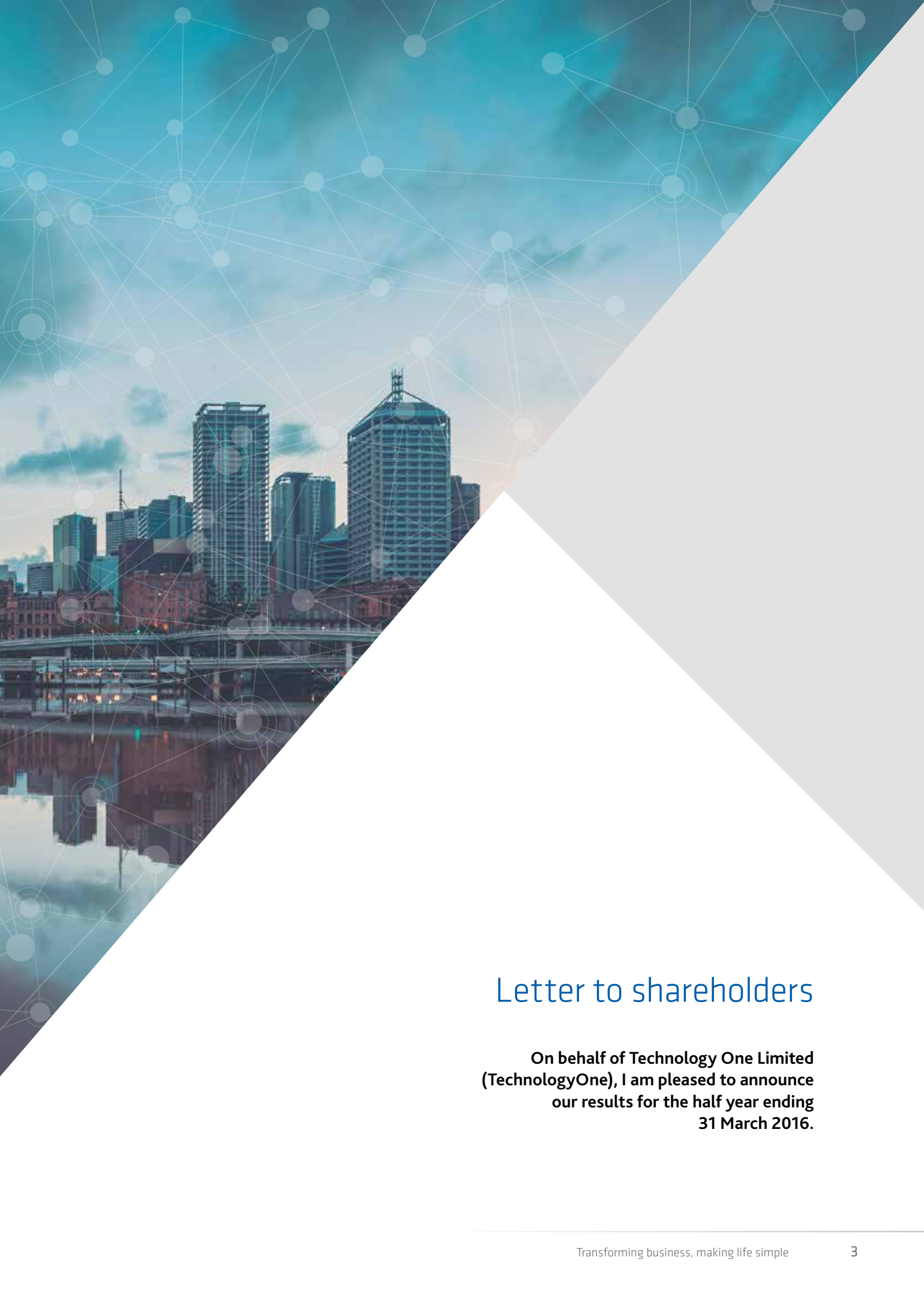


2016 Half Year Report

Transforming business, making life simple





Letter to shareholders

**On behalf of Technology One Limited
(TechnologyOne), I am pleased to announce
our results for the half year ending
31 March 2016.**

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.

2016 half year results

TechnologyOne has posted a half year result which is in line with the market guidance provided at the start of this financial year, with Revenue up strongly 12% (\$11m), and Profit Before Tax down 17% (\$2m).

As we have previously indicated, half year results cannot be extrapolated to determine full year results, and TechnologyOne expects strong profit growth over the full year.

Profit growth of 10% to 15% for the full year



TechnologyOne is well positioned for continuing strong profit growth of 10% to 15% over the 2016 full year based on the strength of our sales pipeline for the second half. At the end of our first half we were preferred supplier for a number of very large contracts, which provides significant positive momentum for the second half.

Full year guidance is discussed in more detail under the heading 'Full year guidance'.

