

13 June 2014

The Manager
Company Announcements Platform
Australian Stock Exchange

Dear Sir,

Technology One Limited – Half Year Report to Shareholders

Please find attached a copy of Technology One Ltd's half year report for the period ending 31 March 2014.

Yours faithfully,



Rodney Hooper
Company Secretary

Transforming business,
making life simple



Technology One Limited

2014 Half Year Report



Our enterprise vision

The power of a single, integrated enterprise solution

Experience the power of a single, integrated enterprise solution built on a single modern platform with a consistent look and feel.

Transforming Business, Making Life Simple

TechnologyOne (ASX:TNE) is Australia's largest publicly listed software company, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,000 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only seven key markets: government, local government, financial services, education, health and community services, utilities and managed services. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 26 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.



Letter to shareholders

On behalf of Technology One Limited (TechnologyOne), I am pleased to announce our results for the half year ending 31 March 2014.

TechnologyOne has posted continuing strong growth with Profit Before Tax up 17%. Our half year result positions us to deliver continuing growth in both revenue and profit for the full year.

Analysis of half year results

Highlights of our results include:

- Net Profit Before Tax up 17%
- Revenue up 10%
- Total Expenses up 9%
- Expenses excluding R&D up 9%
- R&D expenses up 6%

Our results by revenue stream are as follows:

- Initial Licence fees up 24%
- Annual Licence fees up 13%
- Consulting Services fees up 4%
- TechnologyOne Plus (Project Services) down 7%
- Other Revenues* down 15%

We have continued to invest heavily in a number of key strategic areas, including:

- TechnologyOne Cloud
- Our next generation of enterprise software, TechnologyOne Ci²
- Our new preconfigured solutions
- Our United Kingdom business

We continue to take a conservative approach, with all costs associated with these investments being fully expensed as incurred. We expect significant revenue streams to emerge from these investments in future years.

*Other Revenues includes Product Modifications, Interest, Sub Lease rentals etc.

Market focus and commitment

Preconfigured enterprise software solutions reduce time, cost and risk

A deep understanding and engagement with our seven key markets means we can deliver to our customers integrated, preconfigured solutions that provide proven practice, streamline implementations and reduce time, cost and risk.

