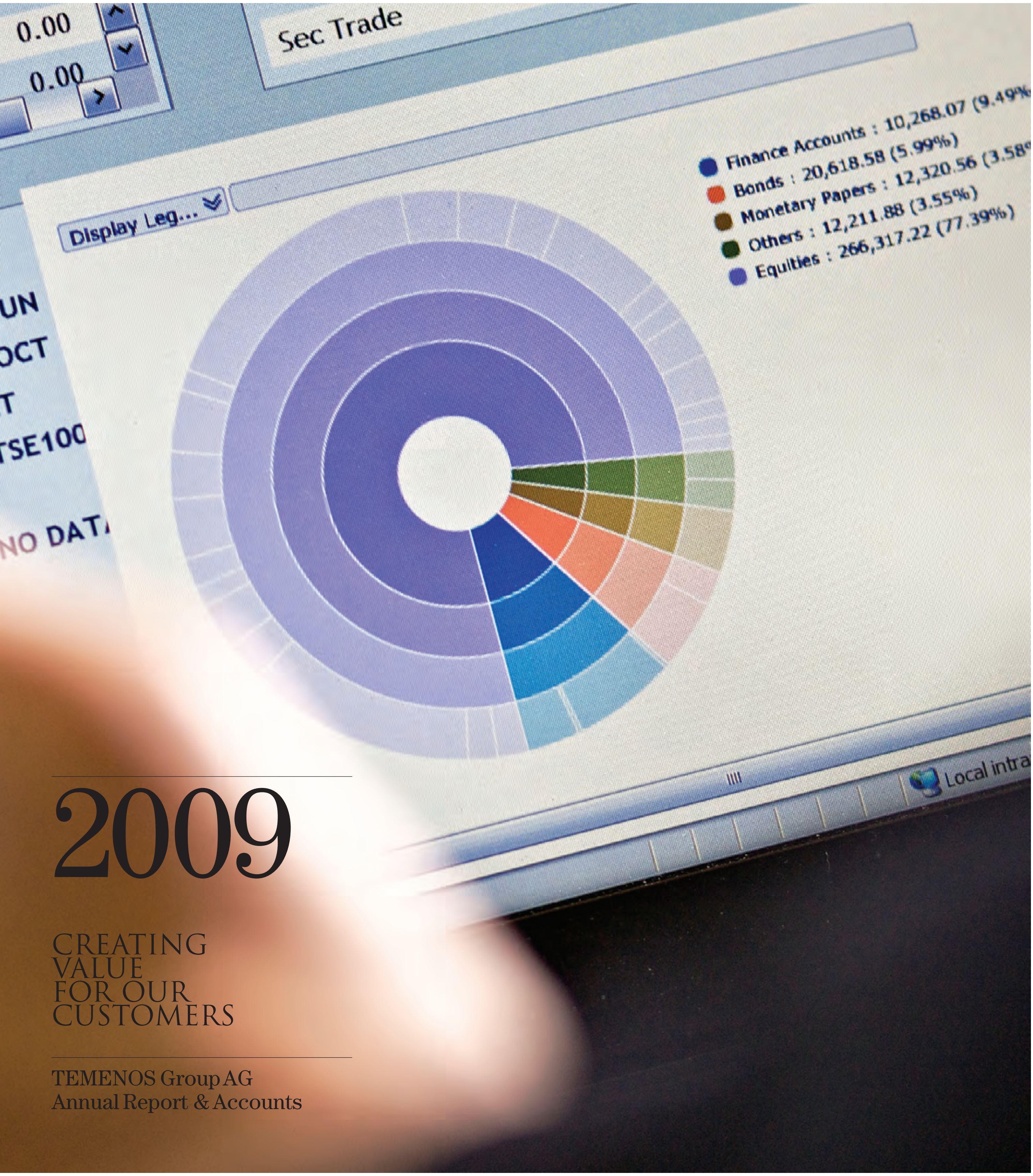
TEMENOS
The Banking Software Company



2009

CREATING VALUE FOR OUR CUSTOMERS

TEMENOS Group AG
Annual Report & Accounts

Overview
At a glance

Founded in 1993, Temenos Group AG is the leading global provider of integrated modular core banking systems to over 1,000 financial institutions in 125 countries worldwide. Temenos software provides banks with a single, realtime view of the client across the enterprise, enabling banks to maximise returns while streamlining costs.

Whether providing 24/7 functionality to the wholesale, retail and private banking sectors, partnering with central banks on core system replacement, or working with world banks on solutions for emerging markets, Temenos knows banking. The company has a transparent approach to its operations and brings its experience, expertise, commitment and professionalism to every project.

GLOBAL NETWORK

Geography

Headquartered in Geneva, Switzerland, the company has 56 offices in 38 countries and had revenues of USD 370.3 million for year ending 31 December 2009. In June 2001, Temenos became a public company listed on the SIX Swiss Exchange (TEMN).

56 offices worldwide

56

Over 3,500 dedicated professionals

3,500

Americas

Brazil
São Paolo

Canada
Montreal
Vancouver

Costa Rica
San Jose

Ecuador
Quito

Mexico
Mexico City

USA
Houston
Miami
New York
Orlando

Europe

Belgium
La Hulpe

Czech Republic
Prague

France
Nantes
Montpellier
Paris
Toulouse

Germany
Grosswallstadt
Frankfurt

Greece
Athens

Kazakhstan
Almaty

Luxembourg
Luxembourg

Netherlands
Amsterdam

Poland
Warsaw

Romania
Bucharest

Russia
Moscow

Spain
Madrid

Switzerland
Zurich
Geneva

United Kingdom
Bracknell
Birmingham
Hemel Hempstead
London
Newcastle Upon Tyne

Serving clients in over 125 countries

125+

Over 1,000 financial services customers

1,000

Middle East

Lebanon
Beirut

Saudi Arabia
Riyadh

United Arab Emirates
Dubai

Africa

Egypt
Cairo

Kenya
Nairobi

Morocco
Casablanca

South Africa
Johannesburg

Asia Pacific

Australia
Sydney

China
Shanghai
Hong Kong
China (PRC)

India
Bangalore
Chennai
Mumbai

Indonesia
Jakarta

Japan
Tokyo

Malaysia
Kuala Lumpur

Singapore
Singapore

Taiwan
Taipei

Thailand
Bangkok

Vietnam
Hanoi

Contents

Financial & Operating Highlights
For the year ending 31 December 2009

In a difficult year for the core banking market, Temenos' strong performance demonstrated sound execution, based on an unique product and value proposition. For the third year running, TEMENOS T24 (T24) was the best-selling core banking system – helping Temenos to record net like-for-like* licence growth of 8% and, in so doing, record over 2 percentage points of market share gains.

Financial Highlights

- 8% growth in net like-for-like* licences sales – against a market that shrunk by almost 10%, translating into a market gain of over 2pp
- Operating profit growth of 26% to USD 80m (2008: USD 64m)
- 600 basis points of margin expansion, to reach an operating margin of 21.7% (2008: 15.7%)
- Strong cash generation - cashflow from operations reached USD 118m (2008: USD 56m). This represented an EBITDA conversion of 107% (2008: 64%)
- 16% growth in maintenance revenues to USD 117m (2008: USD 101m)

* This metric adjusts for movements in FX rates and cost of sales, as well as contributions from acquisitions and the now-terminated agreement with Metavante.

Operational Highlights

- 50 customer go-lives during the year (2008: 44) – a new record
- 43 new customer wins, including 8 new tier 1 customers - like Lloyds TSB for international wealth management and Fortis Bank Netherlands for corporate banking
- Impressive take-up of TEMENOS Insight, Temenos' solution for Business Intelligence launched in 2009 – there were 31 licences sold to new and existing customers
- Completion of largest acquisition to date – the USD 81m purchase of Viveo Group, the French market leader in core banking. With the Viveo acquisition, Temenos's installed base now stands at over 1,000 financial institutions
- First successes with our partner programme – key global agreements signed with Deloitte, Cognizant, Microsoft and IBM during the year

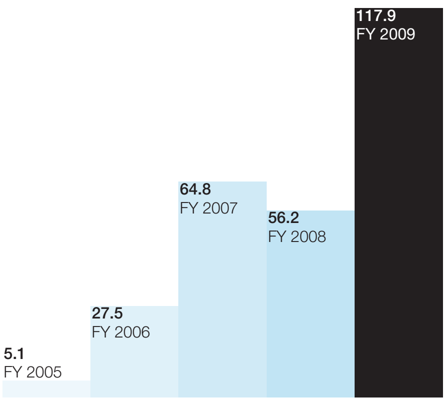
STRONG EXECUTION

Outlook

Looking ahead, we anticipate and are investing for growth in 2010. Thanks to better payments terms, an expanding partner network and a market-leading product, Temenos will be able to invest and realise significant growth in the year ahead while continuing to expand margins and converting operating cash around the level of EBITDA.

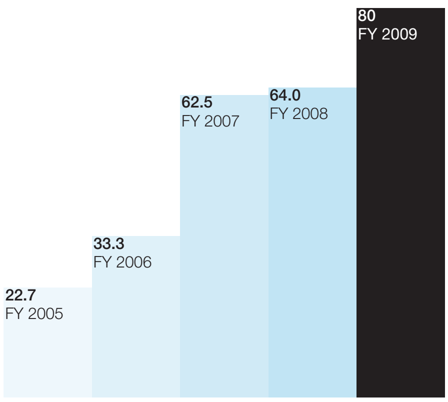
Operating Cash Flow (USD 000)

+110%



Operating Profit (USD 000)

+26%



GROWTH OPPORTUNITIES

Temenos faces a large, secular growth opportunity. We expect banks to shift their core banking spending from internal development to external packaged software, as has happened in other industries. This shift will be driven by the need to improve data quality, lower operating costs, increase flexibility and lower operational risk. We think the shift could drive 18% compound growth for the packaged vendors over the next 10 years. Temenos should be the major beneficiary of the shift.

Adam Wood
Head of Software & IT Services Equity Research Team
Exane BNP Paribas

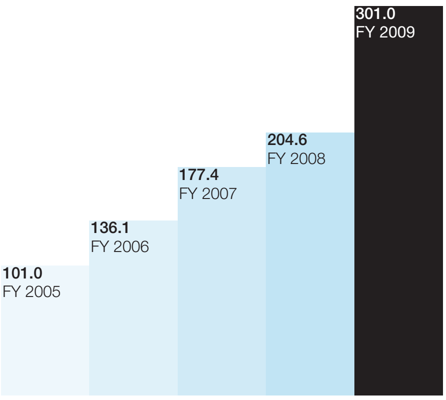
McKinsey *Overhauling banks' IT systems* report 2009
Emerging-market tier-three and four banks that transformed the Core Banking Systems (CBS) experienced a 30 percent increase in their rate of asset growth. With the economics improving, the number of packaged solutions has grown by about 20 percent annually since 2004. That volume is expected to rise sharply over the next ten years as more systems reach the end of their lives.

Although full-scale CBS transformations require significant up-front planning and investment, evidence suggests that the resulting efficiencies and growth more than compensate for the costs and management time required.

* Adjusts for amortisation of acquired intangibles and restructuring costs and treats the convertible bond as equity (adding back the bond interest and dividing by fully diluted number of shares).

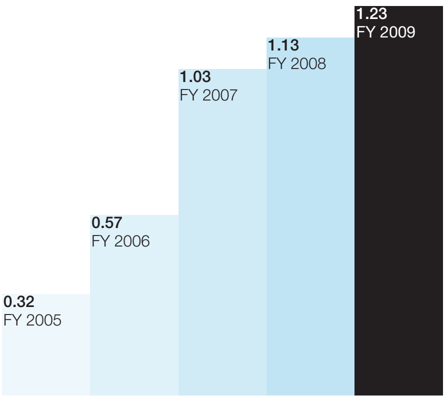
Total Net Assets (USD 000)

+47%



Adjusted EPS (USD)*

+8%



Operating Margins (Basis Points)

+600

Improved Margins
Robust licence sales coupled with strong cost control enabled Temenos to record a 26% growth in operating profit and an expansion in operating margins of 600 basis points.

Creating Value for our Customers
The most profitable banks run Temenos

Flexible and agile
Banking is changing. But Temenos customers are flexible and agile enough to adapt, helping them to significantly outperform their peers.

In Europe and the US, the banking crisis is having profound consequences on the future of the banking industry. Already some of these consequences have manifested themselves: balance sheets have shrunk enormously[1]; banks have disappeared[2]; wholesale and credit market funding has become more tightly rationed; and, liquidity in certain financial markets, like securitised mortgages, has all but dried up. But there are still more results to come, especially in the form of greater government regulation over capital adequacy levels, governance and remuneration.

In the developing world, rapidly growing demand places different kinds of strain. Consider China, for example: mass urbanisation and a booming economy are creating enormous demand for retail and corporate banking services and putting pressure on banks' systems and processes. Moreover, the government's move to open up and deregulate the banking market is also intensifying competition, meaning that coping with demand is not enough – banks also have to raise their standards of customer service, efficiency and risk management.

What is constant across all markets, however, is that the best banks are already reacting, adapting their practices to stay ahead. Where these banks also have modern software, they are responding faster and more cheaply – helping them to generate higher returns than their competitors.

Becoming king again – how Temenos software helps to improve flexibility and innovation
In the developed world, the shortage of wholesale and capital market funding is forcing banks to shore up their funding bases, while tighter funding is increasing the pressure to generate high-quality assets and higher fees. In the developing world, where wholesale funding was never especially prevalent, the competition for deposits remains strong and is intensifying as customers become more discerning, governments deregulate and Western banks come in search of faster growth and higher returns. All in all, successful banks will need to offer a differentiated and highly personalised service, centred on relationships, not products.

Temenos customers are already doing this. New market entrants, like BforBank in France and Metro Bank in the UK, are using modern technology as an important component of their differentiated offering. Take BforBank, for instance, it is setting itself apart from peers through the quality and volume of the information it makes available to customers – empowering an increasingly exacting, financially literate and technology savvy public to become their own private bankers – and the quality of the user experience offered, which – based on the provision of rich, value added and interactive content – is unmatched except by vendors like Amazon, outside of the banking industry.

Established Temenos customers are also using advanced technology to personalise and improve their customer service. North Shore Credit Union (NSCU), for example, makes use of TEMENOS T24's Arrangement Architecture (AA) to allow sales agents to negotiate standard product conditions at the point of sale, thereby tailoring products for individual customers.

FLEXIBILITY INNOVATION

In 2009, Temenos customers enjoyed much stronger results than peers[3]:

Higher return on capital	Higher return on assets	Points lower cost/income
62%	54%	7.2

Source
1 In the period Sep 07 – Mar 10, 196 US banks failed – compared to 223 in the whole period Jan 00 – Mar 10, FDIC.

2 The IMF estimates that by the end of 2009, US and European banks had suffered USD 1.1trillion of write-downs related to the credit crisis, yet new capital raising as at the end of 2009 was only roughly half that amount, around USD 520 billion, Thomson Reuters.

3 The Banker – *top 1000 banks 2009*: average values for Temenos customers compared to average values for non-Temenos customers.

Not only are we able to launch new products faster than competitors, but the flexibility of the system means that all of our processes are fully aligned to this new product. In contrast, even if a competitor reacts quickly and launches a similar product, this is likely to involve a significant amount of manual processing – until the system can be configured appropriately – resulting in much lower productivity.

Le Xuan Vu
Chief Information Officer
Techcombank

Revenue growth per customer

25%

Techcombank Synopsis
Techcombank, the fastest growing bank in Vietnam, has capitalised on the flexibility of TEMENOS T24 (T24) to launch a stream of innovative products. This has helped it to grow deposits at a compound annual rate of 72%, more than twice as fast as the overall market, while it has taken advantage of the single customer view afforded by T24 to tailor its product pricing based on individual customer profitability, helping boost retention and cross-selling. In the last two years, Techcombank has grown revenue per customer by an average of 25%.

Leveraging scale economies – how a modern, integrated platform helps Temenos customers to operate at significantly lower costs than peers
Banks spend more than any other industry on IT costs. According to Boston Consulting Group, banks spend 14.3% of costs on IT compared to an average of 7% across all industries.
The general assumption, which has sanctioned inaction, is that this higher relative spend owes to more complex and sophisticated IT requirements; an explanation that, moreover, justifies the lack of IT scale economies achieved by banks and the failure to extract IT cost synergies from acquisitions.

Temenos customers, however, are invalidating this assumption. EFG Bank, for example, has an outstanding record of realising scale economies in IT. Since its inception in 1995, the bank has grown extremely rapidly, increasing clients' AuM to CHF 87.7 billion as at end of 2009. EFG Bank now employs circa 2,400 people in over 50 locations in 30 countries, and has absorbed over twenty acquisitions. Yet it remains highly efficient in terms of IT: at less than 6%, its IT spend as a proportion of total costs is around one third of the average for European private banks[4].

Bank of Shanghai, Temenos' largest volume customer, is also enjoying the significant scale advantages of adding more volume and customers onto an integrated platform. As regards customer numbers, for instance, Bank of Shanghai is adding around 700,000 new retail and corporate customers a year. Yet, given its modern infrastructure, the bank – directly and indirectly – only employs 367 IT employees. We estimate the bank has an IT cost to total operating cost ratio 60% below the industry average while its overall cost/income is 55% below the average for the top 1000 banks and 15% below the average for comparable City Commercial and Joint Stock Banks in China[5].

Seeing the whole picture – how a single view helps banks to manage risk
Diversification and disintermediation were meant to mitigate risk; instead, they created greater complexity that made risks even more difficult to manage. Nonetheless, while banks' activities will likely be scaled back and some of the practices to deconstruct the credit value chain barred, the renewed focus on robust risk management – from customers, regulators, board of directors, governments – will remain. Banks will need to write higher quality business, which will require strong pricing and underwriting skills and, more crucially, a complete view of the customer.

T24 customers have been taking advantage of this complete view of risk – at the customer and also the aggregate level – to manage and price risk effectively. Take Techcombank, for example, between 2006 and 2008, it grew gross loans by 199% – around 30% faster than the overall market[6] – but its level of non-performing loans actually fell to 2.56%.

Source
4 Boston Consulting Group "BCG's sixth annual IT cost benchmarking study", June 2009.
5 The Banker; to see which Chinese Joint Stock and City Commercial Banks have been included in the benchmarking, please refer to the Temenos Bank of Shanghai case study.
6 Techcombank annual report, Banker database, Thomson Reuters and various broker notes.

Banking is changing. But Temenos customers are flexible and agile enough to adapt, helping them to significantly outperform their peers.

Chairman's Statement
George Koukis

Like many of you, I am aware of the detrimental socio economic effects of the global downturn, particularly its impact on unemployment which is why I am very happy to see that we increased our employee numbers by 17% as compared to last year. Not only is this a positive contributor to the 38 countries where we have offices but it underpins the success of our business model.

George Koukis
Chairman
Temenos Group AG

Temenos met the challenges of 2009 decisively whilst remaining committed to the continued implementation of its proven development strategy. This included acting early to reduce costs and maximise cash flow whilst continuing to invest in product development and customer service. As a result, we were able to meet our financial objectives for the year and increased market share. Temenos now has over 1,000 customers across all continents serviced by our network of 56 offices worldwide.

We emerge from a period of market turbulence strongly placed to deliver continued outperformance as growth returns.

16%

The core banking market is worth USD 23.5 billion and is only about 16% penetrated by vendors like Temenos. In addition to being a market with low penetration levels, demand is also underpinned by strong structural growth drivers.

Robust performance

2009 was clearly a difficult year for all companies connected to the financial services industry. Nonetheless, during the year, we managed to grow our core licensing business, helping us to gain market share. What is more, the robust sales performance, coupled with strong cost control, enabled us to record good growth in both operating profit and operating cash, leaving us well positioned to invest and take advantage of an improving market in 2010.

A fundamentally attractive market

Temenos operates in one of the most attractive software markets in the world where software penetration levels are low and growth opportunities high. Despite shrinking slightly in 2009, sales of third party core banking software and services to financial institutions still only represent about 16% of total bank spending on core banking systems, which is estimated to be worth USD 23.5 billion, with outsourced solutions taking market share.

In addition to being a market with low penetration levels, the demand for third party core banking solutions is underpinned by strong structural growth drivers. Organisations need to reduce costs, increase efficiency whilst delivering more product innovations, improved customer service and enhanced risk management in an environment of increased regulatory scrutiny. Temenos' portfolio of products supports customers across all these key business objectives.

Banks have avoided taking action on core systems for decades, leaving them with a software infrastructure that is too expensive to maintain, that renders them unable to manage risk adequately and that removes the flexibility to adapt to changes in customer and market trends. And while the years of above average returns shielded banks against the reality, in the years to come banks will have no choice but to invest in their core systems.

CREATING VALUE FOR OUR CUSTOMERS

We are the market leader in core banking software with a business model that remains unique. We achieve the highest sales in the core banking market with a win rate of over 80%.

Supporting banking outperformance
The most profitable banks run Temenos solutions. Using data from The Banker top 1000 banks 2009, we have demonstrated that Temenos customers enjoy higher returns than their peers. Temenos brings value to our customers through our products. Our products give customers a low cost, scalable infrastructure that allows them to extract economies of scale as they grow; a single view of their data for managing risk and customer relationships; and the flexibility to adapt quickly and capitalise on changes in the market. Moreover, because we spend more on R&D than our peers, our solutions will continue to deliver superior value and allow our customers to outperform over the long term.

Partnership momentum
In 2009, we focused on establishing our partnership strategy which has gained significant momentum during the year with some key agreements signed. Temenos' partner programme enables us to scale our ability to deliver smooth implementations of large, complex projects, improve customer service, and provides an indirect sales channel.

Talented people
Our workforce is talented and dynamic and is the key to our success. With over 3,500 people from 75 countries, speaking 66 languages, Temenos is a testament to diversity and equal opportunity. Despite its rapid expansion, the Group's culture continues to feel like that of a small company with a flat structure that allows individuals plenty of autonomy.

It is important to us that our employees share in the aspirations and values of the Group and we recognise the importance of motivating our workforce and enabling them to share in our success through appropriate equity based incentive programmes.

We offer our people an energetic and entrepreneurial environment and we have continued to invest in people development through training programmes designed to broaden and deepen their skills in order to benefit them, us and our customers.

Award winning products
Our market leading products have once again been recognised through the awards that they have won. For the third year running (and every year since its launch), TEMENOS T24 won the Banking Technology magazine's Readers' Choice Awards - Best Core Banking Product category, Forrester Research named T24 a leader in its January 2009 report, The Forrester Wave™ Global Banking Platforms, Q1 2009, IBS Publishing has ranked T24 in the top position in its 2009 Sales League Table and we were a Network Services Winner at the Financial-i, Leaders in Innovation Awards in 2009.

Best practice
As a fast growing organisation that has doubled in size over the past four years, adherence to best corporate governance practice remains a priority. We have a robust structure in place which ensures the correct level of accountability across the Group.

Temenos is committed to being sympathetic to its social and environmental surroundings whilst meeting its business objectives. As a global organisation we are mindful of our environmental impact of air travel and actively promote the use of video conferencing between our international offices. We work with the charity, Global Fund for Children to support its work with marginalised and vulnerable children and young people in developing countries.

As always, I would like to thank our shareholders for their ongoing support and our people for all of their commitment and hard work in delivering another good year for the Company.
I look forward to updating you on our progress next year.

George Koukis
Chairman

3,500 dedicated professionals

3,500

Our workforce is talented and dynamic and is the key to our success. With over 3,500 people from 75 countries, speaking 66 languages, Temenos is a testament to diversity and equal opportunity. Despite its rapid expansion, the Group's culture continues to feel like that of a small company with a flat structure that allows individuals plenty of autonomy.

Business Review
Andreas Andreades

2009 was clearly a difficult year for the banking industry and spending on core banking systems suffered as a result. That said, we prepared the organisation for a difficult year and through sound sales execution, based on an unmatched product and value proposition, we were able to grow net like-for-like licences by 8% and enjoyed extremely strong profit and cash generation. What is more, we are extremely well positioned going into 2010 – our market share has grown and is by far the highest in the industry; our product proposition and roadmap are unparalleled; we are fast assembling an enviable network of partnerships to support our growth; the Viveo acquisition gives us significantly more critical mass to be able to invest in the business; and, we have made changes to the organisation to make ourselves more agile.

Andreas Andreades
Chief Executive Officer
Temenos Group AG

EXTENDING OUR LEADERSHIP

KEY STRONG DIFFERENTIATORS

The core banking market has begun to consolidate, our main competitors are bigger companies than us, yet Temenos continues to pull ahead. I believe this outperformance owes to a number of key differentiators:

Marketing leadership
We sell mission-critical software. Banks want to buy software they can trust, from a vendor they can trust to deliver – wherever they are in the world and over the full horizon of their investment. Being the market leader, with the highest sales and the largest installed base, bestows this credibility.

Single domain focus
We are the only one of the top five vendors in core banking to have a single domain focus. Banking is all we do. All of our management time, our R&D effort, our expertise is focused on banking – making us true specialists. Moreover, this makes our success inextricably bound to the success of our clients – if we can't improve their businesses, we can't improve our own.

Product superiority
Our products are highly acclaimed. They benefit from the highest R&D in the industry – we spend more than twice the industry average on a single platform – and all this is channelled into an annual release programme to benefit the full user group.

Outperforming customer base
Switching to Temenos software significantly lowers banks' Total Cost of Ownership (TCO), at the same time as giving them greater flexibility to innovate and an integrated view over their customer and other data to manage risk and customer relationships. This is why Temenos customers are the most profitable banks in the world.

The best partners in the industry
Our community of partners continues to expand, but already it encompasses some of the best names in the industry. Our partners help us to give choice to customers – over what technology platform they want to run and over which advisors they use.

43

In 2009, Temenos added a further 43 core banking customers. For the third consecutive year, this was higher than any other core banking vendor and Temenos succeeded in gaining a further 2 percentage points of market share.

2009 – a year of meeting or exceeding targets
At the beginning of the year and with significant uncertainty over the level of demand and the direction the global economy would take, we put as the cornerstone of our strategy for the year to expand margins from 15% in 2008 to 19% to 20% and to convert 75% of EBITDA into cash flow in order to strengthen our balance sheet. We ended up exceeding both targets significantly: we delivered a margin of 21.7% (USD 80m of operating profit) and converted 107% of EBITDA into operating cash (giving operating cash of USD 118m).

We also outperformed in terms of our operational performance.

TEMENOS T24 – after 12 years at the top, still the best-selling core banking system
According to IBS Intelligence, which maintains an annual league table, T24 has been first or second best selling core banking solution for the last 12 years. In 2009, again, it was the best-selling solution for a third year in a row.