Half year results meet market guidance

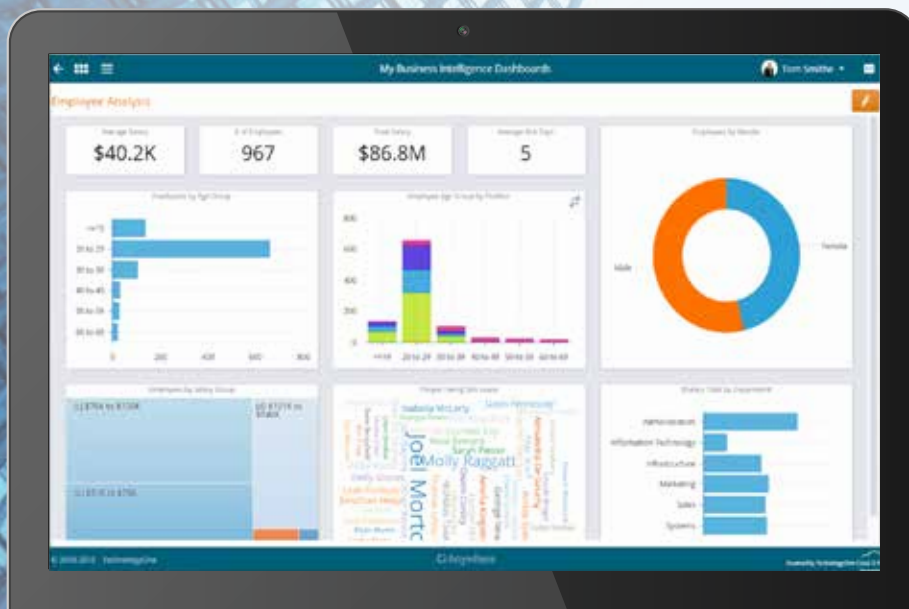
At the start of the 2016 financial year, TechnologyOne set the following market expectations in our letter to shareholders, section Outlook 2016, which we subsequently re-affirmed at our Annual General Meeting:

"As in previous years, this year we see the sales pipeline once again weighted strongly to the second half, so we expect the first half of 2016 to be particularly challenging, as it was in 2015, and once again it will not be indicative of the full year results.

Having said this, the full year pipeline is strong and supports continuing strong profit growth over the full year."

This is in fact what has happened. This is a repeat situation of what occurred in the 2015 financial year, when the sales pipeline was also weighted to the second half.

Continued strong business growth



Analysis of half year results

Highlights of our results are as follows:

- Revenue up 12%
- Net Profit Before Tax down 17%
- Total Expenses up 16%
- Expenses excluding R&D up 18%
- R&D expenses up 13%

Our results by revenue stream are as follows:

- Initial Licence fees line ball
- Annual Licence fees up 15%
- Total Consulting Services fees up 11%
- Cloud Service fees up 100+%
- Other Revenues* down 38%

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

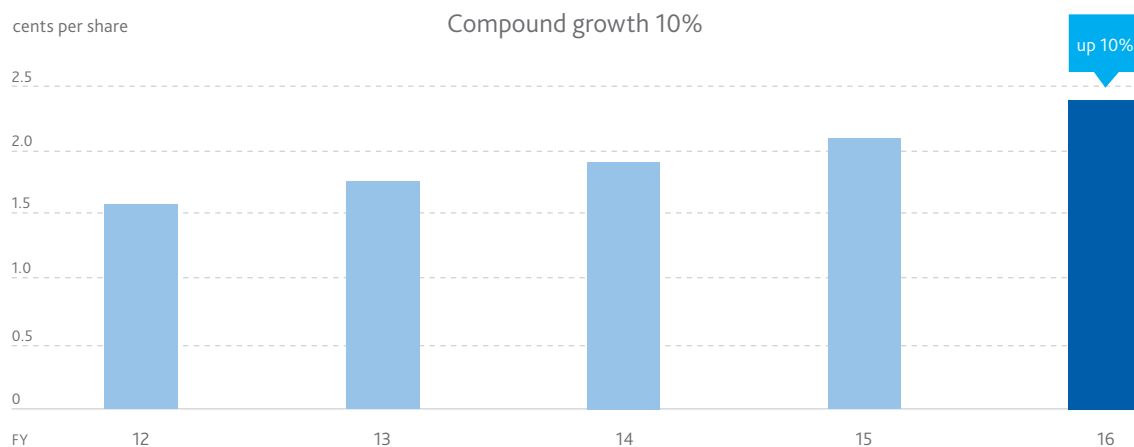
Dividends up 10%

The company is proud of its strong track record in increasing dividends, having continuously paid a dividend since 1996, through both the dot-com crash and GFC.