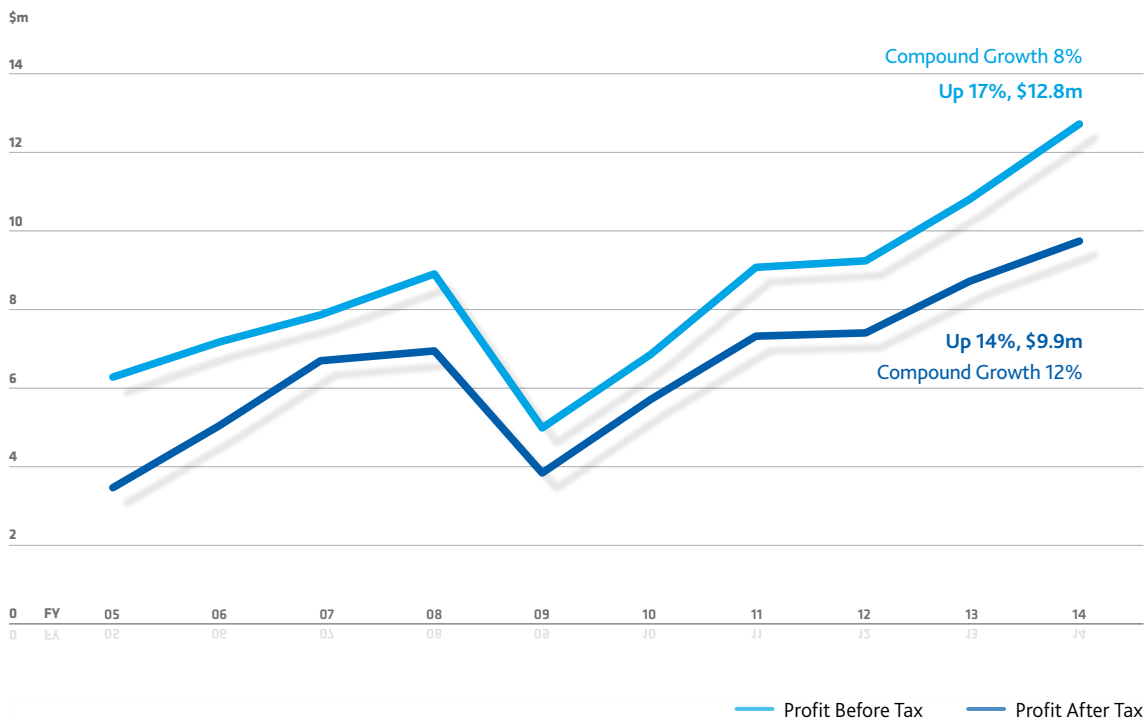
Commentary

Continued profit growth

We have seen continuing strong growth in profit, with Profit After Tax up 14% and Profit Before Tax up 17%.

The difference in growth between Profit Before Tax and Profit After Tax is due to the unusually high tax concession that we received last year associated with our R&D program.

As discussed at the AGM, the half year results cannot be extrapolated for the full year, as it is dependent on when contracts close. We have provided full year guidance later in this letter.



Initial licence fees

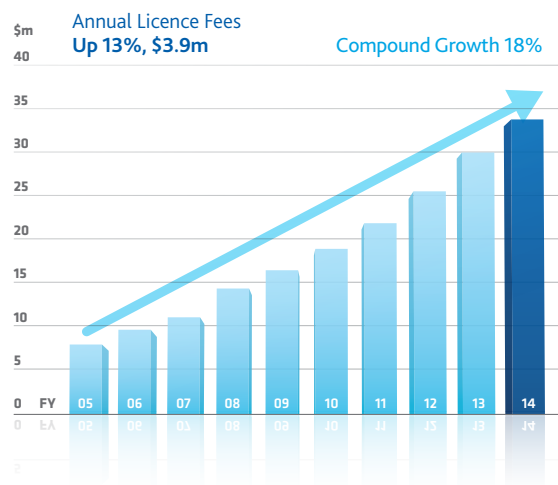
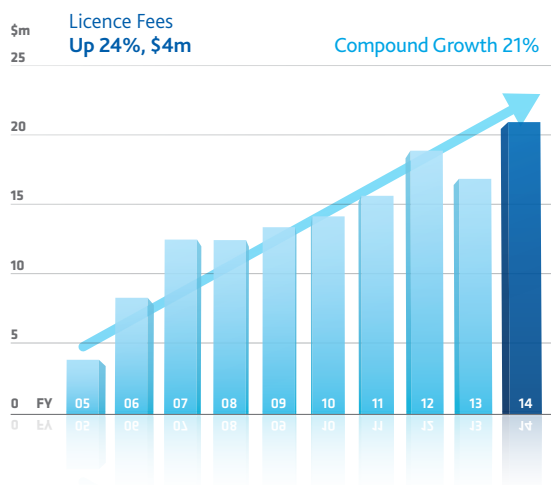
Our Initial Licence Fees were up 24% in the half year, which is a strong indicator of the continuing success of our Ci product suite.

This year we saw a number of contracts close earlier than normal, in the first half. Having said this, our sales pipeline for the second half year supports continuing growth in Licence Fees over the full year.

We believe as the TechnologyOne Cloud and our next generation of our Ci product (Ci²) gain acceptance in the market, this will create the platform for continuing strong growth in future years.

Annual licence fees

In keeping with our very high customer retention and satisfaction rates, our reoccurring Annual Licence Fees once again grew strongly by 13%. Our investment in our next generation product, Ci², and our Compelling Customer Experience program are critical to our ongoing success in this area.



The power of one

One vision. One vendor. One experience.

When you invest in a TechnologyOne solution you benefit from a direct relationship with us every step of the way. We do not use implementation partners or value-added resellers. We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solution for each customer to guarantee long-term success.

Consulting services

Consulting Services around our Ci products was up 4%. The profit was down 7% because of investment in a new revenue stream called Application Managed Services (AMS). AMS is a new service which will allow our customers to outsource the administration and management of our enterprise software to TechnologyOne, enabling us to continually improve their experience with our software. We expect the full year profit for Consulting Services to be up on the prior year.