In technology, a single product's leadership for this period of time is largely unprecedented and underlines the extent to which our focus on R&D has kept the product's technology modern and ensured its functional breadth is the best in the industry. Furthermore, the work that we are doing around Model Bank - pre-configuring the services, best practice banking processes and workflows to allow for an out-of-box implementation - is also helping to underpin T24's dominance by making it easier, more cost effective and low risk to install. Lastly, the decision to converge the development activities of TCB and T24 will result in synergies that will permit us to accelerate development at the same time as reducing R&D as a percentage of sales.

In 2009, Temenos added a further 43 core banking customers. Although this number was lower than in 2008, a greater number of new tier 1 customers (8 in total) meant that deal sizes increased and, overall, like-for-like net licence sales grew by 8%. Given that the market contracted by we estimate around 8%, these figures demonstrate continued market share gains – more than 2 percentage points.

Broadening our product stack
In 2009, we launched a second important ancillary product to our product stack: TEMENOS Insight for business intelligence. This product came out of our acquisition of Lydian Associates in November 2008. Because the product was already established and the integration with T24 simple, we were able to launch the product to Temenos customers in March 2009. What we did not anticipate, however, was the high level of customer take-up. Clearly, the value proposition of Insight – essentially, the ability for a CFO and team to drill down into liquidity, performance and profitability by division, branch, product – corresponds closely to banks' desire for better quality and more timely data. But, there were two other important factors. First, we added more functionality during the year and were thus able to cover a larger part of our customers' needs. And second, our initial customers were able to confirm the short payback and high return on investment on the product – leading in both cases to a higher number of larger deals taking place compared to our expectations at the start of the year.

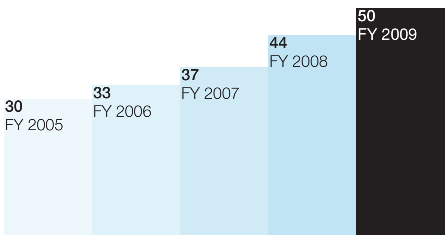
Together with ARC, our suite of front office modules, Insight accounted for USD 12m of revenues in 2009, almost 10% of our total licence sales.

RECORD NUMBER GO-LIVES

In 2009, we signed 43 customers and achieved a record 50 customer go-lives during the year (2008: 44).

Focused execution resulted in higher deal sizes and strong market share gains and we estimate that T24 gained 2 percentage points of market share in 2009. We entered 2010 with more momentum to build further on our successes.

T24 Go-lives (Year end figures)



Business Review
Continued

Separating services for better results

In 2009, we made the decision to run our services business as a separate, single, global unit. This move, designed to achieve greater scale and higher standards, represents the latest phase in transforming this business and has resulted in the creation of a new management board position of CEO, Consulting and Professional Services.

This decision, informed by the experience of other rapidly growing software companies, is intended to achieve the following goals:

- Establish consistent, high quality execution across all regions
- Foster knowledge and resource sharing, to instil best practice
- Leverage global service centres and factories like Temenos Application Management (TAM)
- Promote greater specialism and accountability across different business units within Temenos

Already, the steps we have taken to improve services delivery have enjoyed great success and this move just represents the next evolutionary step. Initiatives like Model Bank, Temenos Implementation Methodology (TIM) and TAM have already succeeded in transforming the quality and timeliness of our services delivery and, in so doing, have moved the business from losses in 2006 to a margin of 18% last year. 2009 also saw a record number of new Temenos customer go-lives: 50 in total, up from 44 in 2008.

Taking up the position of CEO, Consulting and Professional Services, we welcome Andrew Binns to Temenos. Andrew joins us from PA Consulting, where he was a senior member of management.

Partnering for growth

Since its launch in January 2009, Temenos' partner programme has gained significant momentum and we believe that we are forming an insuperable network of certified partners, which will form the basis of sustainable competitive advantage in the years to come.

Partners enable us to offer our software on a wider range of technology platforms than any other core banking vendor. This is important in that we do not dictate any particular technology, but leave the choice to customers – enabling them to achieve the lowest TCO or to leverage existing skills, investments or vendor relationships in order to achieve the highest possible return on investment. We have been offering Temenos software on Oracle, IBM and Microsoft platforms for some time, but in 2009 we extended our strategic alliance with IBM to offer our solutions on the system z (an important component of our initiative to grow our base of tier 1 and tier 2 retail banks) while extending and deepening our relationship with Microsoft – exclusive in core banking – to offer T24 on the Microsoft technology stack. In 2009, the Microsoft SQL server was the fastest-growing platform among Temenos customers, being adopted by higher volume banks like Bank SinoPac in Taiwan – a retail bank with over 4 million customers.

Partners also allow Temenos to offer customers more choice over which advisors they use and give them access to world class business management and product delivery skills. In order to become a Temenos certified partner, organisations must commit to training significant numbers of consultants as well as committing to use the established methodology for implementing Model Bank – thereby combining these organisations' expertise with the proven products, methodologies and tools that Temenos offers. In 2009, we welcomed two new global partners into the Temenos partner network in 2009. The partnership with Cognizant, who signed as a global partner in May 2009, progresses well: we have already won some significant contracts together and the number of consultants that Cognizant plans to train over the next three years has been revised up from 500 to 1000. The relationship with Deloitte for management consultancy – which is being rolled out partnership by partnership across the Deloitte group – similarly also progresses well: in the short time since its signing, Deloitte has already won a contract to advise a worldwide rollout of T24 at a tier one bank. Lastly, we signed GFI Informatique as a local partner in France and it is our intention to sign further regional partners in 2010, along with another global system integration partnership.

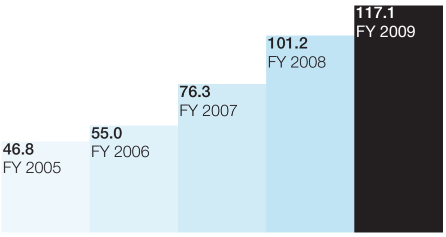
Making acquisitions to increase critical mass

In 2009, Temenos made its largest acquisition to date, acquiring Viveo Group for USD 81 million. We believe this acquisition will generate significant shareholder value by accelerating the rate at which Temenos can invest in sales and R&D, as well as helping to broaden Temenos addressable market.

MARKETING LEADERSHIP

We sell mission-critical software. Banks want to buy software they can trust, from a vendor they can trust to deliver – wherever they are in the world and over the full horizon of their investment. Being the market leader, with the highest sales and the largest installed base, bestows this credibility.

Maintenance revenue (USD 000)



50%

Temenos' market share in France
The strategic Viveo acquisition by Temenos creates a group with a market share of around 50% in France. This market opportunity, for licences and maintenance alone has been sized at over USD 1 billion. We believe that our entry into this new market will yield high results.

There were many strategic reasons for making the Viveo acquisition. The acquisition creates a powerhouse in the French market. Combining the two companies' businesses in France creates a group with a market share of around 50%. This leaves us very well placed to take advantage of the market opportunity, which – for licences and maintenance alone – has been sized at over USD 1 billion. With only about USD 100 million of that opportunity currently addressed by third party vendors, we believe that the acceleration of our entry into the French market will yield high results.

Furthermore, we acquired a core banking installed base of approximately 450 customers that will help us to further our objective of leading the core banking market for years to come.

Lastly, the Viveo acquisition broadens the Temenos product offering and moves us more materially into the Anti-Money Laundering (AML) and Payments areas. Both of these markets are contiguous to core banking and so we anticipate significant cross-selling opportunities as well as the ability to grow these businesses faster by offering these products to our existing customers. We did all of this for a price of 3.8x maintenance, which creates an immediately accretive transaction given the synergies between our businesses and the growth potential that exists.

It is our intention to make further acquisitions – we believe acquisitions represent the best use of the company's free cash flow provided we can identify companies that will enhance our fundamental core business proposition, are accretive and therefore generate shareholder value.

Outlook for 2010
There is no question that 2010 promises to be a better year than 2009. Demand is firming up and the market is starting to behave more predictably. In certain parts of the world like Asia Pacific, Africa and the Middle East, demand is already exceeding pre downturn levels while in Europe and the Americas we see some stabilisation – with certain markets moving forward positively. Banks' balance sheets are in better shape than last year and, one year on, most banks are also at least one step further with their strategy development and execution. We are therefore able to provide an outlook for revenue growth in 2010 of 18% to 25%, which includes the impact of the Viveo acquisition, but which also brings the business back to organic growth for 2010. This is a broad range, but we believe it is the prudent approach at this stage of the economic recovery as uncertainty still remains. We hope to be able to narrow this range as the year progresses.

We also aim to improve margins further and target an adjusted EBIT margin (EBIT before restructuring charges and amortisation of acquired intangibles) of 25% - as well as an EBITDA into operating cash conversion of 100%.

I look forward to updating you on our progress next year.

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OUTLOOK FOR REVENUE GROWTH IN 2010

Andreas Andreades
Chief Executive Officer
Temenos Group AG

It is all about people
Front office strategy

As the world slowly emerges from the worst financial crisis in living memory, many bankers are facing up to the question of how to rebuild the trust customers traditionally held in their brands.

Recent events have exacerbated the long-standing need to redefine the bank's relationship with the customer in a way that actually makes sense to, and adds value for, the customer.

Customer relationships used to be centred around the branch, where most of the banking activity took place, where customers came on a regular basis to deposit or withdraw money and where the branch manager was a pivotal figure of trust in that relationship and a respected individual in the community.

And then things got complicated. The industry leveraged technology to drive down the cost per transaction through ATMs, call centres and the internet and continues to do so by gradually introducing more and more self-service channels – as evidenced by the anticipated growth in mobile banking transactions.

Koen Van den Brande
Product Director – Front Office
Temenos

SCALE & EFFICIENCY

WE WORK WITH THE MOST SUCCESSFUL BANKS IN THE WORLD
OUR SOFTWARE HELPS THEM TO STAY ON TOP

At the same time, product innovation and diversification into more complex investment products made it increasingly less likely that the average person in the branch was qualified to be able to deal with the whole range of products on offer.

Meanwhile the internet made it much easier for customers to shop around for the best price for largely commoditised traditional banking products – significantly reducing any sense of loyalty which remained and leading to a multitude of relationships with different institutions.

So the concept of a relationship manager was born – a person who was able to see the complete customer picture and was able to manage the relationship in such a way that it would re-create the necessary conditions of trust and customer satisfaction to enable a gradual increase in the average number of products one customer holds with a specific institution.

When asked, most retail bankers remain sceptical that the most profitable and complex products can be sold without person to person contact. Most retail bankers will tell you – 'it is not about technology – it is all about people'. It makes sense – we all know that we ultimately make buying decisions on the basis of our interactions with people.

The key question then is – what can we do with technology to support the bank's people in their efforts to re-build profitable relationships with customers.

Temenos has an enviable track record of helping banks address cost and operational efficiency and has in recent years proven the value of the T24 Model Bank and Reference Processes in terms of helping banks quickly implement modern core banking technology to stay ahead of the cost curve and deliver superior levels of profitability and cost/income ratios.

What is more, by implementing TEMENOS T24 (T24), banks put in place a highly flexible platform which enables the bank to keep fine-tuning processes over time, to ensure ongoing regulatory compliance, to support competitive product innovation and most importantly – given the need to focus on customer relationships – to enable the bank's staff to understand and serve customers better.

So why are we talking about a new front office strategy for Temenos?

The reality is that Temenos has not to date focused on building a business which is focused entirely on helping the banking industry improve the customer experience in the way we plan to going forward.

And yet over time we have put in place many of the technologies which are a pre-requisite for making this possible.

Not only does T24 have a built-in single customer view across a broad portfolio of banking products, in addition we have invested in process and workflow capability, a rules engine, event processing and an open multi-channel architecture with support for branch, call centre and internet and the ability to complement these with partner offerings for mobile banking and interactive voice response capabilities.

With T24's Acquire Retain and Cross-sell (ARC) set of modules we have laid the foundations for integrated customer relationship management capabilities around the definition of marketing campaigns, identification and tracking of opportunities and the fulfilment process and workflow.

The new front office strategy recognises that technology spending by banks is often evenly balanced between front and back office and when the focus shifts to customer acquisition, service and retention, the outlay tends to significantly exceed back office spending.

Hence a renewed focus in coming years on the front office, with investments in branch automation, a next generation internet banking platform and extended mobile banking capability. These will be complemented with specialised workflow-based origination functionality combined with a new focus on real-time customer analytics, the addition of personal financial management capability to help build a consolidated picture of the customer's financial profile, sophisticated needs analysis and finally a real-time decision engine to assist bank staff with maintaining a meaningful – and profitable – conversation with customers, based on the wealth of information available.

Our aim will be to help T24 banks leverage sophisticated technology to deliver a truly differentiated customer experience as the basis for continued growth and profitability.

RENEWED FOCUS

The new front office strategy recognises that technology spending by banks is often evenly balanced between front and back office. Hence a renewed focus in coming years on the front office, with investments in branch automation, a next generation internet banking platform and extended mobile banking capability.

It is all about people
Back office strategy

2009 was another significant year for Temenos from a product perspective with a number of key product offerings being rolled out in the R10 release and going live in the installed base.

Of particular significance was the continued growth of TEMENOS Insight, our Business Intelligence solution, which sold over 31 licenses in the first year. Business intelligence continues to be key area for Temenos with a number of new initiatives being launched this year to provide greater analytical capabilities around banking operations and customer behaviour.

The retail market continues to be a key source of growth for Temenos and as such remains an area of focus for product development. We continue to see strong demand for product innovation and rapid time to market with many banks trying to rationalise a legacy of disparate product ranges.

Adrian Hadley
Product Strategy Director
Temenos

BUSINESS INTELLIGENCE

COMPETITIVE ADVANTAGE

Leveraging new technologies

Temenos continues to leverage new technologies wherever these provide competitive advantage and operational efficiency to our clients. Over recent years we have seen the emergence of technical concepts such as “Software as a Service” (SaaS) and “Service Oriented Architecture” (SOA). TEMENOS T24 (T24) has for many years supported the concept of SaaS with all T24 functions and transactions being accessible as web services. However, the emergence of a number of new SOA standards and our membership of BIAN (Banking Industry Architecture Network) is now creating an environment where an SOA is becoming both a reality and increasingly the norm. SOA offers not only an advanced technical architecture but a mechanism to simplify and de-risk core banking replacement projects. We expect to see this trend accelerate and with it the removal of some of the road blocks and inertia that have been preventing many tier one and two banks from embarking on the replacement of core legacy systems.

Temenos is committed to SOA. T24’s architecture lends itself to SOA principles and provides us with a unique advantage in once again being able to evolve our products to leverage new technologies without the overhead and risk of rewriting our business logic. We will see the first T24 SOA product systems becoming available with release R11 (early 2011). This will allow core areas of business functionality within T24 to be deployed as a service, either within a wider T24 installation, independently as part of best of breed strategy or most likely as part of a staged legacy replacement process.

In 2008, we launched a new retail product architecture which would provide a single product building utility based on a common set of reusable components. The first phase supporting lending products became available at the start of 2009. During 2009 we added deposit processing and saw the first three implementations of the lending products go live across three continents. For 2010, we will add demand and savings account products completing the vision of a single component based architecture for retail products. This will provide our clients with a real competitive advantage through greater flexibility in the way they design, launch and maintain products. An additional feature this architecture offers is the ability to create bundles of products that can be sold as a single unit. This allows banks to increase the wallet share of each customer through enhanced terms for consolidating banking products with a single provider. We will be enhancing the inherent bundling capabilities of our new retail architecture over the coming year.

We are also starting to see a new trend in the way that banks wish to customise their products for individual clients particularly at the higher end of the retail market. Creating the "market of one" or marketing to the individual is gaining ground. Our new retail architecture is particularly suited to this as it allows configurable and controllable levels of negotiation at the point of sale. Customers purchase a standard product but can then customise it to their own specific circumstances or can bundle it with another product to add value. This feature will be further enhanced with the introduction of customer level pricing which will provide a mechanism for banks to negotiate variations on standard interest and charge scales for specific customers. This provides an important tool in both increasing wallet share and fostering long term loyalty based on a tailored service which does not create additional operational overhead for the bank.

Regulation continues to be a concern for many banks as greater transparency is called for in the wake of the credit crisis. Many countries have adopted, or are in the process of adopting, the IASB's International Financial Reporting Standards (IFRS). With Release R10 we have introduced a comprehensive IFRS reporting solution that will allow banks to meet these new regulations. In 2010, we will continue to expand our IFRS coverage to include some of the optional elements of IFRS.

Another regulatory area which continues to place demands on banks is the requirement to monitor and report suspicious transactions. With the acquisition of Viveo in 2009, we have gained a number of world class products to provide not only watch list processing but sophisticated tools to identify suspicious or unusual behaviour. These products will be fully integrated with T24 early in 2010 providing our existing clients with market leading AML and fraud detection capabilities fully integrated into their core banking platform.

31

31 banks have selected TEMENOS Insight
The banking industry is undergoing a painful transformation, and the pace of change has recently accelerated as a result of turmoil in the economy. When this transition ends, the banking industry will see fewer brand names above the doors at corporate headquarters and branch offices. The consolidation will be most obvious in the United Kingdom, a very fragmented banking market, but the impact will be global.

COMPLETING THE VISION

A single component based architecture
In 2008, we launched a new retail product architecture which would provide a single product building utility based on a comon set of reusable components. For 2010, we will add demand and savings account products completing this vision for retail products. Providing our clients with a real competitive advantage through greater flexibility in the way they design, launch and maintain products.

This is one of the most exciting, challenging and important initiatives that our market faces today. Those that get it right will gain access to new markets as tier one and tier two banks use SOA to begin the progressive renovation of their legacy solutions. Combining an SOA approach with T24's market leading functionality and flexibility will provide us with the compelling proposition in our market for the next decade.

Partnership Programme
Strengthening relationships

2009 saw Temenos launch a major global initiative aimed at increasing Temenos' ability to influence earlier buying decisions within the banking market and increase its service delivery capability through the use of System Integration (SI) and Management Consulting (MC) Partners. It also saw the strengthening of relationships with a number of its Technology and Complementary Solution Partners.

Core banking replacement programmes start with the analysis of business needs and are often triggered by corporate events such as mergers or takeovers. An impact of the banking crisis has been the acceleration of such restructuring events.
The crisis has also resulted in an increase in the number of new banks being established. The need to be aware of such events early and to influence the technology selection has been a key driver for seeking alignment with the major Management Consultancies advising on such matters.

Mike Head
Global Alliances Director
Temenos

SHARED PLATFORM

KEY RELATIONSHIPS PARTNERS

This partnership marks a significant change in our approach to working with global systems integrators to deliver T24, says **Mike Head, Global Alliances Director**. As we continue to experience growth in our licence sales, despite the difficult economic environment, and traction within the Tier 1 banks for packaged core banking software, we need to be able to ramp up our services capability faster than we have been able to do until now.

Relationship with Cognizant progresses well
Training underway.
Jointly going to market on a number of deals.

Global strategic relationships
Key agreements also signed with Deloitte, Microsoft and IBM.

Steady growth
Ensure that each Partner can build a Temenos business with sufficient scale by not growing the pool of partners too quickly.

As Temenos extends its customer base into the larger banks, the need for specialist System Integrators has become more apparent. In May 2009 we signed an agreement with Cognizant, a major global SI with over USD 1 billion of revenues in the Banking & Financial Services (BFS) space, and we have already won some significant contracts together. Initially, Cognizant committed to train and certify 500 T24 consultants over a three year period but by the year end this commitment had been increased to 1,000. Such commitment and scale allows Temenos to grow but without the need to grow proportionately its Services function.

These programmes are aided by the clear division of roles and responsibilities defined within the project methodology for TEMENOS T24 (T24) projects – the Temenos Implementation Methodology (TIM) and a set of courses which were specifically written in the year for Service Partners – the ITP courses. Such support allows the professional development of Partners.

The signing and announcement of the relationship agreement with Deloitte at the end of the year followed 12 months of engagement on a number of projects. This relationship is set to continue in 2010, but covering a larger geography.

It had always been envisaged that Temenos should build its global relationships beyond Cognizant and Deloitte. However we plan not to have too large a pool of partners or to grow the pool too quickly in order to ensure that each Partner can build a Temenos business with sufficient scale. That said, we will be in a position to add new partners in 2010 and discussions are close to being concluded with other large SIs and MCs.

Whilst these developments have been taking place on a global level there has still been a need to support local markets with local knowledge. The French speaking market required local skills and the appointment of GFI Informatique, a leading French SI, has led to the enhancement of influence and delivery capability in southern Europe. It is our intention to sign further regional partners in 2010.

A key component for success of any client is the interaction between Temenos and the hardware and software vendors. Temenos has been able to offer T24 on a number of databases and operating systems as well as its own jBASE, giving choice to customers over the infrastructure they wish to use. In order to strengthen its offering on the Microsoft stack, an agreement was signed in November to cover both the technical and business development areas. Following success at North Shore Credit Union in Canada and the signing of Bank SinoPac in Taiwan, Microsoft appointed Temenos as one of only 6 Global ISVs and the only one in the core banking market. Microsoft is working with Temenos to enhance SQL to make better use of T24 and is also closely working and investing in the Temenos field sales force to increase T24 penetration. These activities are already bearing results.

2009 also saw Temenos sign an agreement with IBM, to be able to offer its core banking software on the vendor's z series platform. Many banks have made significant investments in the z series and it is important for these customers to be able to protect these investments and expertise, so we now offer our software on this technology to broaden its appeal.

Any Temenos sale encourages a plethora of add on suppliers to try and develop and sell their products. The Complementary Solution Partner programme aims to bring some order to what is offered and ensure that Temenos has influence to the overall solution. In 2009, a rationalisation of these relationships took place and new relationships created, notably in the area of biometric interfaces.

We have made significant progress with our partners programme in the year since the initiative was launched and we are focused on expanding and developing our relationships further in 2010 and beyond.

WORKING TOGETHER

Cognizant is a worldwide partnership
Cognizant's consultants will be fully trained on implementing T24 Model Bank, will apply the Temenos Implementation Methodology to all projects and will be able to avail themselves of Temenos Application Management services for localisations and bespoke requirements.

Cognizant initially committed to training and certifiying 500 T24 consultants over a three year period, but by the year end this commitment had been increased to 1,000.

No1

T24 – still the best-selling core banking system
According to IBS Intelligence, which maintains an annual league table, T24 has been first or second best selling core banking solution for the last 12 years and in 2009, again, was the best-selling solution for a third year in a row.

Innovating Core Banking Solutions
Temenos and Microsoft

Temenos Group AG and Microsoft Corporation formed an alliance for delivering core banking solutions with TEMENOS T24 and Microsoft SQL Server to greatly increase operational efficiencies of large-scale banks worldwide.

By choosing the Microsoft platform, T24 customers will benefit from open, modern technology to accelerate innovation, greatly increasing the speed and effectiveness with which new products and services are created. This increased operational efficiency enables front-line staff to provide superior customer service at a lower total cost of ownership.

The new agreement will see both parties collaborate more closely and commit technical, marketing and sales resources to bringing a flexible, high-performance and reliable core banking solution to market, which fully optimizes the use of the Microsoft platform with T24.

Financial Review
David Arnott

Temenos grew operating profit by 26% and doubled operating cashflow in 2009. Through solid execution and a strong business model, which balances recurring revenues with operating leverage, we are very well positioned to benefit from the improvement in spending that we have seen in the second half of 2009 and which industry analysts expect to continue into 2010.

David Arnott
Chief Financial Officer
Temenos Group AG

SOLID EXECUTION

KEY FIGURES DECEMBER 31

All financial units in thousands of US dollars except employees, operating margin and earnings per share.

	2009	2008
Employees (including consultants)	**3,416**	2,994
Revenue	**370,322**	406,937
EBITDA	**110,359**	87,806
Operating margin %	**21.7%**	15.7%
Operating profit	**80,232**	63,952
Net profit attributable to the Group	**68,635**	64,711
Cash generated from operations	**117,904**	56,225
Total assets	**803,581**	620,034
Shareholders' equity	**300,308**	203,873
Basic Earnings per share	**US$ 1.17**	US$ 1.12
Diluted Earnings per share	**US$ 1.07**	US$ 1.02

143

Temenos is happy to enter 2010 with a strong balance sheet. With USD 143 million of cash on our balance sheet and with leverage at less than one time EBITDA even after the acquisition in December 2009 of Viveo, we are very well positioned to benefit from further consolidation of the sector as well as to put our balance sheet to work as growth returns.

Operating profit grows by 26%, margin up 600bp to 21.7%
Despite a challenging macro environment, Temenos grew operating profit by 26% in 2009 and improved margins by 600 basis points. By reacting early to the economic slowdown at the end of 2008, and through having the scale to implement cost reduction programmes, we were able to enter 2009 with a leaner cost base which allowed us to improve profits as conditions gradually improved throughout 2009 and banks once again started to make investment decisions.
Profit reached USD 80.2 million in 2009, representing the ninth consecutive year of strong improvements in profitability. This was achieved despite the lack of contribution from Metavante, our partner in the US who contributed significantly to profit until they were acquired in February 2009. Through strong sales execution, improved recurring maintenance revenues, and good cost control we were not only able to absorb this headwind but also grow profits whilst continuing to invest significantly in R&D and sales capacity to allow us to benefit from a sustained recovery in spending in 2010.

Cashflow from operations reached USD 118 million, 107% of EBITDA as a result of continued reduction in DSOs
In 2009, Temenos grew operating cashflow from USD 56.2 million to USD 117.9 million, converting 107% of EBITDA into cash in the year. This was achieved through the lower cost base as well as two structural drivers that contributed to better revenue conversion in 2009, a trend that will continue for the next few years: shorter projects, and better payment terms. As we increase the functional coverage of our Model Bank product offering we are able to take banks live in a shorter time, which results in faster conversion of revenues into cash as banks pay a portion of their licence fee around go live. In addition, as we become increasingly the de facto vendor of choice within the financial services sector we are increasingly able to command more cash up front on projects. Day Sales Outstanding (DSOs) continued to reduce in 2009 reaching 164 days at the end of the year.

Core licencing up 8% in the year, with an increase to 15% in the second half of 2009
Against a backdrop of increased consolidation, an increasing number of financial institutions started to make the decision to address the cost of their core systems, and the growth in our core new business signings started to accelerate in the second half of 2009, reaching a 15% growth in both the third and fourth quarters, taking the growth for the full year up to 8%. These replacement drivers remain firmly intact into 2010 and we look forward to another exciting year ahead.

Completion of largest acquisition to date
In late December 2009 we acquired Viveo, the leading French vendor of core banking software, for a consideration of USD 81 million. Revenues in 2008 were USD 65 million with high single digit margins, and the company benefited from strong recurring revenues. This was an excellent transaction for Temenos as it falls within our strategy of acquiring businesses in our core market in countries with significant growth potential for core banking spend. This acquisition gives us 50% market share in France, a market which is only 10% penetrated.

