Expense



Net Profit After Tax



Letter to Shareholders

On behalf of Technology One Limited (TechnologyOne), I am pleased to announce our results for the half year ending 31 March 2010.

In a challenging and uncertain economic environment, TechnologyOne has posted continuing growth with Net Profit Before Tax up 38% on the prior comparative period. We have continued to win major deals against our multinational competitors, with new contracts across all our major vertical markets.



A handwritten signature in blue ink that reads "A. Di Marco". The signature is written in a cursive style with a horizontal line underneath.

Adrian Di Marco
Executive Chairman

“ Clearly our first half year result has been very strong and the company is positioned well for continuing growth this year.”

Analysis of Half Year Results

Highlights of our results include:

- Net Profit Before Tax up 38% up \$1.9m to \$6.9m
- Net Profit After Tax up 47% up \$1.8m to \$5.7m
- Revenue up 6% up \$3.3m to \$59.2m
- Total Expenses up 3% up \$1.4m to \$52.3m
- Expenses excluding R&D up 3% up \$1.3m to \$39.6m
- R&D expenses up 1% up \$138k to \$12.7m
- R&D expenses as a percentage of revenue is 22% compared to 23% last year

Our results by revenue stream are as follows:

- Licence fees are up 6% up \$830k to \$14.1m
- Annual licence fees are up 15% up \$2.5m to \$18.8m
- Consulting services fees are down 5% down \$988k to \$18.9m
- TechnologyOne Project Services (Plus) is up 24% up \$1.1m to \$5.7m

Our results are especially pleasing given the fact that we continued to invest strongly in a number of exciting growth areas, including:

- Building our new United Kingdom business
- Building our new Customer Relationship Management Connected Intelligence (Ci) product
- Building our new Enterprise Content Management Ci product
- Building our new Performance Planning Ci product
- R&D for the half year, which was 22% of Revenue (\$12.7m), was outside our historical average of 18% (\$10.6m), which had an impact of an additional \$2.1m expense to our results for the half

We see significant long term growth opportunities emerging from these investments. These items are discussed in more detail later in this letter.



technologyone



“ Our new vertical market solutions will draw on the company’s longevity and experience in key markets to deliver pre-configured solutions that address the key needs of each industry sector.”

Balance Sheet Strength

TechnologyOne continues to have a strong balance sheet with cash of \$21m (cash and short term investments available for sale of \$26.1m), undrawn banking facilities of \$7m, and a debt/equity ratio of only 4.9%. Operating cashflow was also very strong for the half year at \$9.1m, versus a Net Profit After Tax of \$5.7m.

Significant Achievements

The United Kingdom

The United Kingdom (UK) continues to be impacted by the Global Financial Crisis (GFC), and as a new entrant to this market, this is increasing the challenge we face to establish our business.

Having said this, TechnologyOne is not complacent and has made significant changes to our UK operation by creating a new North West Region covering Wales, Ireland, Scotland and North of England from the Midlands up. We have brought in a Regional Manager to drive this business with extensive enterprise software experience in the UK.

We have also appointed a new Regional Manager to drive our existing Southern Region covering the remainder of England, including the high population area of London. Once again, this new manager brings extensive enterprise software experience in the UK.

These changes will create a greater focus on the North and South of the United Kingdom, as well as allowing us to develop a new strategy for the UK which is more appropriate to handle the difficult operating conditions caused by the GFC.

Having said this, it is important to note we have created a beach-head in the UK market, from which we can now grow our business. This includes customers in the government, health, education, financial services, and community services sectors.

We also added to our existing customer list in the UK, with the contract win for Carnegie College in Scotland.

We continue to see significant long term growth opportunities in the UK. Further changes are planned to be made to the UK operation over the next 18 months, as we move from a startup to a more established operation, as part of our ongoing commitment to the UK market.

Research & Development (R&D)

In such a difficult operating environment TechnologyOne has continued to invest strongly in R&D. This will position us well for continuing growth in the coming years.