Expenses

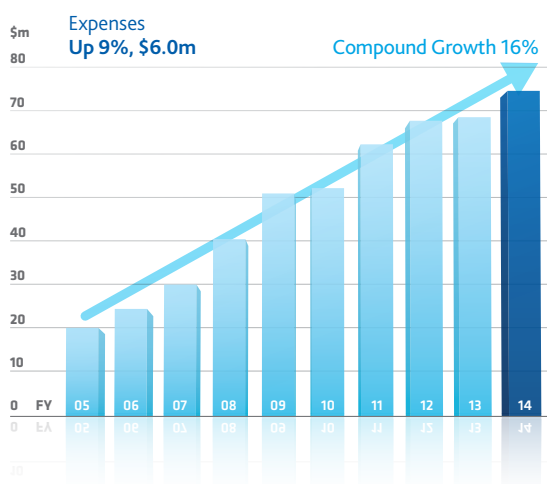
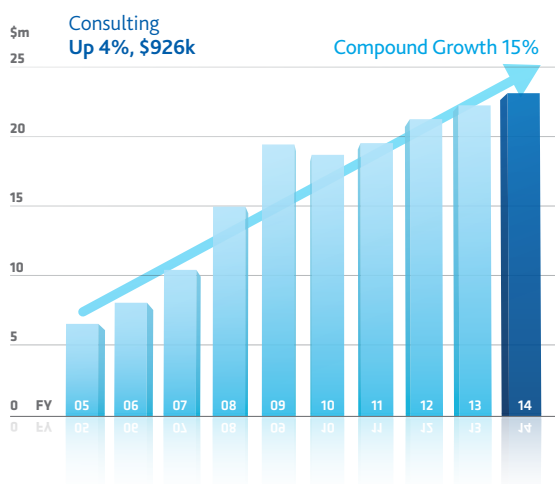
Total Expenses were up 9%.

Variable costs, which are expenses directly associated with revenue growth, were up 23% which is in line with our Licence Fee growth of 24%. Variable costs included our cloud costs, as well as commission and third party royalties associated with new licence fees.

What is pleasing is that our Operating costs were up 7%. Included in our Operating costs were a number of significant expenses as follows:

- Our contribution of approximately \$600,000 to cover the costs of our Evolve User Conference on the Gold Coast.
- The takeup of an \$820,000 expense for the sublease of surplus office space (from a previous acquisition) that was on unfavourable terms. We have accounted for the rent shortfall in total for the remaining three year period of this sub-lease.

Excluding these costs, Operating costs were up 5%.



Significant achievements

Evolve User Conference

In February we held our Evolve User Conference on the Gold Coast, which saw approximately 1,200 customer attendees. This was a significant event for the company as we launched and showcased the next generation of our Ci product (Ci²) and the TechnologyOne Cloud.

These new initiatives were well received by our customers, and generated a significant amount of excitement, as customers saw a simple path forward through the continued evolution of our very successful Ci product to embrace the power of smart mobile devices and the cloud to transform their business.

Ci Anywhere

The next generation of our Ci product allows organisations to embrace smart mobile devices including iPad, iPhone and Android devices as part of our enterprise solution.

This will open up a new world of possibilities for our customers, allowing them to access their data from any devices, from anywhere in the world and at any time. It is a new and exciting generation of enterprise software that is incredibly simple to use.

We have called this new generation of our Ci software, previously code named Ci², Ci Anywhere. Its positioning is "Enterprise software incredibly simple - Any device, Any where, Any time". Ci Anywhere will be an important platform for future growth in the coming years.

TechnologyOne Cloud

The TechnologyOne Cloud will deliver the TechnologyOne Ci Enterprise Suite through the cloud to our customers.

TechnologyOne will take complete responsibility to provide the processing power, software and services including backup, recovery, upgrade and support services for our cloud customers. This will provide what is essentially a very simple, cost effective and highly scalable model of computing.

The positioning of the TechnologyOne Cloud is "The future of enterprise software, today - Enterprise software as a service".

We have now proven the TechnologyOne Cloud, with early adopters now up and running live, and all very successful.

We see strong demand building up for the TechnologyOne Cloud over the coming years. We expect the TechnologyOne Cloud to become a new major platform for growth.

The cloud is not a destination, but a journey, as the cloud is continually evolving. We continue to invest strongly in the TechnologyOne Cloud. All TechnologyOne Cloud costs are fully expensed in the period they are incurred.