Balance sheet remains strong
Temenos finished 2009 with cash of USD 142.7 million, and debt of USD 273.6 million, including USD 135.2 million convertible debt maturing 2013, and syndicated bank debt of USD 137.1 million which is repayable up to the end of 2012. The convertible is trading today as quasi equity, and if considered as such Temenos had a net debt of zero at the end of 2009, or of USD 130.9 million considering the convertible as debt. Even on this basis leverage is only one time 2010 EBITDA, giving Temenos room for more gearing if required.

David Arnott
Chief Financial Officer

HIGH INVESTMENT IN THE PRODUCT

Throughout the downturn, we have maintained high investment in the product, even funding the convergence of our two products into one, whilst also growing profits and cashflow. This achievement in 2009 was perhaps the strongest ever vindication of our business model which is firmly focused on developing sustainable licence and maintenance revenues. From a client's perspective, we have ensured that they continue to get the product and service they expect from a next generation banking solution even in challenging market conditions.

Board of Directors
Temenos Group AG

Temenos met the challenges of 2009 decisively whilst remaining committed to the continued implementation of its proven development strategy. This included acting early to reduce costs and maximise cash flow whilst continuing to invest in product development and customer service. As a result, we were able to meet our financial objectives for the year and increased market share. Temenos now has over 1,000 customers across all continents serviced by our network of 56 offices worldwide.

George Koukis
Chairman
Temenos Group AG

1 George Koukis
Chairman, Executive Director
Greek & Australian, born in 1946

Mr. George Koukis has been active in the software industry for more than 25 years, having begun at Qantas where he was heavily involved with the computerisation of the company's management accounting department. He then spent six years with Management Science America (MSA) in Australia where he held various management positions, including that of the managing director. Mr. Koukis holds a degree in commerce from the University of Technology in Sydney, Australia and is a registered CPA. As Chairman and founder of Temenos, Mr. Koukis participates actively in the strategy of the Group. He continues to hold positions on the Board of Directors of a small number of operating companies within the Group. Mr. Koukis is currently Chairman of the Board of Trustees of The Classical Opera Company, a non-profit organisation based in the United-Kingdom.

4 Mark Austen
Non-Executive & Independent Director
British, born in 1949

Mr. Mark Austen, a qualified accountant, has had considerable experience at an executive level in international financial markets and financial services consulting. Until early 2005, he served as an executive in IBM's Business Consulting Services, following a 20-year career with PricewaterhouseCoopers (PwC). There, he was Managing Partner of the Global Financial Services consulting practice and, from 2000 to 2002, was an elected member of PwC's Global Board. He was a member of the transaction group that oversaw the sale of the consulting business to IBM. Mr. Austen is currently a non-executive director of Standard Bank PLC, Liverpool Victoria Friendly Society Ltd, Mott MacDonald Group, The Philharmonia Trust Ltd and is a trustee of Arts & Business, one of Prince Charles' charities.

2 Paul Selway-Swift
Vice Chairman, Non-Executive & Independent Director
British, born in 1944

Mr. Paul Selway-Swift has many years of experience in the financial services industry with The HSBC Group where he held senior management positions in both Hong Kong and London and with the Singer & Friedlander Group which he chaired from 2003-2005. He is a director of several companies including Pure Circle Ltd (Chairman) and Harvard International plc all of which are quoted on the London Stock Exchange. He is also Chairman of Atlantis Investment Management (Ireland) Ltd and a director of Li & Fung Ltd which is quoted on the Hong Kong Stock Exchange. Mr. Selway-Swift was educated in England and subsequently attended the Massachusetts Institute of Technology Program for Senior Executives.

5 Chris Pavlou
Non-Executive & Independent Director
British, born in 1945

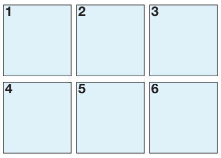
Mr. Chris Pavlou has formerly served as treasurer of Barclays Bank in the UK and the USA as well as treasurer of HSBC in Hong Kong and Japan. On his retirement in 1998 he joined LAIKI bank in Cyprus as a consultant and then member of the board till 2005. In 2006 he joined TFI, a Cyprus based financial company, as a consultant and then as CEO and deputy chairman. He remains as non-executive chairman. Mr. Pavlou is also a non-executive director of Prosafe, a Norwegian company based in Cyprus. Prosafe is a leading owner and operator of semi-submersible accommodation/service rigs. Mr. Pavlou is an honorary member of the International Foreign Exchange Association and a Freeman of the City of London.

3 Andreas Andreades
Chief Executive Officer & Executive Director
Cypriot, born in 1965

Mr. Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role in July 2003. In the nine years since he joined Temenos, the company has expanded considerably. Incorporating the figures from the recent Viveo acquisition, Temenos has grown from less than 150 employees to more than 3,500 and to more than 1,000 clients and USD 430 million in revenues. Mr. Andreades started his career with KPMG in London in 1988 and then in Pepsico between 1994 and 1999. Mr. Andreades holds a Masters engineering degree from the University of Cambridge and is a UK chartered accountant.

6 Lewis Polk Rutherfurd
Non-Executive & Independent Director
American, born in 1944

Mr. Lewis Polk Rutherfurd holds a bachelor's degree in East Asia Studies from Princeton University and an MBA with distinction from Harvard Business School. Mr. Rutherfurd is co-founder and managing director of Inter-Asia Management, Inter-Asia Venture Management II Partnership, Inter-Asia Capital III (the Founder investor in Temenos) and Inter-Asia Capital IV. He is a former Governor and Vice President of the American Chamber of Commerce in Hong Kong. He is a co-founder and past Vice Chairman of the HK Venture Capital Association.



FOCUSED

The Board of Directors is a highly experienced and skilled team focused on delivering shareholder value.

Executive Committee
Temenos Group AG

CREATING VALUE

The Executive Committee works closely with the Board of Directors in proposing and implementing strategy and objectives in order to drive profitability and shareholder value.

1	2
3	4

In 2009, Temenos made its largest acquisition to date, acquiring Viveo Group for USD 81 million. We believe this acquisition will generate significant shareholder value by accelerating the rate at which Temenos can invest in sales and R&D, as well as helping to broaden Temenos addressable market. It is our intention to make further acquisitions – we believe acquisitions represent the best use of the company's free cash flow provided we can identify companies that will enhance our fundamental core business proposition, are accretive and therefore generate shareholder value.

Andreas Andreades
Chief Executive Officer & Executive Director
Temenos Group AG

1 Andreas Andreades
Chief Executive Officer & Executive Director
Cypriot, born in 1965

Mr Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role in July 2003. In the nine years since he joined Temenos, the company grew in size from less than 150 employees to more than 2,900 in the last fiscal year and to more than USD 400 million in revenues. Mr Andreades started his career with KPMG in London in 1988. After spending five years in the accounting profession, he joined PepsiCo, where he held a number of strategy, sales and general management positions. Mr Andreades holds a Masters engineering degree from the University of Cambridge and is a UK chartered accountant.

3 Mark Cullinane
Chief Operating Officer
British, born in 1964

Mr Mark Cullinane has over 20 years of experience in providing international banking solutions, including more than 15 years living and working in the Asia Pacific region. He began his career in London as a management trainee with BIS Banking Systems in 1986, performing a variety of roles, including software development, implementation consultancy and client support, before focusing his early career in sales and sales management. Following acquisition by ACT in 1994, Mr Cullinane was promoted to General Manager for North Asia and subsequently, following acquisition by Misys in 1995, he was promoted to Regional Director for Misys business operations in the Asia Pacific region. He joined Temenos in February 2004 as Regional Director for Asia Pacific before assuming the role of Chief Operating Officer for the Group in January 2006. Mr Cullinane holds a degree in Business Studies (BA Hons.) from Greenwich University, London.

2 David Arnott
Chief Financial Officer
British, born in 1969

Mr David Arnott has been serving as the Chief Financial Officer of Temenos since April 2001. Prior to joining the Group, he worked as Chief Financial Officer of Société Européenne de Communication in Luxembourg. Mr Arnott also held a number of senior finance positions within the Anglo American group, a mining and precious metals trading company. Prior to this Mr Arnott was a Management Consultant with Deloitte where he also qualified as a Chartered Accountant. Mr Arnott holds a Bachelor of Sciences from the University of Southampton and a Masters Degree from the University of Freiburg.

4 Andre Loustau
Chief Technology Officer
British, born in 1958

Mr Andre Loustau has been with Temenos and its predecessor companies since 1984. Mr Loustau was an Application Developer at Grindlays Bank after which he joined Temenos' predecessor company EBS to begin the development of what was to become TEMENOS T24. Mr Loustau has held various roles in development, implementation and sales within Temenos, prior to assuming the responsibilities of the Chief Technology Officer in 2001.

COMMITTED TO A SUSTAINABLE BUSINESS MODEL

As a global organisation, Temenos is committed to a sustainable business model that enables the Group to meet its business objectives while being sympathetic to its social and environmental surroundings, writes Costa Christodoulou, Global Director of HR.

Our goal is to run a growing, profitable and ethical business that meets the needs of its key stakeholders - clients, employees and shareholders, whilst minimising any potentially adverse impact of our activities on the communities we serve. The guiding principles of our sustainability strategy affect how we operate on both a global and local basis and are brought together into the four key areas of environment, workplace, community and market.

Environment
Temenos is committed to reducing the group's impact on the environment. As a technology company, the development and implementation of our software solutions consume minimal amounts of energy and raw materials, however we ensure that we use our resources effectively with the minimum environmental damage. We actively promote the use of video conferencing between our international offices to reduce the volume of air travel undertaken by our employees. We also recycle paper and actively promote the reduction in unnecessary printing.

Workplace
With over 3,500 people from 75 countries, speaking 66 languages Temenos is a testament to diversity and equal opportunity. We work hard to ensure that our employees share the aspirations and values of the Temenos Group in order to deliver value for our customers and shareholders. We pride ourselves in treating our employees fairly and continue to motivate and inspire them through appropriate equity-based incentive programs, which provide both recognition and reward in a way that benefits both the individual and the company. We operate a robust health and safety policy in each of our offices, as well as an equal opportunities policy for all, regardless of race, color, nationality, ethnic or national origin, sex, marital status, disability, age or religious beliefs.

Community
Temenos works with the Global Fund for Children to donate funds in support of educational opportunities and innovative community based organisations working with some of the world's most marginalised and vulnerable children and young people. In 2009, Temenos employees voted to support projects in India and Sierra Leone. Additionally our Chennai office has created an organized workforce giving programme to support donations to a local rehabilitation association called REMAR who do charitable work among the poor and disadvantaged.

With over 3,500 people from 75 countries, speaking 66 languages Temenos is a testament to diversity and equal opportunity.

Market
Microfinance and community banking is a growing and profitable area of our business, in which we continue to invest. The business of microfinance is to find innovative ways to deliver low cost financial services to the poor. At Temenos we believe that by enabling access to finance in emerging markets micro-entrepreneurs will find the means to finance their business aspirations and create not only employment for themselves but also jobs and wealth for others in their community.

Microfinance is a global phenomenon that has evolved over the past 30 years and which Temenos has been investing in for the past 10, through the creation of T24 for Microfinance and Community Banking (T24 MCB). This is an easy to implement and manage 'packaged' version of our T24 core banking system, which to date has enabled more than 100 commercial microfinance institutions (MFIs) and banks to reach a vastly wider customer base and provide essential financial services to micro-entrepreneurs and disenfranchised communities in over 50 countries. Having a modern core banking system at the centre of its operation helps MFIs adhere to international banking standards, create new products to offer to their customers and improve the effectiveness of their operations.

Consistent with our own corporate ethos of ethical business and fairness, Temenos has chosen to sponsor an organization that promotes openness, fairness and transparency of pricing in microfinance. Microfinance Transparency www.mftransparency.org was established to promote the welfare of poor micro-entrepreneurs, and to promote the integrity of microfinance as a poverty alleviation practice. It has a vision of a microfinance industry operating with healthy free market conditions where consumers and other stakeholders can make informed decisions. This vision is completely consistent with the Temenos vision for microfinance and is the reason we continue to invest in this sector.

GOVERNING THE GROUP

Introduction
This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance (hereafter"DCG") and its Commentary issued by the SIX Swiss Exchange.

In the present Annual Report, the corporate governance information has been summarised in a separate section, whereas references to other parts of the Annual Report have been included in certain instances in an effort to avoid duplication.

In order to enhance readability, the present corporate governance section follows the suggested structure as described in the DCG's annex.

Unless otherwise indicated, the information provided in this report reflects the situation as of the 31 December 2009.

TEMENOS Group AG is hereinafter referred to as "the Company" or "Temenos". TEMENOS Group AG and its affiliated companies are hereinafter referred to as "Temenos Group" or "the Group".

1. Group structure and shareholders

1.1 Group structure

The ultimate holding company, TEMENOS Group AG, is registered in Geneva, where the Group is also headquartered.

1.1.1 The Temenos Group is organised and managed by the CEO who is the head of the Executive Committee of the Management Board (Executive Committee). The Executive Committee has been in place since 1 December 2007.

This Committee comprises the following members:

Andreas Andreades
Chief Executive Officer

David Arnott
Chief Financial Officer

Mark Cullinane
Chief Operating Officer

Andre Loustau
Chief Technology Officer

The Group is managed using a matrix of global business functions supported by regional and sub-regional sales and service operations, incorporating activities of product development, product management, services management, marketing, key customer relationship management and product support functions.

The Group's product sales and services operations are divided into three main geographic regions:

- Europe, Middle East and Africa
- Asia Pacific
- Americas – including North and South Americas

The Group Development and Product Support centres are based in India (Chennai and Bangalore), Spain (Madrid) and United Kingdom (Hemel Hempstead). Temenos Development Centres and Help Desk departments operate from these locations.

1.1.2 TEMENOS Group AG is the sole listed company of the Group.

Name	TEMENOS Group AG
Domicile	18 Place des Philosophes 1205 Geneva, Switzerland
Listed at	SIX Swiss Exchange
First listing date	26 June 2001
Market capitalisation	CHF 1,607,201,423
Security Number	1245391
ISIN number:	CH0012453913
Symbol:	TEMN
Reuters:	TEMN.S
Bloomberg:	TEMN SW

Please refer to the Information for Investors section for statistics on Temenos shares.

Corporate Governance
continued

1.1.3 Please find below the main non-listed companies belonging to the Group:
(all companies are directly or indirectly wholly owned subsidiaries of TEMENOS Group AG, unless otherwise indicated)

Name	Domicile	Country of Incorporation	Share Capital
ACTIS BSP Germany GmbH	Grosswallstadt	Germany	500,000 DEM
ACTIS BSP IT Services GmbH	Frankfurt am Main	Germany	50,000 DEM
ACTIS in Frankfurt GmbH	Frankfurt am Main	Germany	100,000 DEM
BSP Partners GmbH & Co. KG	Grosswallstadt	Germany	42,900 DEM
DBS Global Solutions (Pty) Limited	Cape Town	South Africa	100 ZAR
Fairs Limited	London	United Kingdom	50,000 GBP
Financial Objects (Risk Management) Limited	London	United Kingdom	9,697 GBP
Financial Objects (UK) Limited	London	United Kingdom	466,667 GBP
Financial Objects Inc.	Wilmington	USA	1,500 shares (no par value)
Financial Objects Limited	London	United Kingdom	950,528 GBP
Financial Objects Software (India) Private Limited	Bangalore	India	3,258,020 INR
Fomento Empresarial de Servicios Informaticos SA de CV (ownership interest: 51%)	Mexico City	Mexico	45,713,473 MXN
Genisys Technology Limited	London	United Kingdom	51,505 GBP
Lydian Associates Limited	London	United Kingdom	20 GBP
Quetzal Informatique SA	Paris	France	235,280 EUR
SC TEMENOS Romania SA	Bucharest	Romania	100,000 RON
TEMENOS (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysia	250,000 MYR
TEMENOS (NL) BV	Amsterdam	Netherlands	18,152 EUR
TEMENOS (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
TEMENOS Africa (Pty) Limited	Sunninghill	South Africa	100 ZAR
TEMENOS Australia Pty Limited	Sydney	Australia	2 AUD
TEMENOS Bulgaria EOOD	Sofia	Bulgaria	10,000 BGN
TEMENOS Colombia SAS	Bogota	Colombia	2,000,000 COP
TEMENOS Cyprus Limited	Nicosia	Cyprus	100,000 EUR
TEMENOS Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
TEMENOS East Africa Limited	Nairobi	Kenya	100,000 KES
TEMENOS Eastern Europe Limited	Nicosia	Cyprus	809,856 EUR
TEMENOS Ecuador SA	Quito	Ecuador	2,000 USD
TEMENOS Egypt LLC	Cairo	Egypt	200 EGP
TEMENOS Finance Luxembourg Sarl	Capellen	Luxembourg	12,500 EUR
TEMENOS France SAS	Paris	France	500,000 EUR
TEMENOS Headquarters SA	Geneva	Switzerland	100,000 CHF
TEMENOS Hellas SA	Chalandri	Greece	60,000 EUR
TEMENOS Hispania SA	Madrid	Spain	60,102 EUR
TEMENOS Holdings France SAS	Paris	France	28,010,000 EUR
TEMENOS Holdings Limited (formerly TEMENOS Holdings NV)	Tortola	British Virgin Islands	40,105 USD
TEMENOS Holland BV	Amsterdam	Netherlands	19,000 EUR
TEMENOS Hong Kong Limited	Hong Kong	Hong Kong	2 HKD
TEMENOS India Private Limited	Chennai	India	2,962,000 INR
TEMENOS Investments BV	Amsterdam	Netherlands	18,000 EUR
TEMENOS Japan KK	Tokyo	Japan	10,000,000 JPY
TEMENOS Kazakhstan LLP	Almaty	Kazakhstan	14,400,000 KZT
TEMENOS Korea Limited	Seoul	Korea	50,000,000 KRW
TEMENOS Luxembourg SA	Capellen	Luxembourg	1,181,250 EUR
TEMENOS Mexico SA de CV	Mexico City	Mexico	10,760,900 MXN
TEMENOS Middle East Limited	Nicosia	Cyprus	17,100 EUR
TEMENOS North Africa LLC	Casablanca	Morocco	10,000 MAD
TEMENOS Philippines, Inc	Makati City	Philippines	10,000,000 PHP
TEMENOS Polska Sp. Zo.o	Warsaw	Poland	50,000 PLN
TEMENOS Singapore Pte Limited	Singapore	Singapore	10,000 SGD
TEMENOS Software Canada Limited	Vancouver	Canada	48,000 CAD
TEMENOS Software Shanghai Co. Limited	Shanghai	China	140,000 USD
TEMENOS Suisse SA	Geneva	Switzerland	7,500,000 CHF
TEMENOS Systems Ireland Limited	Dublin	Ireland	4 EUR
TEMENOS UK Limited	London	United Kingdom	2,198,844 GBP
TEMENOS USA, Inc.	Wilmington	USA	1 USD
TEMENOS Vietnam Company Limited	Hanoi	Vietnam	890,000,000 VND
T-jBASE SA	Geneva	Switzerland	100,000 CHF
T-TCB SA	Geneva	Switzerland	100,000 CHF
T-TFR SA	Geneva	Switzerland	100,000 CHF
Viveo Group SA	Paris	France	16,248,900 EUR
Viveo France SAS	Paris	France	5,300,000 EUR
Viveo Banking & Finance Consulting SAS	Paris	France	150,000 EUR
Viveo Switzerland SA (sold on 15 March 2010)	Geneva	Switzerland	800,000 CHF
Viveo Romania SRL	Bucharest	Romania	120,000 RON
Viveo EL Djazaïr Sarl	Algiers	Algeria	1,000,000 DZD
Viveo Belgium SA	La Hulpe	Belgium	200,000 EUR
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP

1.2 Significant shareholders

To the best of our knowledge, please find below the list of shareholders who hold more than 3 percent of the voting rights of all issued shares, as of 31 December 2009.

Name	Number of shares	Percentage of the share capital[1]
Standard Life Investments	2,976,314	4.97%
UBS Fund Management (Switzerland) AG	1,872,496	3.13%
Threadneedle Asset Management Holdings Limited	1,863,349	3.11%
Virmont Sarl	1,854,963	3.10%
Credit Suisse Asset Management Funds AG	1,842,311	3.08%
Massachusetts Mutual Life Insurance Company	1,821'042	3.04%

[1] On the basis of TEMENOS Group AG registered capital of 59,858,526 shares.

For more recent information on Temenos' major shareholders, please refer to page 96.

Disclosure notifications made in accordance with Article 20 of the Swiss Stock Exchange and Securities Trading Act are publicly available on:

http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

1.3 Cross-shareholdings

There are no cross-shareholdings to report.

2. Capital structure

2.1 Capital

On 31 December 2009, the ordinary share capital amounted to CHF 299,292,630 consisting of 59,858,526 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share entitles its holder to one vote.

Temenos has an authorised capital totalling CHF 129,230,885 and a conditional capital totalling CHF 44,531,265 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totalling CHF 69,653,400 exists for shares that may be issued in conjunction with financial instruments.

2.2 Authorised and conditional capital

Authorised capital

Pursuant to the Articles of Association (Article 3ter), the Board of Directors is authorised to increase the share capital to a maximum aggregate amount of CHF 129,230,885 through the issuance of a maximum of 25,846,177 fully paid-in registered shares with a par value of CHF 5 per share. An increase in partial amounts is permitted. This power expires on 20 June 2010.

The Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights, as well as shares, the pre-emptive rights of which have not been exercised, at market conditions.

The Board of Directors is authorised to restrict or withdraw the pre-emptive and subscription rights of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, the take-over of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quater (1)), the company's share capital may be increased by a maximum aggregate amount of CHF 44,531,265, through the issuance of a maximum of 8,906,253 registered shares, which shall be fully paid-in, with a par value of CHF 5 each, to officers, directors and employees at all levels of the Company and group companies. Pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiary or through the Company, to officers, directors and employees of the Company and group companies, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiary or to the Company for purposes of distribution to directors, officers or employees of the Company and group companies; (ii) new shares to be issued through the Subsidiary or through the Company, to employees of the Company or group companies shall be issued against payment of the par value of CHF 5 per each share in cash.

Conditional capital for financial instruments
Pursuant to the Articles of Association (Article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 69,653,400, by issuing up to 13,930,680 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, in the amount of CHF 45,000,000, that is 9,000,000 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies; and second, in the amount of CHF 24,653,400, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including the exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value.

The Board of Directors shall be authorised to restrict or exclude the advance subscription rights of shareholders: (1) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or new investments; or (2) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public; or (3) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such cases, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10)-year period, and warrants or options may be exercised during a maximum seven (7)-year period, in each case from the date of the respective issuance.

2.3 Changes in capital
Statutory accounts

	31.12.09 CHF 000	31.12.08 CHF 000	31.12.07 CHF 000
Ordinary share capital	**299,293**	295,027	291,707
Conditional share capital	**114,185**	118,450	118,450
Authorised share capital	**129,231**	129,231	132,551
Share premium & capital reserve (incl. reserve for own shares)	**197,930**	197,781	182,599
Profit (loss) carried forward	**3,378**	2,987	532
Total equity	**500,601**	495,795	474,838

2.4 Shares and participation certificates
All equity securities of Temenos are in the form of registered shares, each with a par value of CHF 5. Each share confers the right to one vote at the Annual General Meeting of Shareholders and all shares are fully entitled to receive dividends. The Company did not pay any dividends in 2009. The Articles of Association do not provide for privileged voting rights shares.

Temenos does not currently anticipate paying any dividends, as it intends to retain future earnings to finance the development and growth of its business. The Company does not issue participation certificates.

2.5 Profit sharing certificates
The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations
There are no restrictions on the transfer of shares.

Only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Company shall recognise only one representative for each share. Nominee registrations are permitted.

2.7 Convertible bonds and warrants/options
Regarding stock options and warrants please refer to note 21 of the consolidated financial statements. With respect to the convertible bond issued on 20 March 2006, please refer to note 14 of the consolidated financial statements.

3. Board of Directors

The Board of Directors is elected by the shareholders and holds the ultimate decision-making authority of the Company for all matters except those reserved by law to the shareholders. The Board of Directors shall manage the business of the Company insofar as it has not been delegated to the CEO, who chairs the Executive Committee of the Company.

The Board of Directors exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its Charter.

3.1 Members of the Board of Directors

As at 31 December 2009 the Board of Directors comprises the following six members, four of whom are non-executive:

Name	Position
George Koukis	Chairman, Executive Director
Paul Selway-Swift	Vice-Chairman, Non-Executive and Independent Director
Andreas Andreades	Chief Executive Officer and Executive Director
Mark Austen	Non-Executive and Independent Director
Chris Pavlou	Non-Executive and Independent Director
Lewis Polk Rutherfurd	Non-Executive and Independent Director

Please refer to page 20 for their biographies.

None of the non-executive members of the Board of Directors has or has had any senior management position within the Group. None of them has any significant business connections with the Group.

3.2 Other activities and vested interests

Except those mentioned in the biographies section on page 20, no member of the Board of Directors has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

3.3 Cross-involvement

(repealed)

3.4 Elections and term of office

3.4.1 Principles of the election procedure and term limits

The members of the Board of Directors are elected by the General Meeting of Shareholders for a term of three years. (A year begins on the date of the General Meeting of Shareholders and continues until the next General Meeting.) Upon the expiration of their terms of office the members may be re-elected immediately and without limitations. Moreover, the Board of Directors shall organise the election of its members in such a way as to ensure that at each ordinary General Meeting of Shareholders approximately one-third of the members shall complete their term of office. Members newly appointed during a term of office shall complete the term of office of their predecessor.
At the Annual General Meeting of Shareholders, the Board members are individually (re)-elected.

3.4.2 First election and remaining term of office of each director

Name	First elected	Elected until
George Koukis	2001	2011
Paul Selway-Swift	2001	2012
Andreas Andreades	2001	2010
Mark Austen	2006	2012
Chris Pavlou	2001	2011
Lewis Polk Rutherfurd	2001	2012

3.5 Internal organisational structure

3.5.1 Allocation of tasks within the Board of Directors

At its first session after the ordinary General Meeting of Shareholders, the Board elects its Chairman, Vice-Chairman and Secretary, who does not need to be a member of the Board of Directors.

The Chairman is responsible for preparing and convening the meetings of the Board of Directors as well as for the implementation of the Board resolutions. In case of his absence, the Vice-Chairman shall call the Board meetings. The Chairman supervises the preparation of the General Meeting of Shareholders.

Position within the Board of Directors

Name	Position
George Koukis	Chairman
Paul Selway-Swift	Vice-Chairman
Andreas Andreades	Member
Mark Austen	Member
Chris Pavlou	Member
Lewis Polk Rutherfurd	Member

3.5.2 Composition, tasks and areas of responsibility for each Committee

The Audit, Compensation and Nomination Committees are governed by terms of reference defining their duties and compositions.
These Committees are comprised mainly of non-executive and independent directors. These committees report regularly and make recommendations to the Board of Directors which is empowered to make decisions.