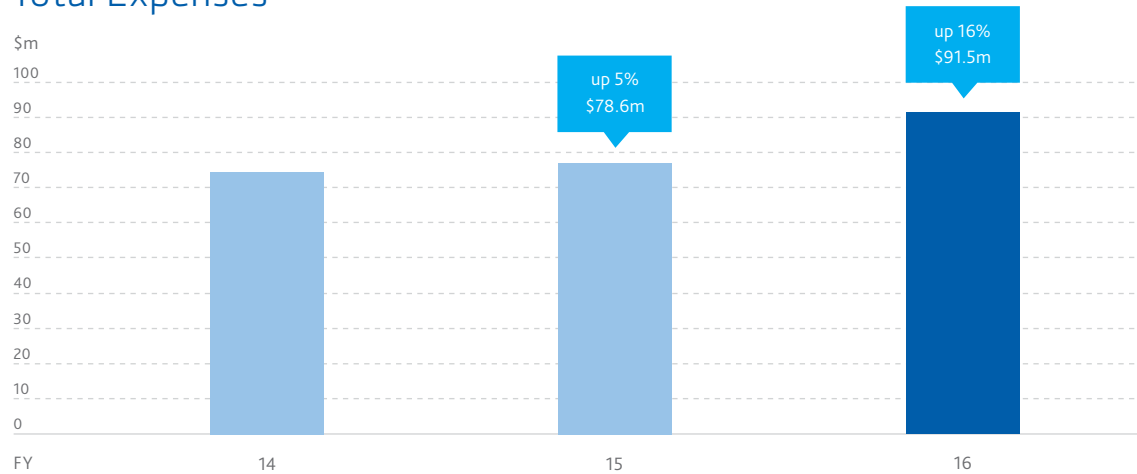
In light of our confidence in once again achieving strong growth over the full year, the dividend for the half year has been increased to 2.36 cents per share fully franked, up 10% on the prior year. This represents a payout ratio of 100%.

The company will once again consider the payment of a special dividend at the full year.

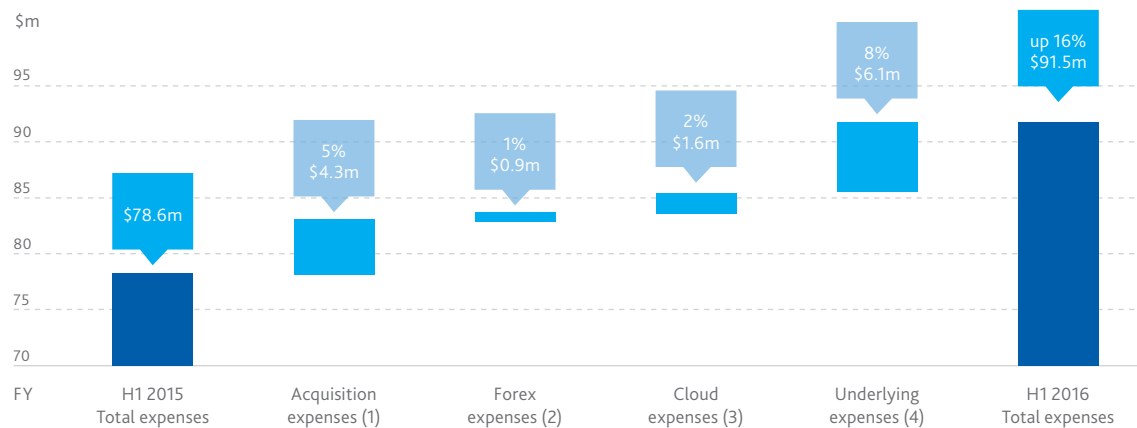
Dividend



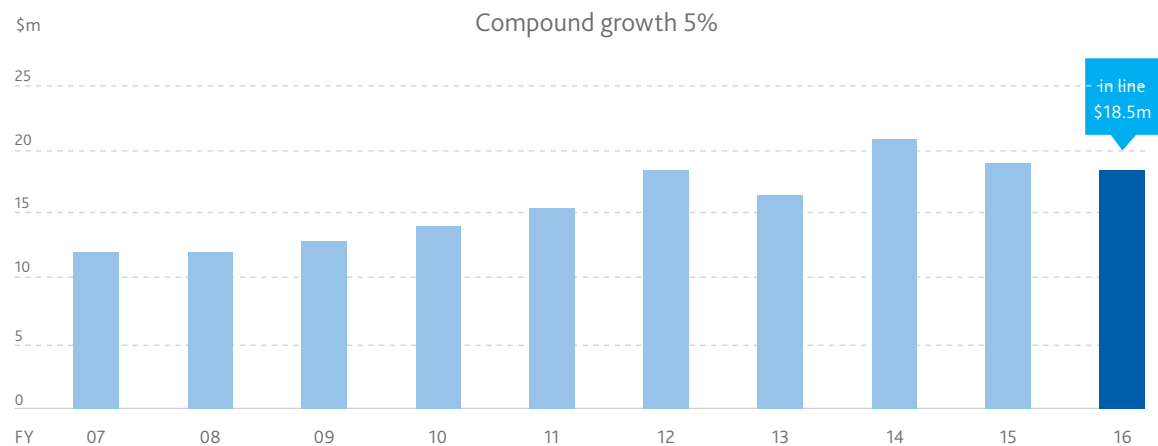
Total Expenses



Expense breakdown



Licence fees



Other commentary

Profit down 17%

Our half year Profit Before Tax was impacted by two factors as follows:

- First half Total Expenses up 16%
- Sales pipeline weighted to second half

These are discussed in detail below. We do not see these factors continuing over the full year.