Research & Development (R&D)

R&D continued to be a significant investment for TechnologyOne at \$18.3m for the half year, up 6%. R&D continues to be fully expensed in the period it is incurred.

R&D continued across our entire Ci Enterprise Suite, including Financials, Supply Chain, Human Resource & Payroll, Customer Relationship Management, Enterprise Content Management, Student Management, Performance Planning, Business Intelligence, Enterprise Budgeting, Asset Management and Property & Rating.

A significant focus of R&D over the coming years will be on Ci Anywhere and the TechnologyOne Cloud.

For the full year, we expect R&D to be up 6%, which will be substantially below the 8% long-term target we set in 2011.

Review of our sales operation

As previously foreshadowed we have now commenced the transformation of our sales operation to improve our effectiveness in an increasingly competitive market, and to allow us to more effectively manage our expanding sales force. Our goal is to build a world class

The power of evolution

An enterprise solution that adapts and evolves

Substantial investment into R&D each year means we provide our customers a strong, continuing competitive advantage through an enterprise solution that adapts and evolves by embracing new technologies, concepts and innovation.

sales operation to drive our TechnologyOne Cloud and Ci Anywhere offerings into the market, and to accelerate licence fee growth.

As part of this transformation, now called OneSales, we have appointed a new Operating Officer for Sales & Marketing who brings extensive experience and knowledge in running a large, disciplined sales team, from his years working for large multinationals Oracle and Salesforce. As part of this transformation, we are also introducing a new Sales Methodology and Sales Force Automation Software to streamline our sales operation, and to impose greater discipline and consistency across the sales organisation.

Review of the UK Operation

In this half year we have once again increased our footprint in the UK adding additional new customers Edinburgh Leisure and The East Riding of Yorkshire Council.

With the UK market now starting to improve after the GFC, we have made the decision to increase our focus in the UK, by relocating one of our most senior and proven executives to the position of Operating Officer UK. He brings extensive knowledge of the Australian operation, as well as a track record in building a high performing sales organisation in a new geography/market.

Other initiatives

TechnologyOne is also continuing to invest in the following initiatives:

- **Marketing transformation**, to better position our solutions and products in a rapidly changing and highly competitive market place. We are creating greater clarity in our marketing messages and the events we run throughout the year to build our pipeline of opportunities. We are also simplifying the 'buyer's journey', and ensuring our events are proactive and meet the needs of prospective customers.
- **Compelling Customer Experience Program**, an ongoing staff development program to provide our people with the skills to deliver our customers a great service experience.
- **TechnologyOne College**, our in-house training college to ensure our people are given the continuing and 'just in time' training they need to continually improve their skills and expertise.
- **TechnologyOne Leadership Program**, an ongoing staff development program to build our future leaders, providing them with the skills, behaviours and techniques to successfully execute against our ambitious agenda.
- **TechnologyOne Solutions**, proven practice preconfigured solutions by industry sector to significantly reduce the time, cost and risks associated with ERP implementations, and dramatically enhance the value our software delivers to our customers.
- **Offshore R&D centre**, which is based in Indonesia, has allowed us to better support our existing products. It also provides operating leverage, enabling us to employ significantly more staff for the same expenditure; improve support time and KPIs for our customers and help deliver against our Compelling Customer Experience Program.



Any device. Any where. Any time.

Balance sheet strength

TechnologyOne continues to have a strong balance sheet with cash of \$54.0m and undrawn banking facilities of \$2m. Our debt/equity ratio remains conservative at only 5% and interest cover is 96 times.

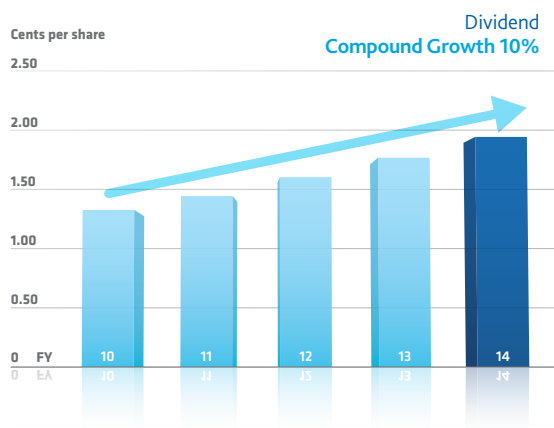
Operating cash flow was \$1.9m in the half year, versus a Net Profit After Tax of \$9.8m. This is due to significant licence sales in the last two months of the half, which will be collected early in Q3. The situation was further compounded by a significant tax payment in the first half. Operating cash flow will improve substantially over the full year.