R&D was \$12.7m in the half year, representing 22% of Revenue. This was a significant investment and is well outside our normal 18% target. This expenditure, over and above our 18% target, impacted our results by an additional \$2.1m expense in the half year.

R&D continued across all our products, but areas of particular interest are as follows:

- Our new and exciting Customer Relationship Management (CRM) solution, which is now starting to gain traction in the market. The initial focus has been on the areas of Grants Management, Fundraising, and Contact & Stakeholder Management
- Moving our newly acquired Enterprise Content Management (ECM) product to the Ci platform and providing deep integration across all our products. The first release of our new ECM Ci product will be available in the next six months
- Moving our newly acquired Performance Planning product to the Ci platform and providing deep integration across all our products, which again will be available in the next six months
- Stabilisation of our new Student Management Ci product is nearing completion and has played an important role in the significant improvement of this product's performance this year, as well as securing the very large and prestigious contract to supply our solution to 13 Victorian TAFE colleges

- Continued investment in our Human Resource & Payroll product, which is at a crucial and pivotal point in its development
- Investment in our new Loosely Coupled Architecture (LCA), which will allow us to upgrade our customers quickly and easily in the future and is critical to our ongoing success as an enterprise solution provider
- Completing our investment in our new Mobility platform to create new, powerful solutions for field workers
- Continuing investment in our Business Intelligence, Works & Assets and Property & Rating products
- Further investment in new licensable product extensions for each product to drive future sales into our expanding customer base

We are also continuing research into our next generation platform, which will be used to build the next generation of our enterprise software suite. We expect this development to accelerate in the next 12 months.

House of Solutions

Over the last six months, TechnologyOne's new Solutions Group has been working with our customers in each of our vertical markets and our product teams to pre-configure our products for 'best practice' for each of our target vertical markets.

These pre-configured solutions will dramatically reduce the implementation times and risk typically associated with a large enterprise-wide implementation by allowing a prospective customer to take a 'pre-configured solution' relevant to their industry needs as the starting point, and then tailor it to the specific needs of their organisation.

This is a significant and ambitious undertaking for the company, as we move from the 'House of Products' to the 'House of Solutions'. This has the potential to significantly streamline our business, reduce our risks, and dramatically enhance the value our solutions provide to our customers in our target vertical markets: financial services, education, health, not for profit, local government, state/federal/central government, utilities, and managed services.

We expect to see the results of this investment in the next 12 months.

“ Our facilities need to be at the cutting edge to attract and retain the best IT talent in the country and to compete effectively in the global software market.”

Significant Achievements Continued

Cost Growth Control Initiatives

Some 12 months ago, given the challenging and uncertain operating environment, TechnologyOne made the difficult decision to contain the growth of costs, while at the same time retaining its team of highly talented staff. By retaining our staff, we were able to continue our strategic projects to completion and this now places us in a strong position as the economy improves, because we have not lost the talent and intellectual knowledge that will be critical to our future success. Our competitors on the other hand, have made significant reductions in their staff numbers, and we believe this will have a major negative impact on their businesses in the coming years.

The success of our cost growth strategy is now visible with expenses for the first half of this year up only 3% compared to being up 17% at the end of last year. This is significantly less than any time in the company's recent history.

Over the full year we expect expenses to be up 7% to 8%, while at the same time we will have retained our staff, increased headcount in critical areas only, and continued all our major research projects, as well as opened our new state of the art R&D centre in Brisbane. This will be a significant achievement which will position us well for continuing growth in future years.

New R&D Centre

TechnologyOne's new R&D centre opened in May this year. The new R&D centre is a significant investment for the company that will improve productivity and increase collaboration across our expanding product range. It will also assist us in continuing to attract the best R&D talent in the market as it will offer an outstanding work environment. Our new R&D centre is critical to the next stage of our growth. The modern and appealing R&D centre will also impact positively on customer and prospect perception about the capabilities of the company as we continue to successfully compete against the world's biggest software companies.