Name	Audit Commitee	Compensation Committee	Nomination Committee
George Koukis			Member
Paul Selway-Swift	Member	Member/ Chairman	Member
Andreas Andreades			Member
Mark Austen	Member/ Chairman		
Chris Pavlou	Member	Member	Member/ Chairman
Lewis Polk Rutherfurd	Member		Member

Audit Committee

The Audit Committee considers the Group's public reports, liaises with the external and internal auditors, and reviews the Group's internal controls, compliance with corporate governance rules and any other matters that may be brought to its attention by the internal and/or external auditors. The external and internal auditors are in attendance at all Audit Committee meetings.

Corporate Governance
continued

Compensation Committee
The Group reviews, on an ongoing basis, the compensation of its employees worldwide, by reference to the prevailing market norms, at each of the locations in which it operates.

The Compensation Committee reviews, approves and makes recommendations on compensation practices and policies designed to develop a competitive, equitable and performance based package allowing Temenos to attract and retain top talent within the Group. The Compensation Committee also reviews, approves and makes recommendations on compensation packages concerning the executive members of the Board of Directors and members of the Executive Committee and seeks to confirm that such compensation is in line with market norms. Accordingly, the overall executive compensation is set at the top quartile of global software companies.

Nomination Committee
The main duties of the Nomination Committee are: (i) to annually review the structure, size and composition required of the Board of Directors and make recommendations to the Board of Directors with regard to any changes; (ii) to establish qualification criteria for Board of Directors' membership and (iii) to give full consideration to succession planning for both members of the Board of Directors and members of the Executive Committee.

3.5.3 Work methods of the Board of Directors and its Committees
The Board of Directors meets as often as business requires, but at least four times a year, the Audit Committee meets at least twice a year and the Compensation and Nomination Committees meet at least once a year.

During 2009, the following numbers of meetings were held:

Board/ Committees	Meetings held
Board of Directors	4
Audit Committee	4
Compensation Committee	3
Nomination Committee	1

The attendance at the meetings of the Board of Directors and its Committees was 100%. Moreover, both the external and internal auditors attended all the Audit Committee meetings in 2009.

The average duration of the meetings is as follows:

Board/ Committees	Average duration (hours)
Board of Directors	4
Audit Committee	3.5
Compensation Committee	1.5
Nomination Committee	1

All directors may take independent professional advice, at the Company's expense, if they deem such a course of action necessary or appropriate for adequately discharging their duties. An external legal counsel was present at each of the Board of Directors meetings.

At the meetings of the Board of Directors and of its Committees, those members of the Executive Committee who have the relevant information and expertise required for the respective body to perform its duties are normally present. Such persons do not take part in any resolutions.

Furthermore, and during each Board of Directors meeting, a business report is presented by the Chief Executive Officer. Together with the Financial Report presented by the Chief Financial Officer, this information enables the Board members to assess the course of the Company's business activities on a current basis.

3.6 Definition of areas of responsibility
The Board of Directors, together with its Audit, Compensation and Nomination Committees, exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its Charter. The Board of Directors of Temenos decides in particular on significant acquisitions, disposals, strategic alliances, share repurchase programs and changes in the Group's structure and organisation, though its responsibilities are not limited to this.

Once a year, the Board of Directors reviews its conformity to corporate governance rules and evaluates its own performance. Moreover, the non-executive members of the Board of Directors assess the performance of each of the executive directors and vice versa.

Based on Article 17 of the Articles of Association of TEMENOS Group AG and Article 3.5 of the Organisation By-Laws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer, except where the law, the Articles of Association or the Organisation By-laws provide differently.

Under the direction and presidency of the Chief Executive Officer, the Executive Committee is composed of the CFO, COO and CTO.

In compliance with the Board of Directors' decisions, the Executive Committee is responsible for setting Group strategy and monitoring performance against it. The Executive Committee also sets targets for Group organic and acquisitions growth on a three year basis. Finally, the Executive Committee approves all products CAPEX investments, as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments
The Board of Directors is responsible for the Group's system of internal control, which covers objectives to ensure effective and efficient operation, accurate financial reporting, compliance with laws and regulations and safeguarding of assets.

The Head of Internal Audit reports directly to the Audit Committee and administratively to the Chief Executive Officer.

Executive Management evaluates risks at yearly intervals, or in special cases, on an ad-hoc basis. The Group Risk Management function coordinates risk management through Temenos, promoting anticipatory management of threats and opportunities, and providing the Executive Management with information necessary to manage overall risk exposure. Temenos integrates this risk management into its ongoing business planning process. Potential negative developments are evaluated, so that we can implement timely countermeasures if any events should lead to deviations from our business plan. Specialised functions such as Group Finance & Accounting, Group Quality and IT Security support regional organisations and control the effectiveness of risk management. The Internal Audit department aligns their activities to the risk management system.

Financial results are monitored by the Board of Directors on a quarterly basis. The executive directors monitor financial results on the basis of a formal monthly financial reporting system and on an ad hoc basis, whenever circumstances demand.

Every year, detailed budgets for each area of business are prepared for the year and then reviewed and approved by the Board of Directors. Responsibilities for financial performance against plans and for capital expenditure are delegated, with limits, to line management. A significant part of the Group's financial and management information is processed by, and stored on, computer systems. Accordingly, the Group has established controls and procedures over the security of data held on computer systems. The Board ensures that measures continue to be taken to reinforce internal controls and to deal with necessary improvements that come to the attention of management and the Board. This is a goal which is pursued on an on-going basis while ensuring that an equilibrium is maintained between the minimisation of risk and costs associated with controls.

4. Executive Committee

4.1 Members of the Executive Committee

As at 31 December 2009, the Executive Committee comprises the following members:

Executive Committee

Name	Position
Andreas Andreades	Chief Executive Officer
David Arnott	Chief Financial Officer
Mark Cullinane	Chief Operating Officer
Andre Loustau	Chief Technology Officer

Please refer to page 23 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on page 23, no member of the Executive Committee has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

4.3 Management contracts

No management tasks have been delegated to third parties.

5. Compensations, shareholdings and loans

5.1 Content and method of determining the compensation and the share-ownership programmes

For disclosure of participations and compensation as well as details on options and Stock Appreciation Rights (SARs), please refer to note 9 of the unconsolidated financial statements.

This section summarises the compensation programs for the executive members of the Board of Directors and for the Executive Committee (the "Executives") in 2009.

The Compensation Committee reviews, approves and makes recommendations on compensation packages concerning the Executives and seeks to confirm that such compensation is fair in relation to the person's skills and their position and consistent with best market practice. For more information on the Compensation Committee, please refer to section 3.5.2.

The objectives of Temenos compensation programs are to:

1 Attract, motivate and retain highly talented and performance-driven executives who have the potential to make the greatest impact on Temenos' success.
2 Reinforce a-pay-for performance culture by having a significant portion of compensation packages linked to the achievement of results and growth that is significantly higher than the peer group of global software companies.
3 Align Executives' interests with shareholders' interests by having a substantial amount of compensation linked to Temenos' stock performance.

Temenos has used Deloitte LLP on an advisory basis. With the assistance of Deloitte LLP, Temenos has benchmarked the compensation of the Executives against those of 15 global software companies. This was supplemented by compensation data extracted from broad surveys on executive compensation. Accordingly, the overall executive compensation is set at the top quartile when compared to that of other global software companies; however, the largest part of variable compensation is only paid upon achievement of profit and revenue growth targets which are higher than that achieved on average by our peer group.

The components of compensation for Executives comprise base salary, benefits, annual bonus and long term incentive (Equity Based Stock Appreciation Rights (SARs) and stock options.

The on-target annual bonus applicable to the Executives represents an average of 98% of their base salary. Annual bonus is conditional upon achievement of key financial performance targets (EPS growth or Group profits targets), strategic individual business objectives depending on their functions within the Group and continuous employment. In case the achievement is below a predefined threshold, which is 10% below the set target in the case of EPS, profit and operating cash flow, there is no bonus payout; in case of overachievement, there is an accelerator up to a maximum of 200% of the on-target bonus.

The SARs are conditional on cumulative EPS targets over 3 years. In case the achievement is below the predefined threshold of 80% there is no SARs grant; in case of overachievement, there is an accelerator up to a maximum of 200% of the initial bonus or SARs grant. The maximum face value (number of SAR x grant price) of SARs grant is up to 400% of base salary depending on the position of the Executive.

Stock options are not granted automatically on an annual basis, but are granted on an exceptional basis; the main objectives being to attract and retain key talent.

The emoluments of the non-executive members of the Board of Directors are quantified by reference to the time spent on the Board and on its Committees' meetings and related matters.

Insider trading:
According to the insider trading section of the Temenos Business Code of Conduct, the black out periods are defined as follows:

No director or employee should make any purchase or sale of Temenos securities (e.g. shares, options, SARs):

- during the period beginning ten trading days prior to publication of quarterly financial results and ending on the day of such public announcement;
- during the period beginning at the time of any public earnings-related announcement or public announcement of a significant corporate transaction or event and ending upon the completion of the second full trading day after such announcement;
- during such other periods as may be established from time to time by management in light of particular events or developments affecting Temenos; and
- during any other period when he or she has knowledge of any material non-public information concerning Temenos.

Corporate Governance
continued

5.2 Transparency of compensation for shareholdings of and loans to issuers domiciled abroad
Not applicable to Temenos.

6. Shareholders' participation

6.1 Voting-rights and representation restrictions
6.1.1 According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights.

According to Article 6 of the Company's Articles of Association, "Every entry of an acquirer of shares is subject to the Board of Directors' consent. The Board of Directors may refuse its consent if, at its request, the acquirer does not explicitly declare to acquire and to hold the shares in his own name and for his own account or if the form filed by the acquirer to request registration contains untrue information or statements."

6.1.2 No such refusal has ever occurred.

6.1.3 This statutory restriction may be abolished by an amendment of the Articles of Association which requires a decision taken by the simple majority at the General Meeting of Shareholders (Article 9 (1) and 15 of the Articles of Association).

6.1.4 Shareholders may represent their shares in person or appoint a representative by written proxy. They may alternatively appoint their custodian bank, the Company or the independent proxy holder.

6.2 Statutory quorums
There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority of the votes validly cast, subject to the compulsory exceptions provided by law.

6.3 Convocation of the General Meeting of Shareholders
In compliance with the Swiss Code of Obligations, the General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least twenty days before the date of the meeting in the Swiss Official Gazette of Commerce (Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting.

6.4 Agenda
One or more shareholders representing shares of an aggregate nominal value of at least CHF 1 million may, up to 45 days before the date of the General Meeting, request an item to be included on the agenda. Such request must be in writing and shall specify the items and the proposals of these shareholders.

6.5 Inscriptions into the share register
Pursuant to Article 13 §1 of the Company's Articles of Association, shareholders entered in the share register as shareholders on a specific qualifying date designated by the Board of Directors shall be entitled to attend and vote at the General Meeting.

In order to attend and vote at the Annual General Meeting of Shareholders, proxy holders of deposited shares (according to Article 689d CO) are requested to inform the Company of the number of shares represented by them as early as possible, but no later than 2 business days before the Annual General Meeting of Shareholders.

Only persons registered in the share register are considered as shareholders by Temenos.

The Ninth Annual General Meeting of Shareholders of the Company will be held in Geneva on 4 June 2010. The agenda of the Annual General Meeting of Shareholders is published and sent to each shareholder in French and English. Shareholders recorded in the share register on 14 May 2010 are entitled to vote.

7. Changes of control and defence measures

7.1 Duty to make an offer
There is no "opting out" or "opting up" clause in the Articles of Association of TEMENOS Group AG.

7.2 Clauses on changes of control
In the event of a change of control of the majority of Temenos stock, all non-vested stock options and SARs shall become vested and exercisable immediately provided that their respective vesting period has started. Typically, the vesting period starts one year following the grant date.

The contractual notice periods of the executive members of the Board of Directors and members of the Executive Committee do not exceed twelve months; there are no severance payment clauses.

In case of resignation, dismissal or redundancy, all unvested Options and SARs are immediately forfeited. Options and SARs that are vested but unexercised as of the 60th calendar day following termination of the contract of employment are cancelled.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor
8.1.1 PricewaterhouseCoopers SA ("PwC") was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 5 June 2009 for a period of one year (PwC was first elected in 2003).

8.1.2 The lead auditor for the Group audit is Mr. Mike Foley, who was elected for the first time at the General Meeting of Shareholders of TEMENOS Group AG held on 27 June 2003.

8.2 Auditing fees
Included in general and administrative expenses is an amount of USD 1,178,000 representing audit fees charged to the Temenos Group by PricewaterhouseCoopers (these fees are inclusive of the statutory audit fees).

8.3 Additional fees
In addition, other fees of approximately USD 606,000 have been incurred through the provision of tax advisory and other professional services by PricewaterhouseCoopers.

Please find below a breakdown of the additional fees:

	USD 000
Tax Compliance	111
Transactions	126
Non Audit Fee – Audit related	**237**
Tax Advisory	298
Other Advisory	71
Non Audit related	**369**
Total Non Audit Fee	**606**

8.4 Information tools pertaining to the external audit

The Audit Committee is responsible for monitoring the performance of external auditors, checking their independence, approving their annual work plan and fees, and reviewing their findings on quality control procedures as well as steps taken by the auditors to respond to changes in regulatory and other requirements. At the end of almost all Audit Committee meetings, the Audit Committee members spend time with the external auditors without the presence of management. The external auditors formally report to the Audit Committee during its meetings and have direct access to its Chairman when necessary. The Chairman of the Audit Committee then reports at each meeting of the Board of Directors. Please also refer to paragraphs 3.5.2 and 3.5.3 above.

At the beginning of the year, the Audit Committee pre-approves an amount of permitted services that may be performed by the external auditors. Such services are then reviewed on a regular basis at Audit Committee meetings. For any other audit or non-audit related services beyond the above-mentioned limit, authorisation is required from the Chairman of the Audit Committee upon recommendation from the CFO.

9. Information policy

Temenos is committed to open and transparent communication with its shareholders and wider stakeholders.

Updates

Temenos publishes an annual report for the year to 31 December and an interim report for the six months to 30 June. Temenos also reports figures on a quarterly basis. All of this information and additional company-specific information is available at http://www.temenos.com/Investor-Relations/. In addition, those interested can sign up on the Temenos website to receive updates on new initiatives as well as financial news and the latest customer signings.

Contacting Temenos

To contact the Company, please either write to the Investor Relations team at TemenosIR@temenos.com or Ariel Boussiba, Company Secretary at aboussiba@temenos.com.

Meeting Temenos

On 4 June 2010, Temenos will hold its Annual General Meeting in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the Board and learn more about the Group’s strategic direction.

Meetings between Directors, institutional shareholders and other market professionals are held regularly as a part of Temenos’ investor relations programme. Furthermore, all directors are available to meet shareholders if requested.

A list of roadshows and conferences Temenos will attend in 2010 is published on the Company’s website and updated regularly at http://www.temenos.com/Investor-Relations/Financial-Calendar/.

Temenos Business Code of Conduct

It is crucial for Temenos to conduct business in an ethical way everywhere and in all circumstances. The Temenos Business Code of Conduct has been drawn up in this respect and is reviewed annually by the Board of Directors.

This Code of Conduct describes the policies and procedures governing the relationship between the employee and Temenos, and is considered a part of the employment relationship.

This Code of Conduct is distributed to all new employees and acknowledged. It is available on the Temenos website and intranet (central repository database).

Report of the Group Auditors
on the Consolidated Financial Statements

Report of the statutory auditor to the general meeting of TEMENOS Group AG, Geneva.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Temenos Group AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Guillaume Nayet
Audit expert

Geneva, 19 February 2010

Consolidated Income Statement
for the year ended 31 December

	2009 USD 000	Represented 2008 USD 000
Revenues		
Software licensing	**125,989**	150,055
Maintenance	**117,134**	101,215
Services	**127,199**	155,667
Total revenues	**370,322**	406,937
Operating expenses		
Cost of sales	**116,019**	148,058
General and administrative	**50,596**	52,301
Other operating expenses	**123,475**	142,626
Total operating expenses (note 26)	**290,090**	342,985
Operating profit	**80,232**	63,952
Finance income	**1,273**	3,339
Finance costs	**(12,656)**	(3,996)
Finance costs – net (note 27)	**(11,383)**	(657)
Profit before taxation	**68,849**	63,295
Taxation (note 12)	**(306)**	1,881
Profit for the year	**68,543**	65,176
Attributable to:		
Equity holders of the Company	**68,635**	64,711
Minority interest	**(92)**	465
	68,543	65,176
Earnings per share (in USD) (note 28):		
basic	**1.17**	1.12
diluted	**1.07**	1.02

Notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December

	2009 USD 000	2008 USD 000
Profit for the year	**68,543**	65,176
Other comprehensive income:		
Available-for-sale financial assets (note 20)	**6**	1
Cash flow hedge (note 20)	**10,993**	(11,941)
Currency translation difference	**(64)**	(24,708)
Other comprehensive income for the year, net of tax	**10,935**	(36,648)
Total comprehensive income for the year	**79,478**	28,528
Attributable to:		
Equity holders of the Company	**79,554**	28,127
Minority interest	**(76)**	401
	79,478	28,528

Notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
as at 31 December

	2009 USD 000	Represented 2008 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 7)	**142,651**	65,600
Trade and other receivables (note 8)	**288,963**	286,528
Other financial assets (note 9)	**4,838**	3,839
Prepayments	**10,968**	9,111
Total current assets	**447,420**	365,078
Non–current assets		
Property, plant and equipment (note 10)	**15,508**	14,618
Intangible assets (note 11)	**288,382**	193,512
Trade and other receivables (note 8)	**17,735**	9,544
Deferred tax assets (note 12)	**34,536**	37,282
Total non-current assets	**356,161**	254,956
Total assets	**803,581**	620,034
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	**81,295**	85,629
Other financial liabilities (note 9)	**5,621**	14,711
Deferred revenues	**114,176**	84,624
Income tax liabilities	**5,848**	11,441
Borrowings (note 14)	**36,357**	13,277
Provisions for other liabilities and charges (note 15)	**808**	9,519
Total current liabilities	**244,105**	219,201
Non-current liabilities		
Borrowings (note 14)	**237,232**	173,169
Deferred tax liabilities (note 12)	**15,740**	9,686
Income tax liabilities	**2,440**	9,870
Retirement benefit obligations (note 24)	**2,190**	884
Trade and other payables (note 13)	**905**	2,614
Total liabilities	**502,612**	415,424
Capital and reserves attributable to the Company's equity holders		
Share capital (note 18)	**178,340**	174,122
Treasury shares (note 18)	**–**	(20,677)
Share premium and capital reserves (note 19)	**(85,231)**	(77,217)
Fair value and other reserves (note 20)	**(32,019)**	(42,938)
Retained earnings	**239,218**	170,583
	300,308	203,873
Minority interest	**661**	737
Total equity	**300,969**	204,610
Total liabilities and equity	**803,581**	620,034

Notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December

	2009 USD 000	2008 USD 000
Cash flows from operating activities		
Profit before taxation	**68,849**	63,295
Adjustments:		
Depreciation, amortisation and impairment	**47,127**	36,230
Loss on disposal of assets	**36**	87
Cost of share options (note 21)	**17,142**	15,851
Interest expense – net (note 27)	**6,055**	3,779
Fair value loss from financial instruments – net (note 27)	**8,181**	6,930
Financial instrument related expenses (note 27)	**1,649**	1,997
Changes in net working capital		
Trade and other receivables, prepayments and other financial assets	**1,410**	(90,405)
Trade and other payables, and other financial liabilities	**(37,769)**	(628)
Deferred revenues	**5,224**	19,089
Cash generated from operations	**117,904**	56,225
Income taxes paid	**(4,974)**	(2,679)
Net cash generated from operating activities	**112,930**	53,546
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,136)**	(4,496)
Disposal of property, plant and equipment	**43**	85
Purchase of intangible assets	**(2,875)**	(5,211)
Capitalised development costs (note 11)	**(19,513)**	(19,928)
Acquisitions, net of cash acquired	**(84,664)**	(69,926)
Settlement of financial instruments	**(1,988)**	(6,719)
Interest received	**184**	841
Net cash used in investing activities	**(110,949)**	(105,354)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	**1,510**	17
Acquisition of treasury shares	**–**	(34,643)
Proceeds from borrowings	**82,829**	69,590
Repayments of borrowings	**(13,791)**	–
Debt refinancing	**9,178**	–
Interest payments	**(2,992)**	(3,354)
Payment of financial instrument related expenses	**(1,840)**	(5,118)
Payment of finance lease liabilities	**(591)**	(520)
Net cash generated from financing activities	**74,303**	25,972
Effect of exchange rate changes	**767**	(1,626)
Increase/(decrease) in cash and cash equivalents in the year	**77,051**	(27,462)
Cash and cash equivalents at the beginning of the year	**65,600**	93,062
Cash and cash equivalents at the end of the year	**142,651**	65,600

Notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December

	Share capital (note 18) USD 000	Treasury shares (note 18) USD 000	Share premium and capital reserves (note 19) USD 000	Fair value and other reserves (note 20) USD 000	Retained earnings USD 000	Minority interest USD 000	Total USD 000
Balance at 1 January 2008	**170,867**	**(696)**	**(92,589)**	**(6,354)**	**105,872**	**336**	**177,436**
Profit for the year	–	–	–	–	64,711	465	65,176
Other comprehensive income for the year, net of tax	–	–	–	(36,584)	–	(64)	(36,648)
Total comprehensive income	–	–	–	(36,584)	64,711	401	28,528
Cost of share options (note 21)	–	–	15,851	–	–	–	15,851
Exercise of share options	–	14,662	(15,830)	–	–	–	(1,168)
Settlement of employee share options	–	–	(996)	–	–	–	(996)
Shares issued in relation to acquisitions	3,255	–	16,347	–	–	–	19,602
Acquisition of treasury shares	–	(34,643)	–	–	–	–	(34,643)
	3,255	(19,981)	15,372	(36,584)	64,711	401	27,174
Balance at 31 December 2008	**174,122**	**(20,677)**	**(77,217)**	**(42,938)**	**170,583**	**737**	**204,610**
Profit for the year	–	–	–	–	68,635	(92)	68,543
Other comprehensive income for the year, net of tax	–	–	–	10,919	–	16	10,935
Total comprehensive income	–	–	–	10,919	68,635	(76)	79,478
Cost of share options (note 21)	–	–	17,142	–	–	–	17,142
Exercise of share options	4,218	20,677	(24,152)	–	–	–	743
Settlement of employee share options	–	–	(996)	–	–	–	(996)
Share issuance costs	–	–	(8)	–	–	–	(8)
Acquisition of treasury shares	–	–	–	–	–	–	–
	4,218	20,677	(8,014)	10,919	68,635	(76)	96,359
Balance at 31 December 2009	**178,340**	**–**	**(85,231)**	**(32,019)**	**239,218**	**661**	**300,969**

Notes on pages 40 to 83 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
31 December 2009

1. General information

TEMENOS Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of TEMENOS Group AG have been publicly traded on the SIX Swiss Exchange. On incorporation, TEMENOS Group AG succeeded TEMENOS Holdings Limited in the role of the ultimate holding company of the Group. From 23 May 2006 the Company moved its seat of incorporation to Geneva, Switzerland. The registered office is 18 Place des Philosophes, Geneva.

The Company and its subsidiaries (the "TEMENOS GROUP" or "the Group") are engaged in the development and marketing of integrated banking software systems. The Group is also involved in supporting the implementation of the systems at various client locations around the world as well as in offering help desk support services to existing users of TEMENOS software systems. The client base consists of mostly banking and other financial services institutions.

These consolidated financial statements have been approved for issue by the Board of Directors on 15 February 2010.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Where necessary comparative information has been represented to reflect the finalisation of the purchase accounting for FINANCIAL OBJECTS LIMITED (note 6).

Certain directly attributable operating expenses have been reclassified into "Cost of Sales" on the face of the income statement to better reflect the nature of these expenses. In addition "Other income/(expenses)" items previously presented below the operating profit line were reclassified as part of the "Finance income" and "Finance costs" respectively to be in line with the Group's accounting policy.

Standards, amendments and interpretations effective as of 1 January 2009 that have an impact to the Group's operations

- IFRS 7 (Amendment), 'Financial instruments – Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The amendment only affects the disclosure of the Group's financial statements.
- IFRS 8 (Standard), 'Operating segments'. This new standard replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. This new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes by the chief operating decision-maker. The adoption of IFRS 8 has resulted in a redesignition of the Group's reportable segments (note 22).
- IAS 1 (revised). 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is,'non-owner changes in equity') in the statement of changes in equity, requiring 'nonowner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. This new revised standard only impacts the disclosure of the Group's financial statements. Where necessary the comparative figures have been adjusted to conform with changes in presentation.
- IFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group's policy for share-based transactions are already in conformity with these vesting conditions and, therefore, this amendment has no impact on the Group's financial statements.
- IAS 19 (2008 Annual improvements), 'Employee benefits'. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases in a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The adoption of this amendment has not resulted in a material impact on the Groups' financial statements.
- IAS 23 (Revised), 'Borrowing Costs'. The principal change of the revised standard is the elimination of the option to expense all borrowing costs when incurred. The Group's management has determined that "Internally generated software development costs" do not qualify as "qualifying asset" and, therefore, this revised standard has no impact on the Group's financial statements.
- IAS 39 (2009 Annual improvements), 'Financial instruments: Recognition and measurement'. This amendment clarify that entities should no longer use hedge accounting for transactions between segments in their separate financial statements. As the Group's entities do not apply hedge accounting in their financial statement, this amendment has not impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2009 but not relevant to the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

- IFRIC 9 (Amendment) 'Reassessment of Embedded Derivatives' and IAS 39 'Financial instruments: Recognition and measurement'.
- IFRIC 15 (Interpretation), 'Agreement for the Construction of Real Estate'.
- IFRIC 16 (Interpretation), 'Hedges of a net investment in a foreign operation'.
- IAS 32 (Amendment), 'Financial instruments: Presentation'.
- Unless otherwise specifically stated in the preceding section, all the remaining amendments published as part of the 2008 Annual improvements with effective date from 1 January 2009 are not relevant to the Goup's operations.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

- 2009 Annual improvements. IASB issued a collection of amendments to several IFRSs to be effective from 1 January 2010 or later periods. Unless specifically detailed below, these amendments are very minor and, therefore, are not expected to have a significant impact on Groups' financial statements. The Group will apply these amendments according to their effective date.
- IFRIC 17 (Interpretation) 'Distributions of Non-cash Assets to Owners' . This interpretation is not relevant to the Group's operations as the Group does not currently distribute any Non-cash Assets to the Group's owners. The Group will apply the interpretation from 1 January 2010.
- IFRIC 18 (Interpretation) 'Transfers of assets from customers'. This interpretation is not relevant to the Group's operation as the Group does not have such activity. The Group will apply the interpretation from 1 January 2010.
- IFRS 2 (Amendment), 'Share-based payment'. In addition to incorporating IFRIC 8, 'Scope of IFRS2', and IFRIC 11, 'IFRS2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements. The Group will apply the amendment from 1 January 2010.
- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all acquisition-related costs should be expensed; contingent consideration must be recognised at acquisition date and subsequent adjustment to be recognised in the income statement. The Group's policy for acquisition will be modified in conformity with the new standard. The Group will apply the revised standard from 1 January 2010.
- IAS 27 (revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group's policy for transactions with non-controlling party will be modified in conformity with the new changes. The Group will apply this revised standard from 1 January 2010.
- IFRS 5 (2008 Annual improvements), 'Non-current Asset Held for Sale and Discontinued Operations'. The Group does not currently held "Non-current Asset for Sale" and, therefore, this amendment has not impact on the Group's financial statements. The Group will apply the amendment from 1 January 2010.
- IFRS 9 (Standard), 'Financial Instruments'. This new standard introduces new requirements for the classification and measurement of financial assets. Although The Group is still evaluating the potential effect of this new standard, it is not expected to have a material impact on the Group's financial statements. The Group will apply this new standard from 1 January 2013.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of TEMENOS Group AG as well as its subsidiaries.