Total Expenses up 16%

First half Total Expenses were up 16% compared to last year when they were up only 5%.

Our Expenses were up as follows:

- 1) Costs associated with acquisitions last year, the impact of which we are seeing for the first time in our 2016 first half results. This is an additional \$4.3m of costs, with no associated contribution to profit. We expect a meaningful contribution to profit from these acquisitions over the full year.
- 2) Foreign currency loss because of the stronger AUD (against USD) which generated a loss of \$880k in the half. This will not continue in the second half, as we no longer hold USD.
- 3) Costs associated with TechnologyOne Cloud were up 120%+ (up \$1.6m), as we continue to grow this strategically important part of our business.
- 4) As a result of the ramp up of staff numbers in the second half of 2015 financial year. We are now seeing the full costs associated with additional staff coming through in the first half results of 2016. The increase of staff is due to our focus to complete and roll out our Ci Anywhere product in the 2017 calendar year, which has also seen us open up a new R&D centre in Vietnam. This is of strategic importance.

Our expectation is that for the full year Total Expenses will be up only 11%, substantially below the 16% increase at the half year. This will allow us to achieve strong profit growth over the full year. This is discussed in greater detail under the heading 'Full Year Guidance'.

Sales pipeline weighted to second half

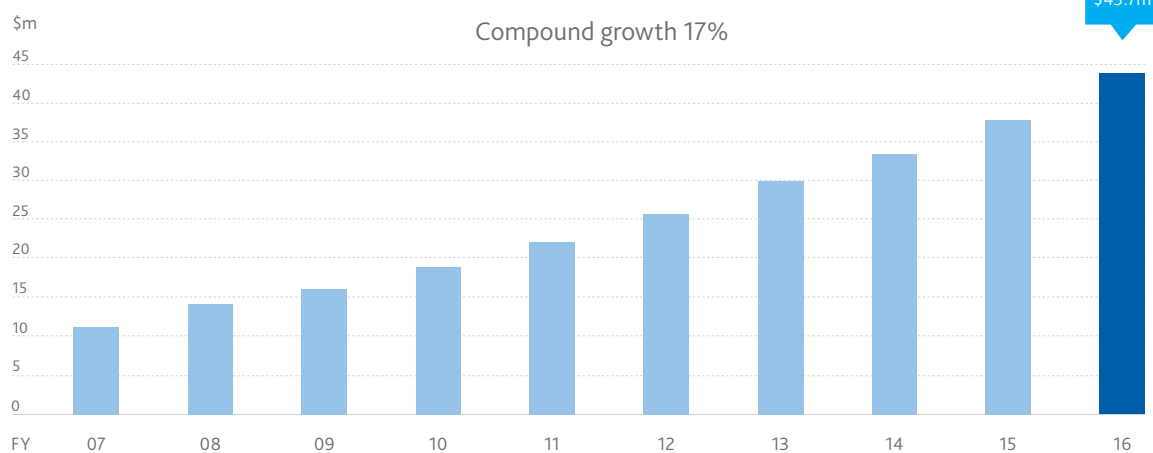
Initial Licence fees were line ball in the half year, which was expected, and communicated to the market at the start of the financial year. At the start of the 2016 financial year we identified that the sales pipeline was weighted strongly to the second half of 2016.

Licence fees being down at the half year is not an unusual occurrence, and this has occurred in prior years. The reason for this is that there is no compelling reason for customers to sign contracts before 31 March. This means contracts, particularly large, more complex contracts, can easily move into the second half, which is what has happened this year. We note that there were no large multi-million dollar licence fee contracts in the first half this year. These will occur in the second half of the year.

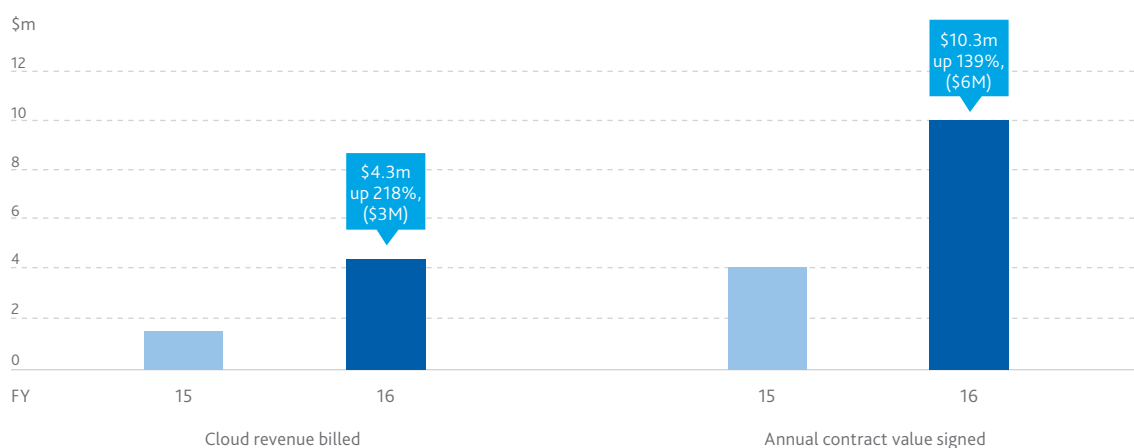
There were a number of large multi-million dollar licence contracts that we were preferred supplier at the end of the first half year and that now provide significant positive momentum for the second half.