Works & Assets

The initial strategy for our Works & Assets solution was to address specific areas of functionality in this market. In recent years we have started to expand into much more sophisticated areas of asset maintenance, and this now requires us to substantially increase the level of functionality and capability of our system and our service delivery. To this end we have now appointed a new General Manager to run this business who brings significant expertise and industry knowledge to take this product to the next level.

Property & Rating

Opportunities in the local government sector for Property & Rating have not been forthcoming over the last six months. We believe in the medium term new opportunities will arise, but in the interim we are investigating new markets for this product in areas such as licensing & compliance and water authorities. This will require us to expand the existing product functionality.

New Customers

TechnologyOne has also continued to increase its presence in the sectors it services; signing new customers in all seven of its key vertical markets in recent months. New customers include: the High Court of Australia, Land Development Agency and the New Zealand Department of Labour in the government sector; Burwood Council and Moonee Valley City Council in the local government sector; Newcastle Airport and Unitywater in the utilities sector; Multiple Sclerosis Limited and Australian Home Care Services in the health & community services sector; Carnegie College and 13 Victorian TAFE colleges in the education sector; and National Transport Insurance in the financial services sector.



“ In direct response to increasing expectations from the marketplace we are providing customers with quality advice and direction regarding best practice solutions for their particular industry.”

Operating Environment

The operating environment remains uncertain and challenging. We continue to see aggressive tactics from our competitors, and customers delaying decision making, resulting in much longer contract negotiation timeframes.

Having said that, market conditions have not deteriorated any further in the last 12 months – they have now stabilised and we expect in the next 12 to 24 months to see conditions improve.

In such an environment it is important to note that we are not losing business to our competitors, and we are actually winning a greater share than in the past as customers look for ways to improve their efficiencies and challenge existing supplier arrangements. For us, the biggest challenge has been contract delays.

Our cost growth control initiatives, coupled with a better understanding of the operating environment we are in, positions us well for continuing growth this year.

Full Year Guidance

Though the economic climate continues to be challenging, TechnologyOne remains confident we can achieve continuing growth in the full year due to the following factors:

- Strong committed annual licence and support revenue in the second half
- Continuing good sales pipeline for the second half
- Our cost growth control initiatives

Over the full year, expenses are expected to increase by 7% to 8% over the prior year.

Market conditions continue to be challenging, with contract delays still occurring. We have been better able to manage this in the first half of this year and we will work hard to do likewise in the second half of the year.

Having said that, there still remains a level of uncertainty, but we believe for the full year the most likely scenario is that Profit After Tax will be up between 10% to 15%.



Long Term Outlook

The long term outlook for TechnologyOne remains strong due to the following factors:

- We are one of only a few software companies globally that can offer a total end to end integrated enterprise solution. Companies going forward are looking for such solutions to streamline their operations and improve their efficiencies
- Our unique 'Power of One' business model allows us to develop, market, sell implement and support our enterprise solution, which means we are better placed to retain our customers, while at the same time winning business over our competitors
- Our focus on seven key vertical markets and the introduction of our new Solutions Group will enable us to deliver more compelling solutions for our chosen markets. Our solutions will dramatically reduce the implementation time, costs and risks associated with large enterprise-wide implementations, capitalising on our considerable experience in each sector and increasing our competitive advantage
- As many of our newer products move from 'startup' to 'established' mode over the next two years; this will improve our margins and return on investment on these products
- Our geographical expansion into the very large UK market will create a substantial new revenue source for us in future years

Dividends

In light of our results, the dividend for the half year has been increased to 1.33 cents per share, up 51% on the prior year, in line with our Net Profit After Tax growth. This represents a payout ratio of 70%.

Afterword

I would like to once again acknowledge the hard work, passion and commitment of the TechnologyOne team, and the great work being done to build, market, sell, implement and support our suite of enterprise software. As we continue to 'raise the bar', it is exciting to see our people respond enthusiastically to the new challenges.

I would also like to thank you, our shareholders, for your continuing support.



Adrian Di Marco

Executive Chairman



www.TechnologyOneCorp.com