Subsidiaries are all entities in which the Group has an interest of more than 50% of the voting rights or otherwise has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All assets and liabilities as well as expenses and earnings of the Group companies are included effective from the date of acquisition. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Associates are entities over which the Group generally has between 20% and 50% of the voting rights or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies continued

(c) Foreign currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency and the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Swiss Francs.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated, on a monthly basis, at the average exchange rates of each monthly period where this represents a reasonable approximation of the exchange rate applicable on the date of the transaction.
- the resulting exchange differences are recognised in shareholders' equity within "fair value and other reserves".
- equity balances are translated at historical rates.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity and are included within "fair value and other reserves". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Gains or losses resulting from long term intragroup balances for which settlement is neither planned nor likely to occur in the foreseeable future are treated as a net investment in foreign operations.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held with banks with original maturities of three months or less, and other short-term highly liquid investments with original maturities of three months or less.

(e) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, change of strategy; and default or delinquency in payments are considered indicators that the trade receivable could be impaired. However, due to the nature of the Group's business an extensive analysis of the environment that revealed one of these indicators needs to be undertaken before the trade receivable is deemed to be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement against revenue when it relates to a dispute about the services rendered or the license sold and in "sales and marketing" expenses when it relates to a collection risk. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the same income statement accounts.

(f) Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows (in years):

Buildings	50
Furniture and fixtures	10
Office equipment	5
IT equipment	4
Vehicles	4

Leasehold improvements are depreciated over the shorter of the lease term and useful life (ten years).

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "General and administrative" in the income statement.

(g) Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill amortisation ceased at 31 December 2004 and separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over a period of three, four or five years to allocate the cost over their estimated useful lives.

Customer related intangible asset
Customer-related intangible assets acquired in business combinations. The cost of such intangible assets is their fair value at the acquisition date and it is amortised using the straight-line method over its estimated useful life, generally between 3 and 5 years.

(h) Internally generated software development
The Group follows a strategy of investing a substantial part of its revenues in research and development work which is directed towards the enhancement of its product platforms.

The costs associated with the development of new or substantially improved products or modules are capitalised when the following criteria are met:

- technical feasibility to complete the development;
- management intent and ability to complete the product and use or sell it;
- the likelihood of success is probable;
- availability of technical and financial resources to complete the development phase;
- costs can be reliably measured;
- probable future economic benefits can be demonstrated.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The capitalised development costs are amortised, using the straight-line method, commencing in the subsequent quarter after the product is available for distribution. Development costs related to architecture developments are amortised over a five-year period and development costs related to functional developments are amortised over a three-year period.

(i) Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies continued

(j) Taxation continued
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group incurs withholding tax in various jurisdictions. An assessment is made of the ability to recover these withholding taxes against the normal tax liabilities occurring within the Group, and a provision is made to the extent that withholding tax is considered irrecoverable.

(k) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(l) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in a proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as liabilities in the balance sheet. The interest elements of the lease obligations are charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset (note 2f) and the lease term. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term.

(n) Share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity holders.

(o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method.

(p) Employee share options

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expenses is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement , with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(q) Pensions

Group companies operate various pension schemes including both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method and salary increase rates are considered when applicable to these defined benefit plans. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, and amendments to pension plans are charged or credited to income over the expected average remaining service lives of the related employees.

Under defined contribution plans the relevant contributions are expensed as they accrue. Once the contributions have been paid, the Group has no further payment obligations.

(r) Revenue recognition

The Group derives revenues from the following sources: (1) software licences and the provision of software development services specifically commissioned by clients; (2) software maintenance (help desk services and rights to future product enhancements); and (3) software implementation and support services.

The Group recognises revenue in accordance with IAS 18: Revenue. This requires the exercise of judgment and the use of estimates in connection with the determination of the amount of revenue to be recognised in each accounting period. In exercising such judgment, the Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18.

The Group begins to recognise revenue from arrangements when all of the following conditions are met: (1) the Group has entered into a legally binding agreement with a customer; (2) the software or services have been delivered; (3) the licence fee is fixed and the agreement is free of uncertainties that may alter the agreement such that it may not be complete and final; and (4) collection is probable.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies continued

(r) Revenue recognition continued

Software licensing
Software licence revenues represent all fees earned from granting customers licences to use our banking applications software, either through an initial licence or through the purchase of additional modules or user rights, but excludes any amounts that are related to maintenance. For software licence arrangements that do not require significant modification or customisation of the underlying software, revenue is recognised when the base criteria have been met.

If the software licence arrangement requires significant modification or customisation of the underlying software, the initial software licence revenue is generally recognised together with the services based on percentage-of-completion as defined in IAS 18 and IAS 11: Construction Contracts, and as explained in the description of services below.

Software development services revenue represents fees charged to clients for developing requested additional functionality and is recognised on a percentage-of-completion basis.

Maintenance
Software maintenance is included in most software licence arrangements and is generally priced as a percentage of the initial software licence fees. Maintenance provides customers with rights to unspecified software product upgrades, maintenance enhancements and access to the help desk during the term of the support period and is recognised ratably on a straight-line basis over the term of the arrangement.

Services
Software implementation and support services represents income from consulting, hosting and implementation services sold separately under services contracts. Service contracts are accounted for on a percentage-of-completion basis in accordance with the rules applicable to long-term contract revenue recognition as defined in IAS 11, whereby revenue and profit recognised during the year is based on project hours incurred as a proportion of total projected hours to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue and profit due to changes in estimates are accounted for in the period in which the change in estimates occurs. Hosting contracts are recognised on an accruals basis as services are rendered.

Multiple element arrangements
In many cases, the Group enters into transactions with customers that include software licence, maintenance and services revenues. The revenues from these arrangements are generally accounted for separately. The factors considered in determining whether the revenue should be accounted for separately include the nature of the services (i.e. whether they are essential to the functionality of the software licence), the availability of services from other vendors, the timing of payments and the acceptance criteria on the realisability of the software licence fee.

For arrangements with multiple elements, revenue is allocated to each element of a transaction based upon its fair value determined by the normal pricing and discounting practices for those products and services. Revenue is deferred for any undelivered elements, and recognised when the product is delivered or over the period in which the service is performed. To the extent that the initial licensing fee incorporates the provision of unspecified upgrades and help desk support services for an agreed period, the value of these services is recognised ratably over the period.

If fair value cannot be objectively determined for any undelivered element included in bundled software and service arrangements, revenue is deferred until all elements are delivered and services have been performed.

Payment terms
Payment terms vary according to the individual contracts. Management reviews the nature of all payment terms to assess whether collection of the payments are considered probable.

Licensing and service fees that have been invoiced but have not been recognised as revenue are reported on the balance sheet under "deferred revenues" while fees which have been earned but have not been invoiced are reported under "trade and other receivables".

(s) Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the weighted average number of common shares and common share equivalents outstanding during the period. The weighted average shares used to compute diluted earnings per share include the incremental shares of common stock relating to outstanding options and convertible debt to the extent such incremental shares are dilutive.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer.

(u) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must commit to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(v) Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss or as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those held for trading. A financial asset held for trading is classified in this category if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently measured at fair value and the resulting gains or losses are presented in the income statement within “Other income (expenses)” in the period in which they arise.

Financial assets at fair value through profit or loss are reported in current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. The Group’s loans and receivables comprise ‘trade and other receivables’ and cash and cash equivalents in the balance sheet (notes 2e and 2d).

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, except for the short-term receivables where the recognition of interest would be immaterial.

Discounted interest income is recognised in the income statement within “Finance income (expenses)”.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently measured at fair value and the resulting gains or losses are recognised in equity.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset has been impacted.

Objective evidence could include, amongst other:

- significant financial difficulty of the counterparty;
- financial reorganisation or change in strategy;
- default or delinquency in payments;
- it becomes probable that the counterparty will enter bankruptcy.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account (note 2e).

2. Accounting policies continued

(w) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are those held for trading. A financial liability held for trading is classified in this category if it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently measured at fair value and the resulting gains or losses are presented in the income statement within "Other income (expenses)" in the period in which they arise.

Financial liabilities at fair value through profit or loss are reported in the current liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, except for the short-term payables where the recognition of interest would be immaterial. The resulting discounted interest charge is recognised in the income statement within "Finance income (expenses)".

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(x) Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each balance sheet date. The method of recognising the gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivates as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 9. Movements on the hedging reserve in shareholders' equity are shown in note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a current asset or liability if the remaining maturity is less than 12 months and as a non-current asset of liability if the remaining maturity is greater than 12 months and it is not expected to be realised or settled within 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "Finance costs- net" for currency risk or for cash flow interest risk.

Amounts deferred in equity are recycled in the income statement in the period in which the hedged item is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets), the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the hedge item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify as hedges under IAS 39 "Financial Instruments: Recognition and Measurement". They are classified as held for trading and the changes in the fair value of these derivatives are recognised immediately in the income statement within "Finance costs – net".

3. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the board of directors. The Chief Financial Officer and his team identify, evaluate and hedge financial risks when deemed necessary.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the currencies described below. Foreign exchange risk arises from:

- forecasted revenue and costs denominated in a currency other than the entity's functional currency;
- recognised assets and liabilities; and
- net investments in foreign operations.

The Group makes efforts to mitigate its foreign exposure risk by aligning the revenue streams to currencies that match the cost base and hedge the residual exposure by using derivatives instruments. When hedge accounting is applicable, the Group documents at inception the hedging relationship and tests the effectiveness at each reporting date. Documentation and method of effectiveness testing are prepared in accordance with IAS 39 "Financial instruments: Recognition and Measurement. The Group's policy is to manage the next 12 months' foreign exchange exposure in material currencies by entering into forward foreign exchange contracts. The net foreign exchange exposure arises from substantial USD and EUR revenues which cover a multi-currency basket of operating costs.

In respect of the recognised assets and liabilities, not designated as hedged items, the Group ensures that its net exposure is kept to an acceptable level by buying or selling adequate financial instruments when necessary to address short-term imbalances.

The Group does not follow a defined plan to hedge the risk in respect of the net investments in foreign operations as long as the risk is kept at a reasonable level.

The carrying amounts of the significant Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Net exposure	
	2009 FCY* 000	2008 FCY* 000
EURO	**(20,429)**	36,200
UK Pounds	**13,595**	(30,797)
Swiss Francs	**(10,099)**	5,381
Singapore Dollars	**(1,889)**	(13,560)
South African Rand	**37,954**	(42,709)
India rupee	**(360,921)**	n/a

*Foreign currency

Notes to the Consolidated Financial Statements
continued

3. Financial risk management continued

(a) Financial risk factors continued

Sensitivity analysis

The following table details the Group's sensitivity to a 10% shift in the currencies above against the dollar with all the other variables held constant. 10% increase/decrease is the management assessment for the reasonable change in the foreign exchange rates. An increase would have a positive impact and a decrease would have an equal negative impact.

	2009	2008
	USD 000	USD 000
Profit or loss before tax	**5,122**	1,978
EURO	**7,586**	(3,572)
UK Pounds	**(1,510)**	3,918
Swiss Francs	**(562)**	(110)
Other currencies	**(392)**	1,742
Equity: Derivatives designated as hedging instrument; UK Pounds and India rupee (cash flow hedge)	**–**	5,950

In management's opinion, the above risk is unrepresentative of the Group's inherent foreign exchange risk since the reported balances represent an exposure at a given point that may be unwound within a short period from the balance sheet date at a rate approximating the closing rate used at 31 December. Furthermore, the exposures used in the sensitivity analysis do not reflect the real exposure during the year as the volume of licensing and maintenance invoicing is predominantly in the last quarter of the financial year.

(ii) Price risk

The Group is not significantly exposed to any price risks other than those related to derivatives foreign exchange contracts.

(iii) Cash flow and fair value interest risk

The Group is exposed to cash flow interest rate risks from cash and cash equivalent and borrowings at variable rates. The exposure in respect of borrowings at variable rates is denominated in EURO (note 14).

The Group's policy is to limit the volatility in cash flow risk by the use of derivatives when the risk is deemed to be material. At December 2009, the risk was not considered significant, as demonstrated by the sensitivity analysis below and, therefore, no derivatives were entered into.

Sensitivity analysis

A sensitivity simulation was performed on the non-hedged portion of the borrowings with interest charged at variable rates. With all other variables held constant, a range of 2% was tested. The results of the sensitivity analysis were immaterial to the profit before tax.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables.

The Group's credit risk is significantly mitigated since all of its customers are financial institutions spread across a wide geographic spectrum that have either high credit-rating, strong past experience or government backing. Moreover, such institutions are already strongly regulated by their local business laws to ensure a high level of capital structure in order to maintain a stable banking environment. The majority of the Group's receivables are with highly rated banks.

At the initial phase of the negotiation, the Group analyses the creditworthiness of the customer by ensuring that:

(i) the customer is highly rated by credit rating institutions or by other publicly available information, and it is not negatively flagged in the software industry; or
(ii) the customer has a strong past experience without delinquency of payments; or
(iii) if (i) and (ii) are not applicable, the Group may minimise the risk by requesting financial security such as prepayments, delivery against payments or collateral security.

The Group may withhold services under project implementation or withhold the right to use its software if a specific customer does not respect its payment obligations. At present, the Group does not hold any collateral security.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers which are internationally dispersed.

Country risk is mitigated by the Group's broad geographic customer base and is minimised by a prudent approach of recognising the revenue. In rare cases where the country risk is predominant, the Group may recognise the revenue only upon cash collection.

At December 2009, the Group did not recognise and was not aware of any specific credit deterioration related to its existing customer base.

The carrying amount of the financial assets, as reported under note 17, represents the maximum credit exposure.

The credit risk on liquid funds and derivative financial instrument is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

- 89% of cash is deposited with highly rated banks;
- Derivatives are concluded with highly rated banks;

The Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due as they present a high credit quality for the following reasons

- no historic default rates;
- good track record with the Group;

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facility (note 14), by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturity of the Groups' non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	over 5 years USD 000
At 31 December 2009					
Trade and other payables	73,295	8,000	–	–	–
Borrowings	19,498	17,538	36,895	220,996	–
Other long term payables	–	–	832	73	–
Total non-derivatives financial liabilities	**92,793**	**25,538**	**37,727**	**221,069**	**–**

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000	over 5 years USD 000
At 31 December 2008					
Trade and other payables	82,640	2,116	–	–	–
Borrowings	7,997	6,037	13,807	185,434	–
Other long term payables	–	–	2,043	724	–
Total non-derivatives financial liabilities	**90,637**	**8,153**	**15,850**	**186,158**	**–**

The convertible bond (note 14) disclosed in the borrowings time band 'Between 2 and 5 years' in 2009 (2008: time band 'Between 2 and 5 years) can be redeemed at earlier period in accordance with the terms and conditions described in the issuance prospectus.

Notes to the Consolidated Financial Statements
continued

3. Financial risk management continued

(a) Financial risk factors continued

The following table details the Groups' liquidity analysis for its derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to quoted prices in active markets for identical instruments.

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	over 2 years USD 000
At 31 December 2009					
Outflow foreign exchange derivatives	71,934	–	–	–	–
Inflow foreign exchange derivatives	(66,313)	–	–	–	–
Net settled foreign exchange derivatives	–	–	–	–	–
Total derivatives	**5,621**	**–**	**–**	**–**	**–**

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	over 2 years USD 000
At 31 December 2008					
Outflow foreign exchange derivatives	26,252	25,937	50,809	–	–
Inflow foreign exchange derivatives	(22,961)	(22,655)	(44,307)	–	–
Net settled foreign exchange derivatives	416	420	800	–	–
Total derivatives	**3,707**	**3,702**	**7,302**	**–**	**–**

Comparative information has been restated as permitted by the amendments fo IFRS 7 for the liquidity risk disclosures.

(b) Capital risk management

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of debt, which includes the convertible bond and bank borrowings as disclosed in note 14, cash and cash equivalents (note 7) and equity attributable to equity holders of the parent.

(c) Fair value estimation

The fair value of financial assets and financial liabilities are determined as follows:

(a) the fair value measurement of available for sale financial assets are calculated using quoted prices in an active market.
(b) the fair value measurement of derivative instruments are calculated using quotes provided by the counter-party which is in turn based on observable market data.
(c) the fair value for disclosure purposes of non-current trade and other receivables, non-current trade and other payables and borrowing is based on the discounted cash flow method using the current interest rate that is available to the Group for similar financial instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include de inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Assets				
Financial assets at fair value through profit or loss:				
Held for trading	–	4,775	–	4,775
Designated as at FVTPL	–	–	–	–
Derivatives instruments used for hedging	–	–	–	–
Available-for-sale financial assets	63	–	–	63
Total	**63**	**4,775**	**–**	**4,838**

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Liabilities				
Fair value through profit or loss (FVTPL)				
Held for trading	–	5,621	–	5,621
Designated as at FVTPL	–	–	–	–
Derivatives instruments used for hedging	–	–	–	–
Total	**–**	**5,621**	**–**	**5,621**

There were no transfers between Level 1 and 2 in the period.

Notes to the Consolidated Financial Statements
continued

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions
Impairment of goodwill
The Group tests annually whether goodwill have suffered any impairment in accordance with the accounting policy stated in note 2i. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

If the future sales of the Group's products and the size of the market opportunities are significantly lower than management's estimates the carrying value of goodwill may need to be reduced accordingly. However, unless any downturn is particularly severe it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2009 the carrying amount of the goodwill amounts to USD 189.9 million.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Where the actual final outcome (on the judgment areas) to differ by 10% from management's estimates, the Group would need to:

- increase the deferred tax asset by USD 158 thousand, if favourable; or
- decrease the deferred tax asset by USD 87 thousand and increase the contingent tax liability by USD 158 thousand, if unfavourable

At 31 December 2009 the carrying amount of the deferred tax asset and the contingent tax liability amounts to USD 34.5 million and USD 1.6 million respectively.

Pension benefits
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 24.

Where the discount rate used to differ by 10% from management's estimates, the carrying amount of pension obligations would be an estimated USD 11.68 thousand lower or USD 10.7 thousand higher.

At 31 December 2009 the carrying amount of the pension liabilities amounts to USD 2.2 million.

Critical judgements in applying the entity's accounting policies
Revenue recognition
As detailed in note 2r the Group is required to make an assessment for each new software licence contract as to whether the underlying software requires significant modification or customisation by the Group in order to meet the customer's requirements. If significant modification or customisation is required the software licence revenue is recognised based on percentage-of-completion. This assessment is made at the outset of the contract.

In respect of service revenue Management exercises judgement in determining the percentage of completion specifically in determining the total mandays remaining to complete the implementation.

Internally generated software development
As detailed in note 2h, the Group is required to make an assessment for each ongoing project in order to determine at what stage a project meets the criteria outlined in the Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project.

5. Group companies

The consolidated financial statements include the accounts of TEMENOS Group AG and the following entities as of 31 December 2009:

Company name	Country of incorporation	Ownership interest
VIVEO EL DJAZAÏR SARL	Algeria	100%
TEMENOS SRL	Argentina	100%
TEMENOS AUSTRALIA PTY LIMITED	Australia	100%
TEMENOS ÖSTERREICH GMBH	Austria	100%
VIVEO BELGIUM SA	Belgium	100%
TEMENOS HOLDINGS LIMITED (formerly TEMENOS HOLDINGS NV)	British Virgin Islands	100%
TEMENOS BULGARIA EOOD	Bulgaria	100%
TEMENOS SOFTWARE CANADA LIMITED	Canada	100%
TEMENOS SOFTWARE SHANGAI CO. LIMITED	China	100%
TEMENOS COLOMBIA SAS	Colombia	100%
TEMENOS COSTA RICA SA	Costa Rica	100%
TEMENOS EASTERN EUROPE LIMITED	Cyprus	100%
TEMENOS (RUSSIA) LIMITED	Cyprus	100%
TEMENOS MIDDLE EAST LIMITED	Cyprus	100%
TEMENOS CYPRUS LIMITED	Cyprus	100%
TEMENOS ECUADOR SA	Ecuador	100%
TEMENOS EGYPT LLC	Egypt	100%
TEMENOS FRANCE SAS	France	100%
TEMENOS HOLDINGS FRANCE SAS	France	100%
QUETZAL INFORMATIQUE SA	France	100%
VIVEO GROUP SA	France	100%
VIVEO FRANCE SAS	France	100%
VIVEO BANKING & FINANCE CONSULTING SAS	France	100%
TEMENOS DEUTSCHLAND GMBH	Germany	100%
ACTIS.BSP GERMANY GMBH	Germany	100%
BSP PARTNERS GMBH & CO.KG	Germany	100%
ACTIS IN FRANKFURT GMBH	Germany	100%
ACTIS.BSP IT SERVICES GMBH	Germany	100%
TEMENOS HELLAS SA	Greece	100%
TEMENOS HONG KONG LIMITED	Hong Kong	100%
TEMENOS INDIA PRIVATE LIMITED	India	100%
TEMENOS APPLICATION SERVICES PRIVATE LIMITED	India	100%
FINANCIAL OBJECTS SOFTWARE (INDIA) PRIVATE LIMITED	India	100%
RAFT SOFTWARE PRIVATE LIMITED	India	100%
TEMENOS SYSTEMS IRELAND LIMITED	Ireland	100%
TEMENOS JAPAN KK	Japan	100%
TEMENOS KAZAKHSTAN LLP	Kazakhstan	100%
TEMENOS EAST AFRICA LIMITED	Kenya	100%
TEMENOS KOREA LIMITED	Korea	100%
TEMENOS FINANCE LUXEMBOURG SARL	Luxembourg	100%
TEMENOS LUXEMBOURG SA	Luxembourg	100%
TEMENOS (MALAYSIA) SDN BHD	Malaysia	100%
TEMENOS MEXICO SA DE CV	Mexico	100%
FORMENTO EMPRESARIAL DE SERVICIOS INFORMATICOS S.A. DE C.V	Mexico	51%
TEMENOS NORTH AFRICA LLC	Morocco	100%
TEMENOS (NL) BV	Netherlands	100%
TEMENOS HOLLAND BV	Netherlands	100%
TEMENOS INVESTMENTS BV	Netherlands	100%
TEMENOS PHILIPPINES, INC.	Philippines	100%
TEMENOS POLSKA SP.ZOO	Poland	100%
TEMENOS ROMANIA SA	Romania	100%
VIVEO ROMANIA SRL	Romania	100%

Notes to the Consolidated Financial Statements
continued

5. Group companies continued

Company name	Country of incorporation	Ownership interest
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%
TEMENOS AFRICA PTY LIMITED	South Africa	100%
DBS GLOBAL SOLUTIONS (PTY) LIMITED	South Africa	100%
TEMENOS HISPANIA SA	Spain	100%
RAFT INTERNATIONAL AB	Sweden	100%
TEMENOS HEADQUARTERS SA	Switzerland	100%
TEMENOS SUISSE SA	Switzerland	100%
T-TCB SA	Switzerland	100%
T-TFR SA	Switzerland	100%
T-jBASE SA	Switzerland	100%
VIVEO SWITZERLAND SA	Switzerland	100%
VOL-DE-NUIT SA	Switzerland	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%
TEMENOS USA, INC.	U.S.A.	100%
FINANCIAL OBJECTS INC.	U.S.A.	100%
TEMENOS UK LIMITED	United Kingdom	100%
FINANCIAL OBJECTS LIMITED	United Kingdom	100%
FINANCIAL OBJECTS (UK) LIMITED	United Kingdom	100%
FINANCIAL OBJECTS INTERNATIONAL LIMITED	United Kingdom	100%
FINANCIAL OBJECTS (RISK MANAGEMENT) LIMITED	United Kingdom	100%
WEALTH MANAGEMENT SYSTEMS LIMITED	United Kingdom	100%
FAIRS LIMITED	United Kingdom	100%
GENISYS TECHNOLOGY LIMITED	United Kingdom	100%
LYDIAN ASSOCIATES LIMITED	United Kingdom	100%
9000 LIMITED	United Kingdom	100%
C.A.L. PROPERTY LIMITED	United Kingdom	100%
FINO SOFTWARE SERVICES LIMITED	United Kingdom	100%
GLOBAL FINANCIAL SYSTEMS LIMITED	United Kingdom	100%
LOGICAL HOLDINGS LIMITED	United Kingdom	100%
LOGICAL SUPPORT SERVICES LIMITED	United Kingdom	100%
LOGICAL TRUSTEES LIMITED	United Kingdom	100%
RAFT INTERNATIONAL LIMITED	United Kingdom	100%
RAFT (OVERSEAS) LIMITED	United Kingdom	100%
LSS SUPPORT SERVICES LIMITED	United Kingdom	100%
WEALTH MANAGEMENT SOFTWARE LIMITED	United Kingdom	100%
WEALTH SOFTWARE LIMITED	United Kingdom	100%
WEALTH SYSTEMS LIMITED	United Kingdom	100%
JBASE SOFTWARE LIMITED	United Kingdom	100%
TEMENOS VIETNAM COMPANY LIMITED	Vietnam	100%

In addition to the Group companies listed above, some Group subsidiaries maintain branches or representative offices at the following locations: Beirut (Lebanon); Dubai (United Arab Emirates); Riyadh (Saudi Arabia); Moscow (Russia); Prague (Czech Republic); Almaty (Kazakhstan); Kiev (Ukraine); Taipei (Taiwan); Hanoi (Vietnam); Islamabad (Pakistan); Jakarta (Indonesia); New-York (U.S.A); Luxembourg (Luxembourg); Stockholm (Sweden), Singapore (Singapore), Santo Domingo (Dominican Republic), Tunis (Tunisia), London (UK), Montpellier (France), Nantes (France) and Toulouse (France).