The pipeline for the second half is strong, which will allow us to achieve strong profit growth over the full year.

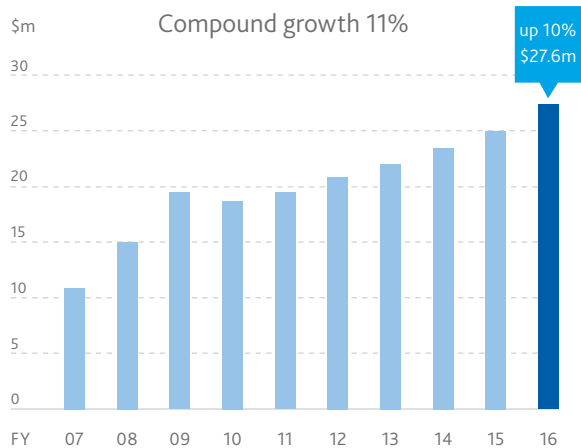
Annual Licence fees



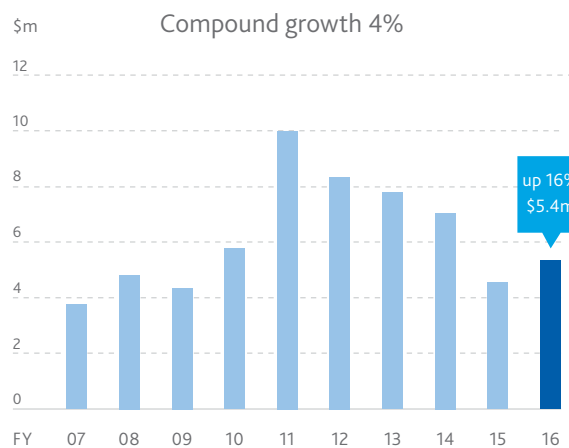
Cloud Services fees



Consulting fees



Plus consulting fees



Annual Licence fees grew strongly by 15%

In keeping with our very high customer retention and satisfaction rates, our recurring Annual Licence fees once again grew strongly by 15%. Investment in our next generation product, Ci Anywhere, and our Compelling Customer Experience program are critical to our ongoing success in this area.

TechnologyOne Cloud Services fees up 100%

It is important to note that the Cloud Services fee is the incremental revenue we earn for running our enterprise software on the TechnologyOne Cloud for our customers, and does not include any associated Licence fees.

TechnologyOne Cloud Services fees continued to grow strongly in the half, with Annual Contract Value now \$10.3m, up 100%+ from \$4.1m last year. We now have 91 customers committed to the TechnologyOne Cloud. Our target is to have Annual Contract Value of \$16m+ by December 2016. We expect this strong momentum to continue in the years to come.

The TechnologyOne Cloud contributed a \$900k loss in the half, compared to a \$1.6m loss this time last year.

Over the full year we expect this loss to remain at \$1m, a significant improvement compared to the \$2.5m loss at the end of the 2015 financial year.

Our focus in the first half of 2016 has been on a number of very large and strategic deals. We are now preferred supplier and expect to finalise contracts in the second half.

With our new Cloud 5.0 architecture, this loss will reduce to break even in the 2017 financial year. Cloud 5.0 introduces the start of our mass production Software as a Service (SaaS) offering, which is a massively scalable platform with significant economies of scale.

Total Consulting Services up 11%

Total Consulting Services was up strongly, up 11%.

Consulting Services (excluding Plus) was up 10%.

Application Managed Services (AMS) is a new service in our Product Consulting business which allows our customers to outsource the administration and management of their enterprise software to TechnologyOne, enabling us to continually improve their experience with our software. This has been well received and contributed revenues of \$2.8m, up 40% (\$800k) in the half. We expect this strong momentum to continue in the full year.

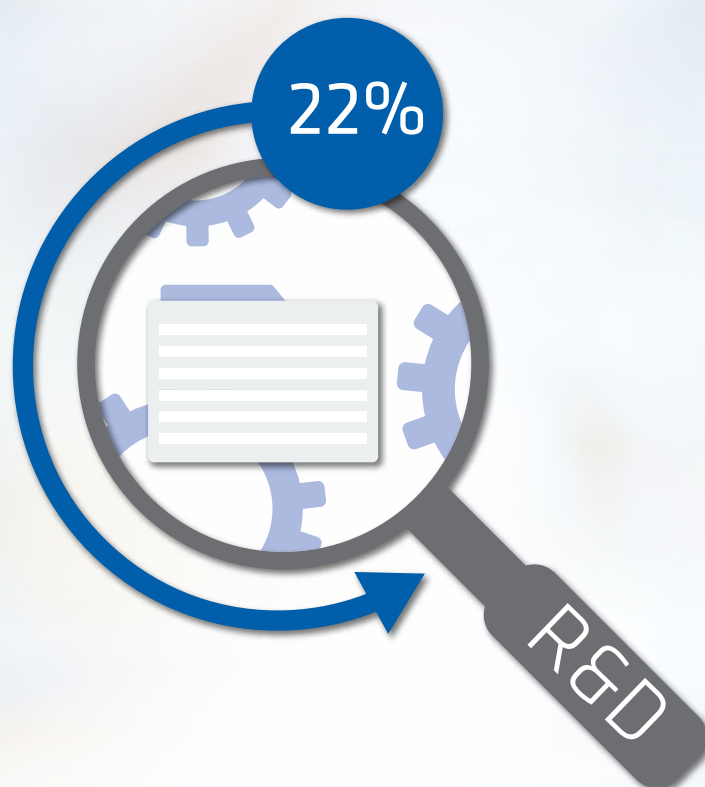
The Plus business performed well with Revenues up 16% (\$765k) as we continue to pursue our strategy to move away from services that are not related to our core products.