Dividends

In light of our strong first half results and our confidence in our full year outlook, the dividend for the half year has been increased to 1.95 cents per share, up 10% on the prior year. This represents a payout ratio of 62%.

Previously we expected the dividend to be 85% franked over the full year. We now expect it to be 100% franked over the full year.

The Company also continues to investigate other capital management options including the payment of a special dividend at the full year.



Full year guidance

Though the economic environment remains challenging and uncertain, we are finding that our enterprise product business continues to remain resilient. As such, TechnologyOne believes we will once again achieve continuing growth in the full year due to the following factors:

- Committed annual licence and support revenue in the second half
- Pipeline of new sales opportunities in the second half
- Careful management of expenses, with Operating costs expected to be up 5% by year end
- Careful management of R&D expenditure, with R&D expected to be up 6% by year end

We will once again need to manage the challenge that the TechnologyOne Plus business faces, as we continue to transition this part of our business to work around our products. We expect our TechnologyOne Plus revenue for the full year will be approximately \$1m less than the prior year.

We will also need to manage the challenges of the UK market. We expect the UK business to continue to develop and the loss to be reduced once again to approximately \$800k for the full year.

Assuming that the economic climate does not deteriorate any further and that the current pipeline remains strong over the full year, we expect Profit will be up between 10% and 15% for the full year.

TechnologyOne Cloud

The future of enterprise software, today

We run our own enterprise software for our customers through the TechnologyOne Cloud, taking complete responsibility to provide a simple, cost effective and elastic model of computing. We pass on the benefits of our economies of scale to provide a continually evolving cloud solution. Simply sign in to get enterprise software as a service.



Outlook

Looking out over future years, we are excited by the significant growth opportunities ahead.

We expect our existing TechnologyOne Ci Enterprise Suite to continue to be strong in the coming years, coupled with the significant benefits associated with our preconfigured solutions, which reduce the time, effort, cost and risks associated with enterprise implementations.

We see continuing strong growth in our seven key vertical markets in Australia and New Zealand. These markets remain strong and resilient.

We also expect our newer products, such as Enterprise Content Management, Customer Relationship Management and Human Resource & Payroll to become mature and increase substantially in profitability.

We also see substantial growth from our existing customer base in the coming years, as our customers increase the usage of our products and services. For this reason, we are investing heavily in our Compelling Customer Experience program to ensure our customers receive the high level of service they need.

The UK operation will, in the coming years, move from a loss position to profit and given the size of this market, will provide us with significant

growth opportunities.

Delivering our Ci Enterprise Suite on the TechnologyOne Cloud will also open up new areas of growth for us in future years.

The next generation of our enterprise suite, Ci Anywhere, will in the coming years create a new platform for continuing growth for us by leveraging smart mobile devices as well as new and exciting technologies and concepts to further increase our advantage against our competitors. It will also secure our large existing customer base for the future by providing a simple and easy way forward using our powerful Ci platform.

Our offshore R&D centre will allow us to reduce our R&D expenditure as a percentage of revenue, without impacting on any of our strategic initiatives and at the same time improve the level of support our customers experience.

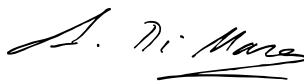
Given our ambitious agenda, our TechnologyOne Leadership Program will allow us to actively develop the strong leaders we need to execute to the high levels we demand.

I believe these events will have a significant positive impact, allowing us to continue to grow our revenue and profit and substantially improve our profit margin in the coming years.

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 support and run our world class suite of enterprise software. Our people are deeply committed to our vision of building truly great products and delivering great services that transform business and make life simple for our customers.

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



Adrian Di Marco
Executive Chairman

Ci Anywhere

Enterprise software, incredibly simple

Ci Anywhere is a simple and evolutionary path for our customers, embracing a range of smart mobile devices and consumer concepts to deliver powerful enterprise software that is incredibly easy to use.



Transforming Business, Making Life Simple

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One vision. One vendor. One experience.

TechnologyOneCorp.com

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