6. Business combinations

2008 Acquisitions

FINANCIAL OBJECTS LIMITED (formerly FINANCIAL OBJECTS PLC)

The below table discloses the financial effects and the movement in the Goodwill as a result of the finalization of the provisional values recognised in 2008.

	2008 USD 000	2009 adjustment USD 000	**Total** **USD 000**
Purchase consideration:			
– Cash paid	50,300	–	**50,300**
– Direct costs relating to the acquisition	2,165	–	**2,165**
Total purchase consideration	52,465	–	**52,465**
Fair value of net assets acquired	(8,052)	4,657	**(3,395)**
Goodwill	44,413	4,657	**49,070**

The 2009 adjustments have been translated to USD using the exchange rate at 31 December 2008.

As required by IFRS 3, ‘Business Combinations’, comparative information has been adjusted to reflect the final accounting for the acquisition of FINANCIAL OBJECTS LIMITED.

Fair value adjustment by category

	2008 Fair value USD 000	2009 adjustment Fair value USD 000	**Total** **Fair value** **USD 000**
Trade and other receivables	10,135	(991)	**9,144**
Goodwill acquired	11,483	4,657	**16,140**
Deferred tax asset	3,574	(1,757)	**1,817**
Trade and other payables	(5,652)	(1,909)	**(7,561)**
Total	19,540	–	**19,540**

Contingent liability (note 15)
The final outcome of a contingent liability recognised at acquisition date has resulted in a non-settlement of the case. As the final decision has occurred after the 12 months provisional period, the carry amount has consequently been recycled to the income statement.

As the finalisation of the contingent liability has not been effected within the 12 months provisional period, it is then not reported in the above table.

INFORMER GROUP

Adjustments to the provisional fair value were not significant.

LYDIAN ASSOCIATES LIMITED

No significant adjustments to the provisional fair value have been effected.

2009 Acquisitions

VIVEO GROUP SA

On 24 December 2009 the Group acquired 100% of the share capital of Viveo Group SA, a French market leader in core banking systems.

Notes to the Consolidated Financial Statements
continued

6. Business combinations continued

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	USD 000
– Cash paid	91,060
– Direct costs relating to the acquisition	1,730
Total purchase consideration	92,790
Fair value of net assets acquired	(23,466)
Goodwill	**69,324**

The goodwill arising from the acquisition is mainly attributable to the benefits arising from the consolidation of the Group's position in the markets covered by Viveo Group which represents more than 35 countries, and to the expected synergies in processes, infrastructure and acquired workforce. The acquired software will also strengthen or supplement the existing Group's solutions.

The assets and liabilities arising from the transaction are as follows:

Net assets acquired:	Acquiree's carrying amount before combination USD 000	Fair value USD 000
Property, plant and equipment (note 10)	1,906	1,906
Intangible acquired (note 11)	3,043	21,500
Goodwill acquired	32,681	–
Trade and other receivables	37,276	37,276
Prepayments	1,001	1,001
Deferred tax asset	1,722	1,722
Cash and cash equivalents	8,763	8,763
Trade and other payables	(18,125)	(18,125)
Provision for other liabilities and charges	(175)	(175)
Contingent liabilities	–	(503)
Deferred revenue	(20,498)	(21,503)
Corporation tax	(112)	(112)
Deferred tax liability	–	(7,310)
Retirement benefit obligations	(88)	(950)
Borrowings	(24)	(24)
Net assets acquired	**47,370**	23,466
Goodwill arising on acquisition		69,324
Total consideration		**92,790**
Purchase consideration settled in cash		91,060
Cash and cash equivalents acquired		(8,763)
Cash outflow on acquisition		**82,297**

The purchase price allocation has been provisionally completed at 31 December 2009. The Group is continuing to evaluate the fair value of certain assets, liabilities and contingent liabilities acquired.

The result contributed by the acquiree in the period between the date of acquisition and the balance sheet date is not significant.

If the acquisition had occurred on 1 January 2009, the estimated contribution by the acquiree to the Group's revenues would have been USD 59.5 million and USD 750 thousand to the Group's profit or loss.

These amounts have been calculated using the Group's policies and by adjusting the results to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, with the consequential tax effects.

7. Cash and cash equivalents

The balance in respect of cash and cash equivalents consists of:

	2009 USD 000	2008 USD 000
Cash at bank and in hand	**96,966**	63,453
Short term deposits with banks	**45,685**	2,147
	142,651	65,600

8. Trade and other receivables

	2009 USD 000	Represented 2008 USD 000
Trade receivables	**299,443**	304,453
VAT and other taxation recoverable	**6,950**	4,633
Other receivables	**6,564**	5,800
Allowance for doubtful debts	**(6,259)**	(18,814)
	306,698	296,072
Less non-current portion	**(17,735)**	(9,544)
Total current portion of trade and other receivables	**288,963**	286,528

"Trade receivables" line item comprises USD 158.5 million of unbilled receivables (2008: USD 196.7 million).

The carrying amount of the financial assets within the current portion of the trade and other receivables recorded in the financial statements approximates to their fair values at 31 December.

Trade and other receivables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount of the current portion of the trade and other receivables is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

Contractual maturity and fair value of the non-current portion of the trade and trade receivables

	Carrying amount		Fair value	
	2009 USD 000	2008 USD 000	**2009 USD 000**	2008 USD 000
Between 1 and 2 years	**17,735**	9,544	**17,358**	9,168
	17,735	9,544	**17,358**	9,168

The fair value is based on cash flows discounted using a rate of 1.45 % (2008: 2.0%).

Ageing of the trade and other receivables at the reporting date:

	Gross 2009 USD 000	**Impairment 2009 USD 000**	Gross 2008 USD 000	Impairment 2008 USD 000
Not yet due	**241,050**	**–**	214,248	–
Current (less than 30 days)	**19,209**	**–**	24,130	–
Past due 31-90 days	**20,546**	**50**	22,458	101
Past due 91-180 days	**9,920**	**206**	13,239	155
Past due 181-360 days	**9,506**	**1,640**	9,721	891
More than 360 days	**12,726**	**4,363**	31,090	17,667
	312,957	**6,259**	314,886	18,814

Notes to the Consolidated Financial Statements
continued

8. Trade and other receivables continued

Due to the nature of the operations, the Group believes that the past due and not impaired receivables are still recoverable as there has been no change in the credit risk and no history of defaults for each individual customer.

The unbilled revenue is included in the "Not yet due" bucket.

Movements in the allowance for doubtful debts
The allowance account is used for impairment of "trade receivables" and "other receivables". The other classes do not contain any impaired assets.

	2009 **USD 000**	2008 USD 000
At 1 January	**18,814**	9,659
Provision for receivables impairment	**635**	8,574
Acquisition of subsidiary	**2,118**	1,358
Used amounts	**(13,242)**	(197)
Unused amounts	**(1,216)**	(98)
Exchange gain or loss	**(850)**	(482)
At 31 December	**6,259**	18,814

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The Group's management notes that although collectivity risk is remote given the nature of the Group's customers, there is an inherent risk linked to the Group's trade receivables in respect of the nature of the software business and the existence of mid to long projects.

9. Other financial assets and liabilities

	2009		2008	
	Assets **USD 000**	**Liabilities** **USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts- cash flow hedges	**–**	**–**	244	11,223
Forward foreign exchange contracts- held for trading	**4,775**	**5,621**	3,589	3,488
Available-for-sale investment	**63**	**–**	6	–
At 31 December	**4,838**	**5,621**	3,839	14,711
Less non-current portion	**–**	**–**	–	–
Current portion	**4,838**	**5,621**	3,839	14,711

The ineffective portion recognised in the profit or loss in respect of cash flow hedges amounts to a loss of USD 2.1 million

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

Available-for-sale investment financial assets includes investment in a publicly listed company in Australia.

10. Property, plant and equipment

Tangible fixed assets consist of:

Year ended 31 December 2009	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings and equipment USD 000	Land and buildings USD 000	Total USD 000
Cost					
At 1 January 2009	9,824	3,027	19,517	2,677	35,045
Foreign currency exchange differences	684	13	1,837	161	2,695
Acquisition of subsidiary (note 6)	1,262	65	579	–	1,906
Additions	429	9	1,755	87	2,280
Disposals[1]	(382)	(255)	(1,823)	–	(2,460)
31 December 2009	**11,817**	**2,859**	**21,865**	**2,925**	**39,466**
Depreciation					
At 1 January 2009	7,354	1,535	11,473	65	20,427
Foreign currency exchange differences	552	7	1,470	6	2,035
Charge for the year	894	77	2,855	51	3,877
Disposals[1]	(362)	(258)	(1,761)	–	(2,381)
31 December 2009	**8,438**	**1,361**	**14,037**	**122**	**23,958**
Net book value					
31 December 2009	**3,379**	**1,498**	**7,828**	**2,803**	**15,508**
Year ended 31 December 2008					
Cost					
At 1 January 2008	10,833	3,122	19,659	3,373	36,987
Foreign currency exchange differences	(1,100)	(49)	(3,887)	(698)	(5,734)
Acquisition of subsidiary (note 6)	98	–	1,086	–	1,184
Additions	573	65	3,371	2	4,011
Disposals[1]	(580)	(111)	(712)	–	(1,403)
31 December 2008	9,824	3,027	19,517	2,677	35,045
Depreciation					
At 1 January 2008	7,605	1,132	11,780	24	20,541
Foreign currency exchange differences	(712)	(26)	(2,642)	(14)	(3,394)
Charge for the year	1,017	540	2,900	55	4,512
Disposals[1]	(556)	(111)	(565)	–	(1,232)
31 December 2008	7,354	1,535	11,473	65	20,427
Net book value					
31 December 2008	2,470	1,492	8,044	2,612	14,618

[1] The loss on the disposals charged to the income statement in 2009 amounted to USD 36 thousand (2008: USD 87 thousand).

Leased assets included in the table above, where the Group is a lessee, comprise mainly of motor vehicles, IT hardware and some office equipment.

Notes to the Consolidated Financial Statements
continued

10. Property, plant and equipment continued

	Vehicles USD 000	Fixtures fittings & equipment USD 000	Total USD 000
Net book value at 31 December 2009	**17**	**1,088**	**1,105**
Net book value at 31 December 2008	33	1,250	1,283

In all cases the assets leased are pledged as collateral against the lease liability.

11. Intangible assets

Year ended 31 December 2009	Internally generated software development costs USD 000	Goodwill USD 000	Copyrights USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost						
At 1 January 2009 (represented)	90,125	114,792	25,270	19,808	21,999	271,994
Foreign currency exchange differences	–	5,989	49	598	1,069	7,705
Acquisition of subsidiary (note 6)	–	69,324	–	8,911	12,589	90,824
Additions/adjustments	19,513	–	–	3,605	–	23,118
Reclassifications	–	–	(2,972)	2,972	–	–
Retirements/Disposals	–	–	–	–	–	–
31 December 2009	**109,638**	**190,105**	**22,347**	**35,894**	**35,657**	**393,641**
Amortisation						
At 1 January 2009	43,161	121	22,968	7,284	4,948	78,482
Foreign currency exchange differences	–	–	33	165	329	527
Charge for year	14,909	–	891	4,580	5,870	26,250
Reclassifications	–	–	(2,972)	2,972	–	–
Retirements/Disposals	–	–	–	–	–	–
31 December 2009	**58,070**	**121**	**20,920**	**15,001**	**11,147**	**105,259**
Net book value						
31 December 2009	**51,568**	**189,984**	**1,427**	**20,893**	**24,510**	**288,382**

Year ended 31 December 2008	Internally generated software development costs USD 000	Goodwill USD 000	Copyrights USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost						
At 1 January 2008	70,197	42,476	25,381	12,486	2,498	153,038
Foreign currency exchange differences	–	(12,712)	(111)	(635)	(3,500)	(16,958)
Acquisition of subsidiary	–	84,623	–	3,175	23,001	110,799
Additions/adjustments[(1)]	19,928	405	–	4,831	–	25,164
Disposals	–	–	–	(49)	–	(49)
31 December 2008 (represented)	90,125	114,792	25,270	19,808	21,999	271,994
Amortisation and impairment						
At 1 January 2008	30,818	121	21,953	4,818	1,793	59,503
Foreign currency exchange differences	–	–	(40)	(141)	(132)	(313)
Charge for year	12,343	–	1,055	2,656	3,287	19,341
Disposals	–	–	–	(49)	–	(49)
31 December 2008	43,161	121	22,968	7,284	4,948	78,482
Net book value						
31 December 2008 (represented)	46,964	114,671	2,302	12,524	17,051	193,512

(1) Adjustment to goodwill is in respect of payments made on account of contingent consideration not previously accounted for at the time of acquisition as it did not meet the probability criteria.

The loss on disposals charged to the income statement in 2009 was USD nil (2008: USD nil).

Amortisation charge of USD 23.0 million (2008: USD 17.3 million) is included in the “Cost of sales” line; USD 2.2 million (2008: USD 0.8 million) in “Other expenses” line; USD 1.1 million (2008: USD 1.2 million) in “General and administrative” line.

Impairment tests for goodwill
Goodwill is allocated to the Group’s cash generating unit (CGU) identified as the main reportable segment.

	2009			2008		
	Amount USD 000	**Growth rate %**	**Discount rate %**	Amount USD 000	Growth rate %	Discount rate %
Group’s software solutions	**189,984**	**1**	**13.72**	114,671	1	13.70
	189,984			114,671		

The recoverable amount of the cash-generating unit (CGU) is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budget approved by the management covering a three-year (2008: one year) period and then inflated over a perpetual period using the estimated growth rate assigned to the countries where the cash-generating unit operates. The growth rate does not exceed the long-term average growth rate for the software industry in which the CGU performs its operations. The growth rate and the pretax discount rate used in the calculation are presented above.

Budgeted cash flow projections are determined based on the expectation of the future client signings from evaluation of the Group’s current pipeline. Budgeted gross margin is based on expectations of market development and efficiency leverage. Management believes that any reasonable change in any of the key assumptions on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the cash-generating unit.

The discount rate represents the Group’s Weighted Average Cost of Capital adjusted for tax effect to determinate the pretax rate as required by IFRS standards.

Notes to the Consolidated Financial Statements
continued

12. Taxation

Tax expense (income)	**2009 USD 000**	2008 USD 000
Current tax on profits for the year	**7,350**	9,395
Adjustments in respect of prior years	**(10,524)**	(1,096)
Total current tax	**(3,174)**	8,299
Deferred tax – origination and reversal of temporary differences	**3,480**	(10,180)
Total tax expense (income)	**306**	(1,881)

Included within the adjustment in respect of prior periods is an amount of USD 8,353 thousand that relates to the release of a tax provision following the successful closure of a tax audit.

TEMENOS Group AG is incorporated in Switzerland but the Group operates in various countries with various tax laws and rates. Consequently, the effective tax rate may vary from period to period to reflect the generation of taxable income in tax jurisdictions. A reconciliation between the reported income tax expense and the amount computed using a basic Swiss statutory corporate tax rate of 25%, is as follows:

	2009 USD 000	2008 USD 000
Profit before tax	**68,849**	63,294
Tax at the domestic rate of 25%	**17,212**	15,824
Non-taxable income and expenses	**(1,978)**	(6,913)
Utilisation of previously unrecognised losses	**(9,925)**	(3,006)
Tax losses for which no deferred income tax asset was recognised	**8,642**	10,847
Tax adjustments related to prior periods	**(10,524)**	(1,096)
Recognition of deferred tax assets on intellectual property	**(116)**	(12,200)
Non-taxable consolidation adjustment on intellectual property amortisation	**(9,066)**	(18,132)
Other movement on deferred tax assets and liabilities, including rate changes	**3,714**	2,264
Effects of different tax rates	**(1,278)**	5,107
Overseas withholding tax	**3,579**	2,972
Other tax and credits	**46**	2,452
Total tax expense (credit)	**306**	(1,881)

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2008: USD nil) and no income tax charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities shown in the consolidated balance sheet are as follows:

	2009 USD 000	Represented 2008 USD 000
Deferred tax assets – to be recovered after more than 12 months	**26,642**	28,008
Deferred tax assets – to be recovered within 12 months	**7,894**	9,274
Deferred tax assets	**34,536**	37,282
Deferred tax liabilities – to be recovered after more than 12 months	**(12,552)**	(8,330)
Deferred tax liabilities – to be recovered within 12 months	**(3,188)**	(1,356)
Deferred tax liabilities	**(15,740)**	(9,686)
Net deferred tax assets	**18,796**	27,596

An assessment of the realisability of deferred tax assets is made on a country by country basis, based on the weight of available evidence including factors such as recent earnings history and expected future taxable income. Deferred tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits is probable. The majority of the deferred tax assets recognised are expected to be utilised after more than twelve months.

The Group has not recognised deferred tax assets of USD 48,249 thousand (2008: USD 47,581 thousand) in respect of losses amounting to USD 235,623 thousand (2008: USD 225,988 thousand) that can be carried forward against future taxable income. Losses amounting to USD 57,954 thousand (2008: USD 40,182 thousand) will expire within the next 5 years, USD 62,575 thousand (2008: USD 68,990 thousand) will expire within 5 to 10 years and USD 20,438 thousand (2008: USD 24,567 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 29,417 thousand (2008: USD 29,301 thousand) in respect of temporary differences arising on an intra-group transfer of intellectual property. There are no unrecognised deferred tax assets in respect of these temporary differences (2008: unrecognised deferred tax assets of USD 4,170 thousand on temporary differences of USD 36,261 thousand).

As part of the acquisition of Viveo Group SA, the Group acquired deferred tax assets of USD 1,772 thousand and deferred tax liabilities of USD 7,310 thousand.

The gross movement on the deferred income tax account is as follows:

	2009 USD 000	Represented 2008 USD 000
At 1 January	**27,596**	21,302
Income statement credit	**(3,480)**	10,180
Foreign exchange movement on deferred tax assets and liabilities held in local currencies	**164**	(139)
Acquisition of subsidiaries	**(5,588)**	(3,505)
Reclassification	**104**	(242)
At 31 December	**18,796**	27,596

The movement in deferred tax assets is as follows:

	Tax losses USD 000	Taxable intellectual property USD 000	Taxable goodwill USD 000	Other USD 000	Total USD 000
At 1 January 2008	5,298	17,101	2,829	543	25,771
(Charged) credited to the income statement	(661)	12,200	(477)	(455)	10,607
Acquisition of subsidiary, as represented	1,322	–	–	622	1,944
Exchange differences	(719)	–	(95)	(226)	(1,040)
At 31 December 2008, as represented	5,240	29,301	2,257	484	37,282
(Charged) credited to the income statement	(4,475)	116	(451)	(354)	(5,164)
Acquisition of subsidiary (note 6)	–	–	–	1,722	1,722
Exchange differences	555	–	36	105	696
At 31 December 2009	**1,320**	**29,417**	**1,842**	**1,957**	**34,536**

Notes to the Consolidated Financial Statements
continued

12. Taxation continued

The movement in deferred tax liabilities is as follows:

	Acquisition fair value adjustment USD 000	Investments in subsidiaries USD 000	Other USD 000	Total USD 000
At 1 January 2008	(1,672)	(2,694)	(103)	(4,469)
(Charged) credited to the income statement	747	(1,136)	(38)	(427)
Acquisition of subsidiary	(5,449)	–	–	(5,449)
Exchange differences	901	–	–	901
Reclassification	–	–	(242)	(242)
At 31 December 2008	(5,473)	(3,830)	(383)	(9,686)
(Charged) credited to the income statement	1,741	170	(227)	1,684
Acquisition of subsidiary (note 6)	(7,310)	–	–	(7,310)
Exchange differences	(523)	–	(9)	(532)
Reclassification	104	–	–	104
At 31 December 2009	**(11,461)**	**(3,660)**	**(619)**	**(15,740)**

13. Trade and other payables

	2009 USD 000	Represented 2008 USD 000
Trade payables	**29,232**	35,845
Accrued expenses	**34,364**	37,518
Other payables	**17,699**	12,266
Current trade and other payables	**81,295**	85,629
Non-current other payables	**905**	2,614
Total trade and other payables	**82,200**	88,243

The carrying amount of the financial liabilities within the current portion of the trade and other payables recorded in the financial statements approximates to their fair values at the balance sheet date.

The current trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount of the above items is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount of the trade and other payables equals to the contractual amount or the fair value initially recognised.

The non-current other payables are initially recorded at fair value and subsequently measured at amortised cost. The resulting interest expense is recognised in the income statement within “Finance expenses”.

The carrying amounts and fair value of the non-current trade and other payables are presented as follows:

	Carrying amount		Fair value	
	2009 USD 000	2008 USD 000	**2009 USD 000**	2008 USD 000
Between 1-2 years	**832**	1,949	**809**	1,963
Between 2-3 years	**–**	–	**–**	–
Between 3-5 years	**73**	665	**69**	668
	905	2,614	**878**	2,631

The fair value is based on cash flows discounted using a rate of 1.45% (2008: 2.0%).

14. Borrowings

	2009 USD 000	2008 USD 000
Current		
Obligations under finance leases (note 16)	**533**	419
Other loans	**21**	21
Bank borrowings	**34,310**	11,375
Convertible bond	**1,493**	1,462
	36,357	13,277
Non-current		
Obligations under finance leases (note 16)	**701**	664
Other loans	**41**	36
Bank borrowings	**102,776**	45,499
Convertible bond	**133,714**	126,970
	237,232	173,169
Total borrowings	**273,589**	186,446

The fair value of current borrowings approximates to their carrying amount at 31 December, as the impact of discounting is not significant.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2009 USD 000	2008 USD 000	**2009 USD 000**	2008 USD 000
Obligations under finance leases (note 16)	**701**	664	**676**	713
Other loans	**41**	36	**40**	35
Bank borrowings	**102,776**	45,499	**98,922**	42,666
Convertible bond	**133,714**	126,970	**144,743**	136,330
	237,232	173,169	**244,381**	179,744

The fair value is based on cash flows discounted using a rate of 1.45% (2008: 2.0%) except for the convertible bond as described below.

Bank borrowings are at variable rates and mature until 2012. The carrying amounts are denominated in Euro 66.6 million (2008: Euro 11.3 million), USD 41.4 million (2008: nil) and UK Pounds nil (2008: UK Pounds 29.0 million).

Notes to the Consolidated Financial Statements
continued

14. Borrowings continued

Convertible bond

On 21 March 2006 the Group issued a convertible bond with a nominal value of CHF 132.25 million and a coupon rate of 1.50%. The bonds mature seven years from the issue date at a redemption value of CHF 152.83 million or can be converted into shares at the holder's option at a conversion price of CHF 18.06 per share.

The fair values of the liability component and the equity conversion component were determined at the issuance of the bond.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent loan. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves.

The convertible bond recognised in the balance sheet is calculated as follows:

	USD 000
Nominal value of convertible bond issued on 21 March 2006, net of transaction costs	98,948
Equity component	(4,189)
Liability component on initial recognition at 21 March 2006	94,759
Interest expense	3,569
Foreign exchange movement	6,566
Liability component at 31 December 2006	104,894
Interest expense	4,806
Interest paid	(1,641)
Foreign exchange movement	8,833
Liability component at 31 December 2007	116,892
Interest expense	5,489
Interest paid	(2,006)
Foreign exchange movement	8,057
Liability component at 31 December 2008	128,432
Interest expense (note 27)	5,754
Interest paid	(1,844)
Foreign exchange movement	2,865
Liability component at 31 December 2009	**135,207**

Interest expense on the bond is calculated using the effective interest method by applying the effective interest rate of 4.56% to the liability component.

The fair value of the liability component of the convertible bond at 31 December 2009, based on discounted cash flows method using a market interest rate of 1.6% (2008: 2.72%) for non-convertible loan, is USD 147,851 thousand (2008: USD 137,968 thousand).

The carrying amount of the convertible bond is denominated in Swiss Francs.

Bank facilities
On 14 March 2008, the Group concluded a combined term loan and revolving credit facility with a pool of three large financial institutions, replacing existing financing facilities. On 23 May 2008, the facility was amended following the accession of a fourth financial institution to the agreement. The pertinent details of the facility available to the group are as follows:

Multicurrency term loan facility available for acquisitions:
USD 169.2 million (2008: USD 169.2 million) bearing interest at LIBOR/EURIBOR (depending on drawing currency) plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. The facility is available for drawdown until 31 December 2010 and utilised amounts are repayable in fixed installments between June 2009 and September 2012.

Multicurrency revolving credit facility (RCF) available for general working capital and trade financing needs:
USD 50.8 million (2008: USD 50.8 million) bearing interest at LIBOR/EURIBOR (depending on drawing currency) plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. The facility is repayable in full on 30 September 2012.

Commitment fees are due on the undrawn balance of the above facility.

The facilities granted are subject to various financial covenants, which are based on conservative projections of the Group's results.

During the year, USD 82.8 million (2008: USD 70.7 million) of the term loan facility was utilised to finance the acquisition of VIVEO GROUP (note 6).

As at 31 December 2009, all amounts drawn under the RCF are related to bank guarantees issued. As at 31 December 2009 guarantees totaling USD 18.3 million (2008: USD 17.1 million) were in issue.

15. Provisions for other liabilities and charges

	Legal claims USD 000	Onerous lease USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2009	32	283	9,204	9,519
Foreign currency exchange differences	5	21	983	1,009
Addition from acquisition	175	–	503	678
Increase in provisions recognised in the income statement	–	–	–	–
Used during the year	–	(179)	–	(179)
Unused amounts reversed to the income statement	(32)	–	(10,187)	(10,219)
31 December 2009	**180**	**125**	**503**	**808**

Legal claims
The amounts represent provisions for certain legal claims brought against the Group. The outcome of the legal disputes and the timing of any payments are uncertain. In the opinion of management the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2009.

Onerous lease
During 2008 one of the Group's subsidiaries sublet a property to a third party. The difference between the amount that will be received from the tenant, and the amount that will be paid to the landlord, has been fully provided. The provision will be utilised during the next 6 months.

Contingent liability
The final outcome of the contingent liability recognised on the acquisition of Financial Objects Plc has resulted in a non-settlement of the case. The amount has consequently been released to the income statement.

A contingent liability has been recognised on the acquisition of Viveo Group for minor pending claims against the acquiree. The fair value of the contingent liability has been estimated on a provisional basis as the outcome of these cases and the timing of any future settlements are still uncertain as at 31 December 2009. The carrying amount will be subsequently adjusted when the final outcome becomes virtually certain which is expected within the next 12 months.

Notes to the Consolidated Financial Statements
continued

16. Obligations under finance leases

Finance leases liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2009 USD 000	2008 USD 000	**2009 USD 000**	2008 USD 000
Obligations under finance leases:				
repayable within one year	**643**	495	**533**	419
repayable between one and five years	**781**	750	**701**	664
	1,424	1,245	**1,234**	1,083

Included in the financial statement as:		
Current borrowings (note 14)	**533**	419
Non-current borrowings (note 14)	**701**	664
	1,234	1,083

The interest charge on obligations under finance leases is recognised in the income statement within “Finance costs – net”.