Significant achievements

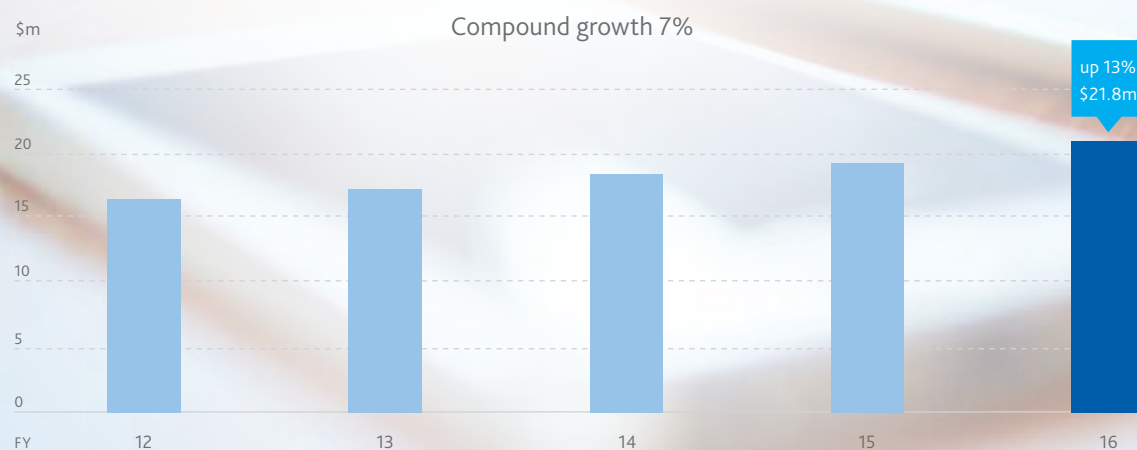
Sales momentum of TechnologyOne Cloud and Ci Anywhere

We will be hosting our major customer event, called Evolve, in Brisbane in October 2016 for an anticipated audience of more than 1600 delegates. The conference will be held over three days at the Brisbane Convention & Exhibition Centre, and will feature over 100 presentations across 10 streams. This is expected to create sales momentum for the TechnologyOne Cloud and Ci Anywhere in 2017 and 2018.

Continued large investment in R&D



R&D Expenses



Research & Development (R&D)

R&D continues to be a significant investment for TechnologyOne at \$21.8m for the half year, up 13%. This includes acquisitions made in the prior year. R&D expenses excluding acquisitions are up 9%.

R&D represents 22% of revenue, which far exceeds our competitors' average spend on R&D of approximately 12%. R&D continues to be fully expensed in the period it is incurred.

R&D continued across our entire Ci Enterprise Suite, as well as our next generation product Ci Anywhere and the TechnologyOne Cloud.

For the full year, we expect R&D to be up 8% including acquisitions, which will be in line with the 8% long-term target we set in 2011 (excluding acquisitions).

New R&D centre in Vietnam

It is important we bring the development of our next generation product, Ci Anywhere, to completion in the 2017 calendar year. To this end we have opened an R&D centre in Vietnam, which will allow us to employ more developers to complete this project.

Vietnam has a strong and vibrant IT industry and provides a second R&D centre in the Asian region, to complement our R&D centre in Indonesia. It will allow us to stay within our 8% R&D growth profile we have previously committed to, as well as allow our Australian R&D centre to move towards high-end design and architecture work.

TechnologyOne Cloud

We are running a trial, to be completed over the next three to six months.

The TechnologyOne Cloud provides a compelling value proposition to our customers, giving them what is essentially a very simple, cost effective and highly scalable model of computing.

We have now delivered TechnologyOne Cloud 5.0 which introduces the start of our mass production SaaS offering. This will provide a massively scalable platform with significant economies of scale.

We are now in the process of migrating all our cloud customers to our Cloud 5.0 architecture. We are also in the process of releasing Cloud 6.0 to early adopters.