17. Financial instrument by category

The accounting policies for financial instruments have been applied to the line items below:

	2009 USD 000	2008 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held for trading	**4,775**	3,589
Derivatives instruments used for hedging	**–**	244
Available-for-sale financial assets	**63**	6
Loans and receivables (including cash and cash equivalent)	**449,349**	361,672
Total	**454,187**	365,511

	2009 USD 000	2008 USD 000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
– Held for trading	**5,621**	3,488
Derivatives instruments used for hedging	**–**	11,223
Financial liabilities measured at amortised cost	**355,789**	274,689
Total	**361,410**	289,400

18. Share capital

As at 31 December 2009, the issued shares of TEMENOS Group AG comprised 59,858,526 common shares of a nominal value of CHF 5 each. All issued shares are fully paid.

The changes in the number of issued and outstanding shares in the year ended 31 December 2009 are summarised below:

		Nominal value	
	number	in CHF	in USD
Total number of shares issued, as at 1 January 2008	58,341,421	291,707	170,867
Shares issued in respect of deferred consideration on acquisition from prior years	664,066	3,320	3,255
Total number of shares issued, as at 31 December 2008	59,005,487	295,027	174,122
Shares issued on exercise of employee share options	853,039	4,266	4,218
Total number of shares issued, as at 31 December 2009	59,858,526	299,293	178,340
Total number of shares outstanding, as at 31 December 2009	**59,858,526**	**299,293**	**178,340**

As at 31 December 2009 the number of treasury shares held by the Group amounted to nil (2008: 935,221).

TEMENOS Group AG also has authorised and conditional capital, comprising:

authorised shares that may be issued in the context of acquisitions (available to the Board until 20 June 2010)	25,846,177
conditional shares that may be issued in the context of employee participation plans	8,906,253
conditional shares that may be issued in conjunction with financial instruments (of which 9,000,000 are reserved for the Convertible bond)	13,930,680

The share capital of all subsidiaries has been eliminated on consolidation.

19. Share premium and capital reserves

	Convertible bond USD 000	Share premium USD 000	Employee share options reserve USD 000	Discount on shares issued to employees USD 000	Negative premium arising on creation of Temenos Group AG USD 000	Total USD 000
Balance at 1 January 2008	4,189	9,884	27,377	(65,583)	(68,456)	(92,589)
Cost of share options (note 21)	–	–	15,851	–	–	15,851
Exercise of share options (note 21)	–	2,327	–	(18,157)	–	(15,830)
Settlement of employee share options	–	–	(996)	–	–	(996)
Shares issued in relation to acquisitions	–	16,347	–	–	–	16,347
Share issuance costs	–	–	–	–	–	–
Balance at 31 December 2008	4,189	28,558	42,232	(83,740)	(68,456)	(77,217)
Cost of share options (note 21)	–	–	17,142	–	–	17,142
Exercise of share options (note 21)	–	(1,342)	–	(22,810)	–	(24,152)
Settlement of employee share options	–	–	(996)	–	–	(996)
Shares issued in relation to acquisitions	–	–	–	–	–	–
Share issuance costs	–	(8)	–	–	–	(8)
Balance at 31 December 2009	**4,189**	**27,208**	**58,378**	**(106,550)**	**(68,456)**	**(85,231)**

Notes to the Consolidated Financial Statements
continued

19. Share premium and capital reserves continued

Convertible bond
On 21 March 2006, the Group issued a convertible bond. The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent loan. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity.

Share premium
The share premium account reflects the premium on issuance of new shares at a price above their par value or negative premium when issued at a discount.

Reserve for treasury shares
Under Swiss law, a legal reserve must be established for an amount equal to the cost of treasury shares held by the Group. This reserve is included within share premium. As at 31 December 2009 the cost of treasury shares held by the Group was USD nil thousand (2008: USD 20,677 thousand).

Share options reserve
As detailed in note 21, the Group has issued share options to employees and third parties. The fair value of the shares issued is charged to the income statement over the period that the related service is received, with a corresponding credit made to the share options reserve.

Discount on shares issued to employees
As detailed in note 21, the Group has issued share options to employees and third parties. When the share options are exercised, the Group fulfills its obligations by issuing newly created shares out of conditional capital or by issuing treasury shares purchased by the Group. To the extent that the shares issued out of conditional capital are issued at a value that is lower than the nominal value of CHF 5 per share, or the proceeds received by the group in respect of these treasury shares issued are less than their fair value at the time of exercise, this amount is allocated to discount on shares issued to employees.

Negative premium arising on creation of TEMENOS Group AG
TEMENOS Group AG was incorporated on 7 June 2001. The issued and outstanding shares of TEMENOS Holdings Limited were exchanged shortly before the initial public offering for TEMENOS Group AG shares, thus rendering TEMENOS Holdings Limited a wholly owned subsidiary of TEMENOS Group AG. The number of shares acquired was 40,104,336 which prior to the exchange had a nominal value of USD 0.001 per share, totaling USD 39 thousand. The new shares in TEMENOS Group AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113,538 thousand. Expenses related to the initial public offering of TEMENOS Group AG, and share premium items arising prior to the creation of TEMENOS Group AG, were recorded against this account.

A deficit of USD 62,277 thousand was recorded to share premium on the cancellation of shares repurchased in 2000. This was transferred into "negative premium arising on creation of TEMENOS Group AG" during the period ended 31 December 2001.

20. Fair value and other reserves

Included within fair value and other reserves are the following:

	Cumulative translation adjustment USD 000	Available-for-sale Investment USD 000	Fair value gains (losses) on qualifying cash flow hedges USD 000	Total USD 000
Balance at 1 January 2008	(7,302)	–	948	(6,354)
Currency translation differences	(24,644)	–	–	(24,644)
Transfers to income statement within "Personnel costs"	–	–	(1,066)	(1,066)
Net fair value gain on cash flow hedge	–	1	(10,875)	(10,874)
Balance at 31 December 2008	(31,946)	1	(10,993)	(42,938)
Currency translation differences	(80)	–	–	(80)
Transfers to income statement within "Personnel costs"	–	–	5,362	5,362
Transfers to income statement within "Finance costs-net"	–	–	2,127	2,127
Net fair value gains or losses	–	6	3,504	3,510
Balance at 31 December 2009	**(32,026)**	**7**	**–**	**(32,019)**

21. Share based payments

Share options
Share options are granted to members of management and selected employees. Share options are conditional on the employee completing a specified period of service (the vesting period). The vesting period ranges from one to five years and the share options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**5,037,133**	**$ 10.29**	5,629,317	$ 9.83
Granted during the year	**300,447**	**$ 18.88**	276,166	$ 14.71
Forfeited during the year	**(45,127)**	**$ 20.05**	(90,083)	$ 14.30
Cancelled during the year	**–**	**–**	–	–
Exercised during the year	**(1,583,846)**	**$ 7.95**	(778,267)	$ 8.53
Outstanding at the end of the year	**3,708,607**	**$ 11.89**	5,037,133	$ 10.29

2,738,126 of the outstanding options (2008: 4,056,605) were exercisable at the balance sheet date with a weighted average exercise price of USD 8.13 (2008: USD 7.99). The options exercised during the year had a weighted average share price at the time of exercise of USD 22.56 (2008: USD 26.26).

Share appreciation rights
Share appreciation rights are granted to members of management and selected employees. Share appreciation rights are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified cumulative profitability targets. In case of overachievement of profitability targets, certain share appreciation rights grants may be increased by a maximum of 100% of the original grant subject also to individual performance criteria. The vesting period ranges from one to three years and the share appreciation rights have a maximum contractual term of eleven and a quarter years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

A summary of the movements in the number of share appreciation rights outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**6,422,419**	**$ 14.26**	5,133,002	$ 16.33
Granted during the year	**2,928,451**	**$ 18.16**	2,398,158	$ 14.10
Forfeited during the year	**(239,422)**	**$ 13.41**	(881,438)	$ 26.65
Exercised during the year	**(1,197,905)**	**$ 10.41**	(227,303)	$ 11.81
Outstanding at the end of the year	**7,913,543**	**$ 16.37**	6,422,419	$ 14.26

2,924,917 of the outstanding share appreciation rights (2008: 676,106) were exercisable at the balance sheet date with a weighted average exercise price of USD 14.12 (2008: USD 11.85). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 24.73 (2008: USD 29.86).

As described above, in case of overachievement of profitability targets, certain share appreciation right grants may be increased by a maximum of 100% of the original grant, subject also to individual performance criteria. Included within the number of share appreciation rights granted during the year were 867,287 additional share appreciation rights that were issued with a weighted average exercise price of USD 9.78 as a result of the application of the overachievement provisions from grants in prior years (2008: nil). As at 31 December 2009 there were 4,315,755 remaining share appreciation rights (2008: 4,350,778) that may be subject to this overachievement provision with a weighted average exercise price of USD 17.05 (2008: USD 12.59).

Notes to the Consolidated Financial Statements
continued

21. Share based payments continued

Share options and share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows:

2009 **Exercise price**	**Number**	**Remaining contractual life (years)**
$0.01-$0.20	**33,615**	**1.96**
$1.00-$1.74	**184,814**	**3.03**
$2.50-$2.90	**2,400**	**0.03**
$5.42-$6.00	**232,223**	**2.71**
$6.80-$7.96	**320,406**	**5.92**
$8.32-$9.78	**2,829,803**	**6.36**
$10.00-$15.00	**2,151,764**	**8.81**
$15.48-$16.82	**2,825,324**	**7.80**
$18.95-$23.51	**555,888**	**8.03**
$24.14-$25.02	**2,102,213**	**9.92**
$26.80-$30.06	**383,700**	**7.98**
	11,622,150	

2008 Exercise price	Number	Remaining contractual life (years)
$0.01-$0.20	33,615	2.96
$1.00-$1.70	206,764	4.01
$2.50-$2.84	13,000	0.60
$4.10-$6.09	382,564	3.44
$6.80-$8.14	692,000	6.34
$8.52-$9.78	3,684,533	7.12
$10.00-$15.00	2,293,098	9.74
$15.15-$16.82	2,942,927	8.80
$18.95-$23.51	583,638	8.97
$24.34-$27.79	627,413	9.03
	11,459,552	

Fair value of stock options and share appreciation rights
The fair value of options and share appreciation rights granted during the period is determined using an “Enhanced American Pricing Model” (2008: Black-Scholes valuation model).

The weighted average fair value of options and share appreciation rights granted during the period was USD 5.77 (2008: USD 4.01). The significant inputs into the model were weighted average share price at grant date of USD 18.42 (2008: USD 13.68), weighted average exercise price of USD 18.35 (2008: USD 14.08), standard deviation of expected share price returns of 40.30% (2008: 40.98%), weighted average option lives of 4.91 years (2008: 3.27 years) and weighted average annual risk-free interest rate of 2.34% (2008: 1.35%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period.

Performance shares
A grant of 1.175 million performance shares was made to members of the Executive Committee and certain other employees in 2009. Performance shares are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified profitability targets. The vesting period is two and a half years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the performance shares in cash. The weighted average fair value of performance shares granted during the period determined by the share price on the date of grant was USD 12.55. None of the performance shares were cancelled or forfeited during the period and none of the performance shares were exercisable at the balance sheet date.

The total expense recorded in the income statement in respect of employee share options, share appreciation rights and performance shares is USD 18,944 thousand (2008: USD 14,867 thousand).

Other share based payments
2.5 million share options with an exercise price of CHF 19.9 were issued to Metavante Corporation as part of the joint development and distribution agreement signed in February 2007. Following the termination of the joint development and distribution agreement in 2009 all the options were forfeited and the cumulative expense of USD 1,802 thousand was reversed (2008: expense of USD 984 thousand).

22. Segment information

The Chief Operating Decision Maker has been identified as the Group's Chief Executive Officer. He regularly reviews the Group's operating segment in order to assess performance and to allocate resources.

The primary internal reporting to the CODM enabling the Group's Chief Executive Officer to evaluate the activity and performance of the business represents the measurements as described below in respect to the Group's core activity. The Group has then determinated the reportable segment as the Group's core activity consisting of providing integrated core banking systems.

The Group's Chief Executive Officer assesses the performance of the operating segment based on the operating result. This measure excludes the effects of the "Finance costs – net" that are centrally managed by the corporate treasury function.

Furthermore the Group has undergone some reporting reorganisation effective 1 January 2010. As a result it is expected that the Group will disclose additional reportable segments in accordance with IFRS 8 "Operating Segments" in the 2010 consolidated financial statement.

Revenues generated by the reportable segment is derived from licensing, maintenance and service implementation.

The accounting policies applied to the reportable segment are the same as the Group's accounting policies described in note 2.

The primary information provided to the Group's Chief Executive Officer for the reportable segment is as follows:

At 31 December 2009	**Group's software solutions USD 000**
Total revenues	**370,322**
Operating profit	**80,232**
Depreciation and amortisation	**30,127**
Total assets	**595,080**
Expenditures for non-current assets (other than financial instruments and deferred tax assets)	**118,128**
Total liabilities	**114,176**

At 31 December 2008	Group's software solutions USD 000
Total revenues	406,937
Operating profit	63,952
Depreciation and amortisation	23,853
Total assets	489,584
Expenditures for non-current assets (other than financial instruments and deferred tax assets)	141,158
Total liabilities	84,624

Notes to the Consolidated Financial Statements
continued

22. Segment information continued

Total assets comprise “Trade and other receivables” and “Intangible assets”. Goodwill is allocated to the reportable segments as described in note 11.

Total liabilities only comprise “Deferred revenues”.

Total assets and liabilities allocated to the reportable segment are exclusive of carrying amounts between operating segments.

The accounting policies applied to the reportable segment as described above are the same as the Group’s accounting policies described in note 2.

Reconciliation to the Group’s Financial Statement

Operating profit	**2009 USD 000**	2008 USD 000
Total operating profit from the reportable segment	**80,232**	63,952
Finance costs – net (note 27)	**(11,383)**	(657)
Profit before taxation and discontinued operations	**68,849**	63,295

Total assets	**2009 USD 000**	2008 USD 000
Total assets allocated to the reportable segment	**595,080**	489,584
Cash and cash equivalents (note 7)	**142,651**	65,600
Other financial assets (note 9)	**4,838**	3,839
Prepayments	**10,968**	9,111
Property, plant and equipment (note 10)	**15,508**	14,618
Deferred tax assets (note 12)	**34,536**	37,282
Total assets per the balance sheet	**803,581**	620,034

Total liabilities	**2009 USD 000**	2008 USD 000
Total liabilities allocated to the reportable segment	**114,176**	84,624
Trade and other payables (note 13)	**82,200**	88,243
Other financial liabilities (note 9)	**5,621**	14,711
Provisions for other liabilities and charges (note 15)	**808**	9,519
Income tax liabilities	**8,288**	21,311
Borrowings (note 14)	**273,589**	186,446
Retirement benefit obligations (note 24)	**2,190**	884
Deferred tax liabilities (note 12)	**15,740**	9,686
Total liabilities per balance sheet	**502,612**	415,424

Revenue from the Group’s product and services are disclosed on the face of the income statement.

Geographical Information

Revenue from external customers	2009 USD 000	2008 USD 000
Switzerland (country of the Group's domiciliation)	**6,016**	2,358
United Kingdom	**41,437**	34,060
Other countries	**322,869**	370,519
Total	**370,322**	406,937

Revenues are based on the location where the license and maintenance are sold and the service is provided.

Non current assets	2009 USD 000	2008 USD 000
Switzerland (country of the Group's domiciliation)	**55,178**	50,912
Other countries	**248,712**	157,218
Total	**303,890**	208,130

The total revenue derived from a single customer that exceed 10% of the total Group's revenue is USD nil (2008: USD nil).

23. Personnel costs

	2009 USD 000	2008 USD 000
Salary, bonuses and commissions	**132,076**	141,070
Termination payments	**2,023**	2,059
Social charges	**15,302**	16,801
Defined contribution and defined benefit pension costs (note 24)	**4,858**	5,430
Cost of employee share option scheme	**17,142**	14,867
Other personnel costs	**5,995**	8,853
	177,396	189,080

Included in the personnel costs shown above, are the following amounts in respect of remuneration for key management personnel:

	2009 USD 000	2008 USD 000
Key management personnel		
– short-term cash compensation and benefits	**2,521**	4,413
– post-employment benefits	**171**	188
– share-based payment	**6,630**	8,450
	9,322	13,051
Non-executive directors		
– short-term employee benefits	**320**	322

Disclosure of Board of Directors and Executive Committee remuneration in accordance with articles 663bbis and 663c of the Swiss Code of Obligations can be found in note 9 of the unconsolidated Financial Statements of TEMENOS Group AG.

Notes to the Consolidated Financial Statements
continued

24. Pensions

Throughout the world the Group maintains defined contribution plans for its employees under which the relevant contributions are expensed as they accrue. The aggregate cost of these plans – many of which are state-sponsored – in the year ending 31 December 2009, amounted to USD 3.9 million (2008: USD 4.3 million).

In certain territories, the Group has a legal obligation to make one-time payments to employees reaching retirement age or departing employees. Such payments are based on the amount of the employee's final salary and their length of service. The amounts are largely unfunded and an accrual is booked based on actuarial estimates of the Group's liabilities.

TEMENOS Headquarters SA and TEMENOS Suisse SA each have a funded contributory defined benefit pension plan covering their employees. The pertinent details relating to these pension plans are set out below:

The amounts recognised in the balance sheet at 31 December are as follows:

	2009 USD 000	2008 USD 000
Fair value of plan assets	**10,517**	8,554
Present value of funded obligations	**(11,190)**	(8,634)
	(673)	(80)
less:		
Unrecognised actuarial gains	**(799)**	(253)
Assets not recognised	**(63)**	(145)
Net asset (liability) in the balance sheet	**(1,535)**	(478)

Represented by:

Accrued liabilities	**(2,190)**	(884)
Prepaid asset	**655**	406
Net asset (liability) in the balance sheet	**(1,535)**	(478)

Comparative information in respect of the "Accrued liabilities" has been reclassified from "Current liability" to "Non-current liability" in conformity with IAS 19.

The movement in the defined benefit obligation over the year is as follows:

	2009 USD 000	2008 USD 000
As at 1 January	**8,634**	8,117
Current service cost	**877**	1,028
Interest cost	**328**	291
Contributions by plan participants	**564**	571
Actuarial losses (gains)	**(65)**	(596)
Acquisitions	**1,470**	85
Exchange differences	**809**	1,083
Benefits paid	**(1,427)**	(1,945)
As at 31 December	**11,190**	8,634

The movement in the fair value of plan assets over the year is as follows:

	2009 USD 000	2008 USD 000
As at 1 January	**8,554**	9,523
Expected return on plan assets	**321**	338
Acquisitions	**520**	–
Exchange differences	**572**	608
Employer contributions	**946**	753
Employee contributions	**564**	571
Benefits paid	**(1,427)**	(1,945)
Actuarial gains (losses)	**467**	(1,294)
As at 31 December	**10,517**	8,554

The actual return on plan assets was positive USD 788 thousand (2008: negative USD 956 thousand).

The amounts recognised in the income statement are as follows:

	2009 USD 000	2008 USD 000
Current service cost	**877**	1,028
Interest cost	**328**	291
Expected return on plan assets	**(321)**	(338)
Amortisation of net gain	**–**	(9)
Assets not recognised	**(85)**	130
Total costs included in personnel costs and external consultants	**799**	1,102

Principal weighted average actuarial assumptions at the balance sheet date:

	2009	2008
Discount rate at 31 December	**4.10%**	3.50%
Expected return on plan assets at 31 December	**3.50%**	3.50%

The plan assets are invested in the following categories of investment:

	2009	2008
Liquidities	**14%**	14%
Fixed income securities	**38%**	45%
Equity securities	**29%**	25%
Real estate	**19%**	16%
	100%	100%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 31 December 2010 are USD 820 thousand.

Notes to the Consolidated Financial Statements
continued

24. Pensions continued

The following table shows a four-year summary reflecting the deficit or surplus of the funded defined benefit plan as well as the experience adjustments arising of the plan liabilities and the plan assets.

At 31 December	**2009** **USD 000**	2008 USD 000	2007 USD 000	2006 USD 000	2005 USD 000
Present value of defined benefit obligation	**11,190**	8,634	8,117	7,271	6,822
Present value of plan assets	**10,517**	8,554	9,523	8,678	7,737
Deficit/(surplus)	**673**	80	(1,406)	(1,407)	(915)
Experience adjustments on plan liabilities	**(12)**	(71)	83	116	265
Experience adjustments on plan assets	**467**	(1,294)	(251)	206	440

25. Expenses by nature

	2009 **USD 000**	2008 USD 000
Third party licences and commissions	**7,588**	14,044
Personnel costs and external consultants	**199,677**	256,490
Depreciation and amortisation (note 10 and 11)	**30,127**	23,854
Travel expenses	**18,550**	29,756
Rent and other occupancy costs	**15,033**	14,870
Marketing and other professional costs	**8,684**	10,654
Other costs	**29,944**	13,245
Capitalised expenditure (note 11)	**(19,513)**	(19,928)
	290,090	342,985

26. Expenses by function

	2009 **USD 000**	2008 USD 000
Sales and marketing	**72,177**	74,934
Services	**104,851**	140,808
Software development and maintenance	**62,466**	74,942
General and administrative	**50,596**	52,301
Total operating expenses	**290,090**	342,985

27. Finance costs – net

	2009 USD 000	2008 USD 000
Finance income:		
– Interest income on short-term bank deposits	**125**	228
– Interest income on short-term investments	**59**	567
– Interest income on non-current trade and other trade receivables	**1,089**	2,544
Total finance income	**1,273**	3,339
Finance costs:		
– Interest expense on convertible bond (note 14)	**(5,754)**	(5,489)
– Interest expense on obligations under finance leases	**(97)**	(51)
– Interest expense on non-current trade and other payables	**(46)**	(79)
– Interest expense on bank borrowings	**(1,303)**	(1,427)
– Other interest expense	**(128)**	(73)
– Financial instrument related expenses	**(1,649)**	(1,997)
– Fair value (loss) gain from financial instruments, net	**(8,181)**	(6,930)
– Foreign exchange gain, net	**4,502**	12,050
Total finance costs	**(12,656)**	(3,996)
Finance costs – net	**(11,383)**	(657)

28. Earnings per share calculations

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 18).

	2009 USD 000	2008 USD 000
Profit attributable to equity holders of the Company	**68,635**	64,711
Weighted average of common shares outstanding during the year (in thousands)	**58,498**	57,699
Basic earnings per share (USD per share)	**1.17**	1.12

28. Earnings per share calculations continued

Diluted
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For the share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the rights attached to outstanding share options.

	2009	2008
	USD 000	USD 000
Profit attributable to equity holders of the Company	**68,635**	64,711
Interest expense on convertible debt (net of tax)	**5,640**	5,489
Profit used to determine diluted earnings per share	**74,275**	70,200
Weighted average of common shares outstanding during the year (in thousands)	**58,498**	57,699
Adjustments for:		
– Assumed conversion of convertible debt (in thousands)	**7,323**	7,323
– Share options (in thousands)	**3,680**	4,059
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**69,501**	69,081
Diluted earnings per share (USD per share)	**1.07**	1.02

29. Commitments and contingencies

The Group has obligations under operating leases relating to office premises and leased equipments. The leases have varying terms, escalation clauses and renewal rights. Operating lease expenses relating to office premises for the year ended 31 December 2009 amounted to USD 11.9 million (2008: USD 11.2 million) and operating lease expenses relating to leased equipment were USD 2.4 million (2008: USD 2.4 million).

	2009	2008
At 31 December	**USD 000**	USD 000
No later than 1 year	**10,173**	11,779
Later than 1 year and no later than 5 years	**19,201**	21,825
Later than 5 years	**5,834**	7,433
Total	**35,208**	41,037

The Group has contingent liabilities in respect of bank and other guarantees and is also involved in various lawsuits, claims, investigations and proceedings incidental to the normal conduct of its operations. These matters mainly include the risks associated with personnel litigation, tax claims and contractual disputes. Management believes that these contingencies will not have a material adverse effect on the business, financial condition or results of the Group other than those reported in note 15.

30. Related party transactions and balances

Remuneration of executive and non-executive directors is described in note 23. Equity compensation for executive and non-executive directors granted in the form of stock options is described in note 21.

In December 2003 an office building that is leased by TEMENOS Headquarters SA was acquired by one of the directors of TEMENOS Group AG. The annual rent payable in respect of this lease is CHF 496 thousand, and the terms and conditions of the lease agreement conform to standard market practices.

Since December 1999 TEMENOS Suisse SA has leased an office building that is owned by a company which is managed and controlled by one of the directors of TEMENOS Group AG. The lease terminated on 30 June 2009 and was not renewed. The rent paid in 2009 is CHF 180 thousand, and the terms and conditions of the lease agreement were conform to standard market practices.

There were no other large or significant transactions with related parties during the year ended 31 December 2009.

31. Post balance sheet events

There are no reportable post balance sheet events.

32. Risk assessment required by Swiss Law

Risk management is the ultimate responsibility of the Board of Directors, which delegates to the Executive Management the management of the overall company risk management process. Executive Management evaluates risks at yearly intervals, or in special cases, on an ad-hoc basis. The Group Risk Management function coordinates risk management through the Group, promoting anticipatory management of threats and opportunities, and providing the Executive Management with information necessary to manage overall risk exposure. The Group integrates this risk management into its ongoing business planning process. Potential negative developments are evaluated, so that we can implement timely countermeasures if any events should lead to deviations from our business plan. Specialised functions such as Group Finance & Accounting, Group Quality and IT Security support regional organisations and control the effectiveness of risk management. The Internal Audit department aligns their activities to the risk management system. The Board of Directors monitors the risk assessment process of the Group and is ultimately responsible for it. More details about financial risk management are presented in note 3.