All TechnologyOne Cloud costs are fully expensed in the period they are incurred. We have in recent times received strong recognition for our cloud as follows:

- Amazon Technology Partner of the Year
- UK Cloud Award – ERP Cloud Product of the Year
- Preferred supplier for Australian Government Cloud Services panel
- Preferred supplier for UK Government G-Cloud panel
- Selected for Australian Government Shared Services for SaaS

We are confident the transition of our business to the cloud will be smooth over the coming years, with minimal impact on our business. We will come through this period with an even stronger, more resilient business model and significant competitive advantage.

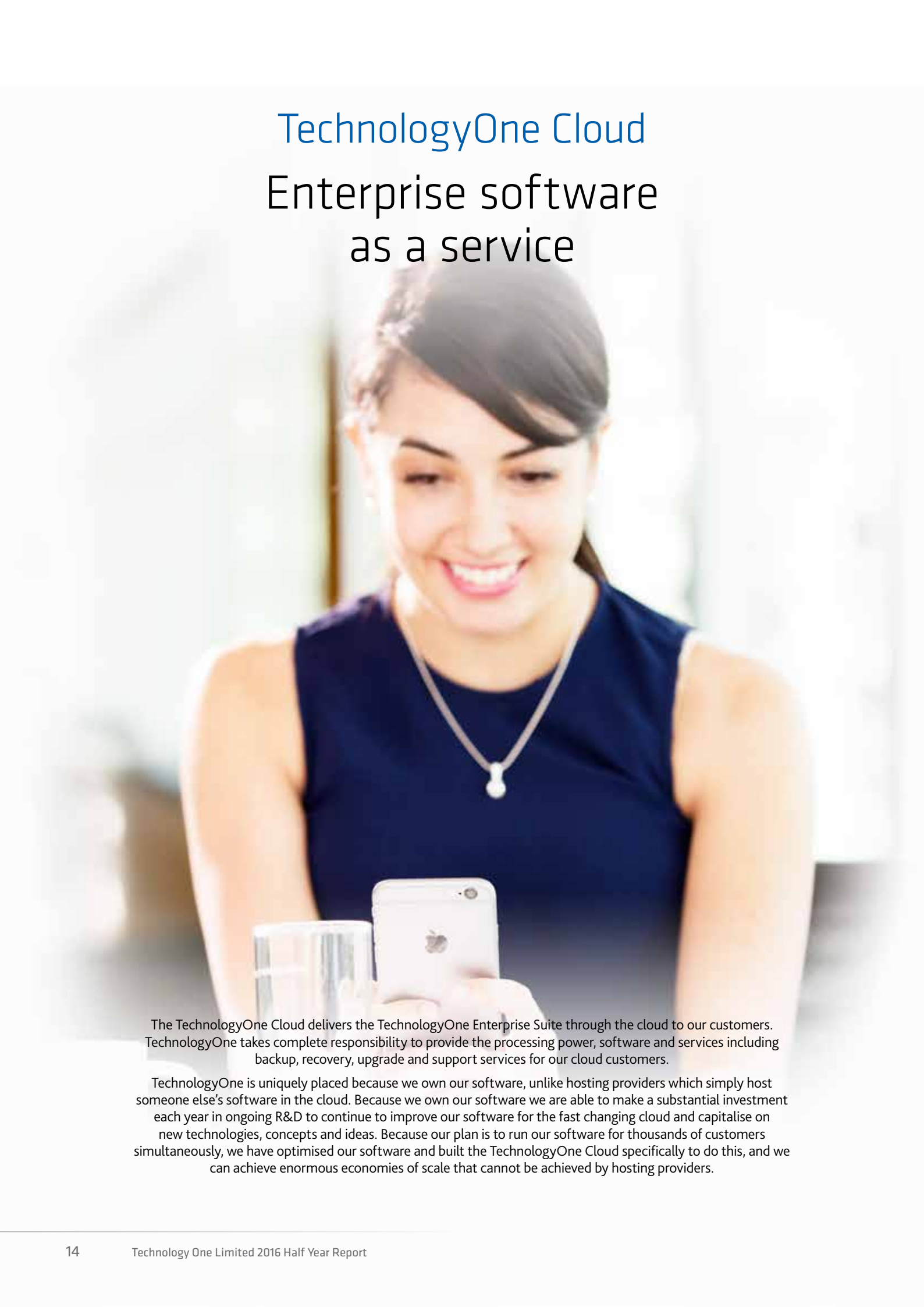
Review of the UK operation

This half year we have once again increased our footprint in the UK, adding four new customers which takes us to a total of 30 enterprise customers in the region. We remain focused on achieving critical mass in the UK, which will require in excess of 40 customers.

Also important to our future success in the UK, will be the introduction of our Human Resource & Payroll (HRP) product to this market. The adaption of HRP for the UK market is in progress now, with a target availability date of late 2016.

This will be followed with the introduction of our Student Management solution in late 2017. We now have signed our first early adopter customer for our Student Management solution in the UK, University of Lincoln.

We are now entering a period of substantial growth for the UK business.

A smiling woman with dark hair, wearing a dark blue sleeveless top and a necklace, is looking down at a white smartphone she is holding. The background is a bright, out-of-focus indoor setting.

TechnologyOne Cloud

Enterprise software as a service

The TechnologyOne Cloud delivers the TechnologyOne Enterprise Suite through the cloud to our customers. TechnologyOne takes complete responsibility to provide the processing power, software and services including backup, recovery, upgrade and support services for our cloud customers.

TechnologyOne is uniquely placed because we own our software, unlike hosting providers which simply host someone else's software in the cloud. Because we own our software we are able to make a substantial investment each year in ongoing R&D to continue to improve our software for the fast changing cloud and capitalise on new technologies, concepts and ideas. Because our plan is to run our software for thousands of customers simultaneously, we have optimised our software and built the TechnologyOne Cloud specifically to do this, and we can achieve enormous economies of scale that cannot be achieved by hosting providers.

Remuneration & Corporate Governance

TechnologyOne continues to work closely with our investors and advisors in the evolution of both our Remuneration Framework and Corporate Governance.

It is important we continue to strike the correct balance in how we operate, so that we can maintain a high performing culture as well as improve our Remuneration Framework and Corporate Governance.

We appreciate the continuing support of our major shareholders in this evolution of our business.

Appointment of Chief Operating Officer for Australia and Asia Pacific

It is with great pleasure we announce the appointment of one of our long serving and highly successful Operating Officers, Mr Edward Chung, to the new role of Chief Operating Officer for the Australian and Asia Pacific region. This will bring the entire region together under a single leader, and will be a precursor to a similar structure for the UK, once it achieves scale.

Balance sheet strength

TechnologyOne continues to have a strong balance sheet with cash and cash equivalents of \$45.4m and undrawn banking facilities of \$2m. Our debt/equity ratio remains conservative at only 0.45% and interest cover is 273 times.

Operating Cash Flow was negative \$3.3m this half. This is due to a number of factors:

- A significant prepayment of \$1.5m made to secure infrastructure for the TechnologyOne Cloud
- A significant number of new licence sales in the last two months of the half, which will be collected early in Q3

Operating Cash Flow will improve substantially over the full year, and will once again approximate our full year Net Profit After Tax.

Full year guidance - Profit growth of 10% to 15%

TechnologyOne is well positioned to achieve continuing strong profit growth in the full year due to the following factors:

- Substantial base of committed annual licence and support revenue which is heavily weighted to the second half
- At the end of our first half we were preferred supplier for a number of very large contracts, which provides significant positive momentum for the second half
- Strong pipeline of new sales opportunities in the second half

In particular we see Total Expenses being up 11% over the full year, which will be a significant reduction to our expenses being up 16% at the half year. This will have a substantial positive impact on our full year profit. Furthermore we see:

- Operating costs are expected to be up 10%
- R&D is expected to be up 8%

Other factors also include:

- We expect the UK business to continue to develop, and to break even over the full year
- The cloud loss for the full year will be reduced to \$1m
- No new acquisitions this year

As such we expect Profit will be up between 10% and 15% for the full year.

Ci Anywhere

Any device. Any where. Any time.



Ci Anywhere is the next generation of our Ci product, and allows organisations to embrace smart mobile devices including iPad, iPhone and Android devices, as part of our enterprise solution. We are the only ERP vendor to have committed to delivering our entire suite of software and all our functionality on mobile devices, as we envision a world where all work will be done on these smart mobile devices in the near future.

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

Ci Anywhere creates a new standard in enterprise software, and give us a significant competitive advantage over our competitors. It will also allow us to consolidate our R&D resources for future strategic work.

Long term outlook

Looking out over the next 10 years, we are excited by the significant growth opportunities ahead.

We expect our existing TechnologyOne Ci Enterprise Suite to continue to be strong.

We see continuing strong growth in our eight 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, Stakeholder Management and Human Resource & Payroll to continue to mature and contribute substantially in profitability.

We see continuing growth from our existing customer base, as our customers increase the usage of our products and services.

The UK operation is now moving from a loss position to profit and given the size of this market, this will provide us with significant growth opportunities going forward.

Delivering our Ci Enterprise Suite on the TechnologyOne Cloud is now opening up new areas of growth for us, as well as streamlining our business and reducing costs.

The next generation of our enterprise suite, Ci Anywhere will be completed in 2017, and will be the next platform for continuing growth for us. It leverages 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.

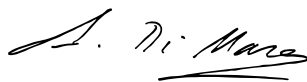
Our two offshore R&D centres are allowing us to reduce our R&D expenditure as a percentage of revenue, without impacting on any of our strategic initiatives and at the same time improving the level of support our customers experience.

These initiatives will allow us to continue to grow our revenue and profit and 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

Delivering a Cloud first, mobile first world



Continually profitable
for over 24 years

Formed in
1987

1000+
employees



Largest R&D centre
in Australia
300+
developers

14 international offices

Australia, New Zealand, South Pacific,
Asia and United Kingdom

1000+

corporations, government
and statutory authorities

Transforming Business, Making Life Simple

TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, 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 eight key markets: government, local government, financial services, education, health and community services, asset intensive, project intensive and corporate. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 28 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.

TechnologyOneCorp.com

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