Report of the Statutory Auditors
on the Unconsolidated Financial Statements

Report of the statutory auditor to the general meeting of TEMENOS Group AG, Geneva.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Temenos Group AG, which comprise the balance sheet, income statement and notes for the year ended 31 December 2009.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation.
We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Guillaume Nayet
Audit expert

Geneva, 19 February 2010

Unconsolidated Balance Sheet
as at 31 December

	2009 CHF 000	2008 CHF 000
Assets		
Current assets		
Prepayments and other assets	**341**	20
Treasury shares	**–**	13,738
Liquid funds	**87**	103
Total current assets	**428**	13,861
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	**479,331**	479,602
Receivable from other Group entities	**24,266**	11,872
Total non-current assets	**503,597**	491,474
Total assets	**504,025**	505,335
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**334**	1,175
Other liabilities	**2,693**	2,833
Tax payable	**397**	672
Total current liabilities	**3,424**	4,680
Non-current liabilities		
Payable to other Group entities	**–**	4,860
Total non-current liabilities	**–**	4,860
Shareholders' equity		
Share capital (note 3)	**299,293**	295,027
General legal reserve (note 4)	**176**	27
Share premium (note 4)	**197,754**	175,139
Reserve for treasury shares (note 4)	**–**	22,615
Retained earnings (note 4)	**3,378**	2,987
Total shareholders' equity	**500,601**	495,795
Total shareholders' equity and liabilities	**504,025**	505,335

Unconsolidated Income Statement
for the year ended 31 December

	2009	2008
	CHF 000	CHF 000
Income from investments in subsidiaries	**3,500**	9,000
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(2,575)**	(7,785)
Net profit before taxation	**925**	1,215
Taxation	**(385)**	(213)
Net profit after taxation	**540**	1,002

Notes to the Unconsolidated Financial Statements
31 December 2009

1. Legal status and principal activities

TEMENOS Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of TEMENOS Group AG have been publicly traded on the SIX Swiss Exchange.

TEMENOS Group AG succeeded TEMENOS Holdings Limited in the role of the ultimate holding company of the Group but is not otherwise engaged in trading, financing or investing activities, except as the holder of all the issued and outstanding shares of the subsidiaries described in note 2.

The financial statements of TEMENOS Group AG comply with the requirements of the Swiss law for companies, the Code of Obligations (SCO).

2. List of direct subsidiaries

The following are the direct subsidiaries of the company, which are wholly-owned unless otherwise indicated (percentage of voting rights).

	Voting rights
TEMENOS Holdings Limited, British Virgin Islands (holding company)	
40,105 shares of a nominal value of USD 1 each.	100%
Advances for the acquisition of new shares.	
TEMENOS Headquarters SA, Switzerland (holding and licensing company)	
1,000 shares of a nominal value of CHF 100 each.	100%
TEMENOS Suisse SA, Switzerland (servicing company)	
15,000 shares of a nominal value of CHF 500 each.	100%
T-TCB SA, Switzerland (licensing company)	
1,000 shares of a nominal value of CHF 100 each.	100%
T-TFR SA, Switzerland (licensing company)	
1,000 shares of a nominal value of CHF 100 each.	100%
T-jBASE SA, Switzerland (licensing company)	
1,000 shares of a nominal value of CHF 100 each.	100%
TEMENOS Investments BV, Netherlands (holding company)	
180 shares of a nominal value of EUR 100 each.	100%
TEMENOS Romania SA, Romania (servicing company)	
100,000 shares of a nomial value of RON 1 each.	52%
TEMENOS Cyprus Limited, Cyprus (servicing company)	
100,000 shares of a nominal value of EUR 1 each.	52%
TEMENOS Egypt LLC, Egypt (servicing company)	50%
2 shares of a nominal value of EGP 100 each.	
Temenos Luxembourg SA, Luxembourg (servicing company)	100%
47,249 shares of a nominal value of EUR 25 each.	
Temenos SRL, Argentina (servicing company)	80%
2,000 shares of a nominal value of ARS 10 each.	
Temenos Finance Luxembourg SARL (financing company)	100%
12,500 shares of a nominal value of EUR 1 each.	

Notes to the Unconsolidated Financial Statements
continued

3. Share capital

The shares issued by the Company during the year are set out below:

	2009 number	2008 number
Total number of TEMENOS Group AG shares issued, as at 1 January	**59,005,487**	58,341,421
Shares issued and alloted in relation to acquisitions	**–**	664,066
Shares issued and alloted on exercising of employee share options	**853,039**	–
Total number of TEMENOS Group AG shares issued, as at 31 December	**59,858,526**	59,005,487

As at 31 December 2009 the number of treasury shares held by TEMENOS Group AG amounted to nil (2008: 935,221). During the year the company acquired no shares at market value and disposed of 935,221 shares to option holders at market value.

TEMENOS Group AG also has authorised and conditional capital, comprising:

authorised shares that may be issued in the context of acquisitions (available to the Board until 20 June 2010)	25,846,177
conditional shares that may be issued in the context of employee participation plans	8,906,253
conditional shares that may be issued in conjunction with financial instruments (of which 9,000,000 are reserved for the Convertible bond)	13,930,680

The holdings of more than 3% of the voting rights of all issued shares, as at 31 December 2009 are as follows:

Standard Life Investments	4.97%
UBS Fund Management (Switzerland) AG	3.13%
Threadneedle Asset Management Holdings Limited	3.11%
Virmont Sarl (Alken Asset Management LLP)	3.10%
Credit Suisse Asset Management Funds AG	3.08%
Massachusetts Mutual Life Insurance Company	3.04%

4. Share premium and capital reserves

	General legal reserve CHF 000	Share premium CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Total CHF 000
Balance at 1 January 2008	–	181,762	837	532	183,131
Issuance of shares	–	16,635	–	–	16,635
Transfer to/from the reserve for own equity instruments	–	(21,778)	21,778	–	–
Dissolution of free reserve	–	(1,480)	–	1,480	–
Appropriation of available earnings:					
- to General legal reserve	27	–	–	(27)	–
Net profit of the year	–	–	–	1,002	1,002
Balance at 31 December 2008	27	175,139	22,615	2,987	200,768
Appropriation of available earnings:	–	–	–	–	–
– to General legal reserve	149	–	–	(149)	–
Dissolution of free reserve	–	–	–	–	–
Transfer to/from the reserve for own equity instruments	–	22,615	(22,615)	–	–
Net profit of the year	–	–	–	540	540
Balance at 31 December 2009	**176**	**197,754**	**–**	**3,378**	**201,308**

5. Treasury shares

TEMENOS Group AG holds no shares at 31 December 2009 intended for resale or for alloting to members of the TEMENOS Employee Share Option Scheme at the time that they exercise their options (2008: 935,221).

6. Contingent liabilities

TEMENOS Group AG has provided certain guarantees to third parties, primarily in favour of TEMENOS Holdings Limited, in the context of credit facilities placed at the disposal of the latter for a total of USD 50.8 million. Management believes that these guarantees are unlikely to be activated.

7. Proposal for the appropriation of available earnings

	2009 CHF 000	2008 CHF 000
Profit (loss) of the year	**540**	1,002
Dissolution of free reserve	**–**	1,480
Balance brought forward from previous year	**2,838**	505
Total available earnings	**3,378**	2,987
Proposal of the board of directors:		
Appropriation to general reserves	**169**	149
To be carried forward	**3,209**	2,838
	3,378	2,987

8. Risk assessment

TEMENOS Group AG is fully integrated into the Group-wide internal risk management framework. The risk management framework also addresses the specific risks of TEMENOS Group AG (refer to note 32 of the consolidated financial statement).

Notes to the Unconsolidated Financial Statements
continued

9. Remuneration report – Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations

I. Compensation for acting members of governing bodies
(Exchange rates: USD /GBP: 0.6202; USD /CHF: 1.0339; USD /EUR: 0.6961; USD /SGD: 1.4036)

This section summarises TEMENOS' Compensation programs for the executive members of the Board of Directors and for TEMENOS' Senior Management, i.e. members of the Executive Committee ("Executives") with respect to the 2009 fiscal year compared to 2008.

As detailed in the Corporate Governance Report, the Executive Committee has been in place since 1 December 2007 and is composed of the four following individuals: Andreas Andreades (CEO), David Arnott (CFO), Mark Cullinane (COO) and Andre Loustau (CTO).

The Compensation Committee reviews, approves and makes recommendations on compensation packages concerning the Executives and seeks to confirm that such compensation is fair in relation to the person's skills and their position and are consistent with best market practice.

The objectives of TEMENOS' Compensation programs are to:

1. Attract, motivate and retain highly talented and performance-driven Executives who have the potential to make the greatest impact on TEMENOS' success.
2. Reinforce a pay-for-performance culture by having significant portions of compensation packages linked to the achievement of results and growth significantly higher than our peer group of global software companies.
3. Align the interests of Executives with shareholders' interests by having a substantial amount of compensation linked to TEMENOS' stock performance.

The components of compensation for the Executives are comprised of: base salary, benefits, annual bonus and long term incentive (Equity Based Stock Appreciation Rights (SARs) and share options).

The total executive compensation package is set in the top quartile when compared to that of other global software companies; however the largest part of total compensation is variable compensation, which is only paid on achievement of profit and revenue growth targets which are higher than that achieved on average by our peer group.

More details on the basic principles and elements of compensation may be found in the Corporate Governance Report (please refer to paragraph 5.1.).

a. Board of Directors (chart 1)
The total of all compensation earned in 2009 and 2008 by the members of the Board of Directors in US dollars and the distribution per member of the Board, is as follows:

Name / Function	Fiscal year	Cash: Base salary	Cash: Annual bonus	All other compen-sation(1)	**Total cash compen-sation**	Number of SARS granted(2)	Over-achievement SAR/Shares awards	Number of Performance Shares	Cancellation of 2008 SARS(6)
G. Koukis	2009	465,886	–	76,324	**542,211**	21,471	60,838(3)	–	–
Chairman	2008	506,770	351,244	75,886	**933,900**	46,144		–	(31,486)
P. Selway-Swift	2009	80,000	–	–	**80,000**		–	–	–
Vice-Chairman	2008	80,000	–	–	**80,000**		–	–	–
A. Andreades	2009	817,969	–	87,350	**905,319**	–	1,647,291(4)		–
Member	2008	908,854	606,425	87,461	**1,602,740**	–	–	750,000(5)	–
M. Austen	2009	80,000	–	–	**80,000**	–	–	–	–
Member	2008	80,000	–	–	**80,000**	–	–	–	–
C. Pavlou	2009	80,000	–	–	**80,000**	–	–	–	–
Member	2008	80,000	–	–	**80,000**	–	–	–	–
L.P. Rutherfurd	2009	80,000	–	–	**80,000**	–	–	–	–
Member	2008	80,000	–	–	**80,000**	–	–	–	–

(1) This includes life, medical, disability, accident insurances, pension and car allowance.
(2) Conditions and grant details are detailed in the next section.
(3) As the 2006-2008 EPS target has been overachieved by more than 150%, 2006 SARs were increased by 60,838 as per the scheme rules.
(4) As the EPS targets have been overachieved both under the 2006 SAR plan and the 2007-2009 CEO plan, an additional 325,291 from the 2006 SARs and 1,250,000 from the 2007-2009 CEO plan were allocated. Moreover, due to the significant overachievement under both of those plans an additional 72,000 SARs will be granted in February 2010 under the 2007-2009 CEO plan. Mr. Andreades does not participate in the 2010 SARs plan.
(5) A total of 750,000 performance shares have been granted on 1 December 2008 to cover long term performance incentive for the period 2009 and 2010. These performance shares will vest conditional on achieving internal 2009 EPS targets of EPS USD 1.19 for 2009 and on employment with TEMENOS from 1 January 2009 until 30 June 2011. EPS achievement for 2009 was USD 1.23. The shares may be disposed after 1 January 2011.
(6) The grant of the 2008 SARs was conditional on achievement of diluted adjusted EPS target of USD 1.16; since this target was not achieved the 2008 SARs have been cancelled.

No remuneration was paid to related persons.

b. Executive Committee (chart 2)

The total of all compensation earned in 2009 and 2008 in US dollars by the members of the Executive Committee other than Mr Andreades (refer to chart 1 for Mr Andreades compensation details) is as follows:

Name / Function	Fiscal year	Cash: Base salary	Cash: Bonus	All other compen-sation(1)	**Total cash compen-sation**	Number of Options/ SARS granted(3)	Over-achievement of 2006 SARS Plan	Number of Performance Shares(4)	Cancellation of 2008 SARS(5)
Other members of the	2009	984,819	–	259,739	**1,244,558**	722,931	182,839	–	–
Executive Committee(2)	2008	1,290,068	446,546	327,627	**2,064,241**	409,293	–	225,000	(144,040)

(1) This includes medical, life and disability insurances as well as pension, housing, travel and car allowance for some members of the Executive Committee.

(2) This includes compensation paid to Mr. David Arnott, Mr. Mark Cullinane and Mr. Andre Loustau. It also includes the compensation paid to Mr. Alex Groenendyk until 1 October 2008. Mr. Andreades compensation details are included in chart 1; his compensation is the highest amount paid to a member of the Executive Committee.

(3) Grant details are provided in section II below. The total accounting charges for the Executive Committee to be recorded in relation to the 2010 SARs, the 2010-2012 COO plan is 5,509,177 for on-target achievement. This number could reduce if EPS targets are not met or could increase in case of overachievement; this is set out in the notes to chart 4 in section II below. The expense will be amortized over the relevant vesting period; the vesting period is described in the notes to charts 4 in section II below. The valuation method that has been used is explained in note 21 in the consolidated financial statements.

(4) These performance shares have been granted on 1 December 2008 as a long term performance incentive for 2009 and 2010.These performance shares are conditional on achieving internal 2009 EPS targets and on employment with TEMENOS from 1 January 2009 until 30 June 2011. The shares maybe disposed after 1 January 2011 and will not vest if the Executive resigns from TEMENOS before 1 July 2010 considering the 12 months notice period.

(5) The grant of the 2008 SARs was conditional on achievement of a diluted adjusted EPS target of USD 1.16; since this target was not achieved the 2008 SARs have been cancelled.

No remuneration was paid to related persons.

The contractual notice periods of the Executive Committee members were increased to 12 months. The notice period of the Chairman is six months. No severance payments were made to persons whose duties on the governing bodies had come to an end during the financial year 2009.

II. Status of shares and Options/SARs ownership

a. Board of Directors (chart 3)

The shares status of the independent members of the Board of Directors is detailed in the chart below. The shares status of Executive Directors, Mr. Koukis and Mr. Andreades, may be found in chart 4 and 5.

Name	Position	**31 December 2009 Shares**	**31 December 2009 Options/ SARs**	31 December 2008 Shares	31 December 2008 Options/ SARs
P. Selway-Swift	Vice –Chairman	**11,400**	**–**	11,400	–
Mark Austen	Member	**17,900**	**–**	17,900	–
Chris Pavlou	Member	**50**	**–**	50	–
L.P. Rutherfurd	Member	**1**	**–**	1	–

(1) Please see chart 4 for the detail.

No options and/or shares were held on 31 December 2008 and 2009 by related persons.

Notes to the Unconsolidated Financial Statements
continued

9. Remuneration report – Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations continued

II. Status of shares and Options/SARs ownership continued

b. Executive Committee and Executive Members of the Board of Directors

Number of Options, SARs and Performance Shares as at 31 December 2009 (chart 4)

Name	Shares	Options/ SARs grant year	Options/ SARs grant price	Number of options and SARs outstanding[(2)]	Number of options and SARs unvested on 1 January 2010	Number of unvested Performance Shares
George Koukis Chairman	1,502,064	2001 to 2009	$6.80 to $24.55	320,625	90,109	–
Andreas Andreades Chief Executive Officer	60,000	2002 to 2007	$15.48 to 15.56	2,084,080	104,032	750,000
David Arnott Chief Financial Officer	–	2007 to 2009	$12.48 to 24.55	294,378	294,378	75,000
Mark Cullinane Chief Operating Officer	–	2007 to 2009	$12.48 to 27.79	841,122	841,122	75,000
Andre Loustau Chief Technology Officer	4,000	2001 to 2009	$8.52 to 27.79	892,346	338,864	75,000

Number of outstanding Shares, Options and SARs as at 31 December 2008 (chart 5)

Name	Shares	Options/ SARs grant year	Options/ SARs grant price	Outstanding options and SARs[(2)]	Number of options and SARs unvested	Number of unvested Performance Shares
George Koukis Chairman	2,252,064	2001 to 2008	$6.80 to $15.56	263,316	109,844	0
Andreas Andreades Chief Executive Officer	35,000	2001 to 2007	$8.52 to $15.56	1,320,704	812,173	750,000
David Arnott Chief Financial Officer	–	2005 to 2008	$8.52 to $23.51	460,880	360,880	75,000
Mark Cullinane Chief Operating Officer	20,000	2005 to 2008	$8.52 to $27.79	391,122	241,122	75,000
Andre Loustau Chief Technology Officer	4,000 7,898[(1)]	2001 to 2008	$8.52 to $27.79	783,936	332,385	75,000

(1) Shares held on 31 December 2008 by related persons.

Note for Chart 4:
(2) Outstanding Options, SARs and Performance Shares included in the table above include the following:

- 787,200 outstanding options granted between 2001 and 2007, with grant price between $6.80 and $27.79.The options are subject to continuous employment between the grant date and the vesting date. Upon exercise, only the number of shares corresponding to the value of the gain, i.e. appreciation/gain above the Exercise Price, will be created and issued. Options granted prior to 2004 have vesting periods of 3 to 5 years and exercise periods from 5 to 7 years. Options granted in 2004 have vesting periods of 1 to 3 years and exercise periods from 7 to 9 years. Options granted after 2005 have vesting periods of 0 to 3 years and exercise periods from 7 to 10 years.

- 247,876 “2006 SARs”. The 2006 SARs have a grant price of USD 9.78 and are conditional on active employment from 1 January 2007 to the end of the vesting period, and to the achievement of 2006-2008 diluted EPS targets as follows:30% vest on 1 May 2007 if 2006 diluted EPS is USD 0.41, 30% vest on 1 May 2008 if cumulative 2006-2007 is USD 0.91 and 40% on 1 May 2009 if cumulative 2006 to 2008 diluted EPS is USD 1.49.In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant. There is no look back on this plan which is only tested once at the end of each year. As the 2006-2008 EPS target has been overachieved by more than 150%, the SAR grant has been increased up to a maximum of 200% in May 2009 subject to an assessment of individual performance.

- 405,250 “2007 SARs”. 2007 SARs have a grant price of USD 15.56 and are conditional on active employment from 1 January 2008 to the end of the vesting period and achievement of 2007-2009 diluted EPS targets as follows: 30% vest on 1 March 2008 if 2007 diluted EPS is USD 0.69, 30% vest on 1 March 2009 if cumulative 2007-2008 is USD 1.52 and 40% on 1 March 2010 if cumulative 2007 to 2009 diluted EPS is USD 2.51. In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant subject to an assessment of individual performance. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved. As the 2007-2009 EPS target has been overachieved by 135.5%, the overall SAR grant could be increased up to 171% in March 2010 subject to an assessment of individual performance.

- No “2008 SARs”. 2008 SARs were granted at a price of USD 27.79 and were conditional on achievement of the 2008 diluted EPS target of USD 1.16. If the diluted EPS target of USD 1.16 had been achieved as well as Individual 2008 performance, the vesting of the 2008 SARs was conditional on active employment from 1 January 2009 to the end of the vesting period and achievement of 2008-2010 diluted EPS targets as follows: 30% vest on 1 March 2009 if 2008 diluted EPS is USD 1.16, 30% vest on 1 March 2010 if cumulative 2008-2009 is USD 2.55 and 40% on 1 March 2011 if cumulative 2008 to 2010 diluted EPS is USD 4.22. In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant subject to an assessment of individual performance. There is no look back on this plan which is only tested once at the end of each year. Since the 2008 EPS target of USD 1.16 has not been met, the 2008 SARs will not vest and are therefore cancelled.

- 425,823 “2009 SARs”. 2009 SARs have a grant price of USD 12.48 and are conditional on achieving 2009 diluted EPS target and on achieving personal objectives. Once those conditions are achieved, the vesting is subject to active employment from 1 January 2010 to the end of the vesting period as well as 2009-2011 EPS target set in February 2009 as follows: 30% vest on 1 March 2010 if 2009 diluted EPS is USD 1.19, 30% vest on 1 March 2011 if cumulative 2009-2010 is USD 2.62 and 40% on 1 March 2012 if cumulative 2009 to 2011 diluted EPS is USD 4.34.In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant subject to an assessment of individual performance. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved.

- 144,402 “2010 SARs”. 2010 SARs have a grant price of USD 24.55 and are conditional on achieving 2010 diluted EPS target and on achieving personal objectives. Once those conditions are achieved, the vesting is subject to active employment from 1 January 2011 to the end of the vesting period as well as 2010-2012 EPS target as follows: 30% vest on 1 March 2011, if 2010 EPS reached USD 1.41; 30% vest on 1 March 2012, if cumulative 2010-11 EPS reaches USD 2.94; 40% vest on 1 March 2013, if cumulative 2010-12 EPS reaches USD 4.92. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant subject to an assessment of individual performance. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved. In case cumulative diluted EPS is below 80% of target, the respective SARs grant will be forfeited. For achievement between 80% and 100% of target a reduced amount will be granted. For every 1% over-achievement of the 3 years cumulative diluted EPS target, an additional 2% SARs may be granted up to a maximum of 200% of total grant subject to an assessment of individual performance. There is no look back on this plan which is only tested once at the end of each year. Any SARs that relate to the achievement of the results of a specific year are forfeited if the EPS for the year is not achieved even if the cumulative EPS is achieved.

- 1,822,000 SARs to Mr. Andreades. The on target grant was 500,000 subject to Mr. Andreades being employed with TEMENOS until 31 December 2009 and on reaching cumulative 2007-2009 EPS between USD 2.20 and USD 2.6199. The grant price is USD 15.56. The grant in case of under and overachievement as per the grant rules is described in the table below:

2007 to 2009 Cumulative EPS	SARs Grant
Below USD 2.20	–
USD 2.20 to USD 2.6199	500,000
USD 2.6199 to 3.0999	750,000
USD 3.10 or more	1,750,000

Since 2007-2009 cumulative EPS reached USD 3.42 a significant overachievement even with respect to the higher performance bracket, an additional 72,000 has been granted at the same grant price, i.e. a total of 1,822,000 SARs will be exercisable from February 2010. Mr. Andreades did not participate in the Annual SARs plan for the years 2008, 2009 and 2010.

- 975,000 Performance Shares. These performance shares have been granted on 1 December 2008 as an incentive for 2009 and 2010. They are conditional on achieving internal 2009 EPS target and on employment with Temenos from 1 January 2009 until 30 June 2011. The shares may be disposed of after 1 January 2011 and will not vest if the Executive resigns from Temenos before 31 December 2010.

Notes to the Unconsolidated Financial Statements
continued

9. Remuneration report – Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations continued

II. Status of shares and Options/SARs ownership continued

b. Executive Committee and Executive Members of the Board of Directors continued

- 600,000 SARs to Mr. Cullinane under the 2010-2012 COO plan. These have a grant price of USD 24.55 and vesting is conditional on the following:
  - 300,000 SARS will vest in total in three 100,000 tranches in each of February 2011, February 2012 and February 2013 if EPS performance is at least USD 1.19 in each of the 3 years 2010 to 2012 and subject to employment until the vesting date.
  - 300,000 subject to employment from 1 January 2011 until 28 February 2013 and cumulative 2010-2012 EPS target of USD 4.92.
  - 300,000 subject to employment from 1 January 2011 until 28 February 2013 and cumulative 2010-2012 EPS target of USD 6.14.

In case cumulative EPS achievement is below target, the respective SAR grant will be forfeited. There is no look back on this plan which is only tested once at the end of each year. Mr. Cullinane did not participate to the 2010 SAR plan and no further SARs will be granted before 2013.

IV. Loans granted to members of governing bodies

As of 31 December 2009, the Company has no outstanding loans to members of the Board of Directors and Executive Committee. No loans were granted to persons related to the latter.

V. Major shareholders

Please refer to note 3 of the unconsolidated financial statements.

Financial Highlights
In millions of US dollars except earnings per share

	2009	2008	2007	2006	2005
Revenues	**370.3**	406.9	329.8	216.3	168.7
Operating costs	**290.1**	343.0	267.3	183.0	145.9
Operating profit	**80.2**	63.9	62.5	33.3	22.8
Profit before taxation	**68.8**	63.3	64.4	38.6	20.2
Net profit after tax	**68.5**	65.2	64.7	34.4	17.9
EBITDA	**110.3**	87.8	78.5	43.1	33.9
Diluted earnings per share (in USD)	**1.07**	1.02	1.00	0.57	0.32
Cash generated from operations	**117.9**	56.2	64.8	27.5	5.1
Current assets	**447.4**	365.1	294.5	262.7	127.8
Non-current assets	**356.2**	254.9	163.1	89.4	53.6
Total assets	**803.6**	620.0	457.6	352.1	181.4
Current liabilities (excluding deferred revenues)	**129.9**	134.3	101.3	62.4	40.9
Deferred revenues	**114.2**	84.6	57.6	45.0	33.6
Total current liabilities	**244.1**	219.2	158.9	107.4	74.5
Non-current liabilities	**258.5**	196.2	121.3	108.6	5.8
Total liabilities	**502.6**	415.4	280.2	216.0	80.3
Total equity	**301.0**	204.6	177.4	136.1	101.1
Total equity and liabilities	**803.6**	620.0	457.6	352.1	181.4

Information for Investors

Capital structure

The share capital is divided into 59,858,526 registered shares of a par value of CHF 5.

Appropriation of profits

Temenos does not expect to pay dividends in the foreseeable future.

Registrars

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CH-4601 Olten
Switzerland

Investor relations

Max Chuard
Corporate Finance & Investor Relations Director

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Annual general meeting

4th June 2010

Statistics on Temenos shares

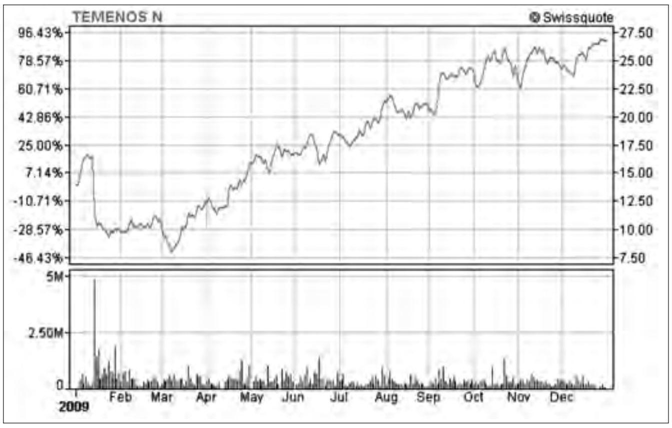
Registered shares of CHF 5 nominal	2009
Sector	Technology/Software
Market Segment	SIX Main Market
Index Member	SMIM/SPI
Swiss Security No	124 5391
ISIN No	CH0012453913
Symbol	TEMN
Number of shares	59,858,526
Market price high/low (CHF)	8.00/27.00
Market price 31.12.2008	14.00
Market price 31.12.2009	26.85
Market capitalisation high/low (CHF m)	1,593/472
Share capital nominal value at 31.12.2009 (CHF m)	299

Key figures per share	2008
Basic earnings per share (USD)	1.17
Diluted earnings per share (USD)	1.07
Consolidated shareholders' equity (USD m)	301
Consolidated shareholders' equity per share (USD)	2.03

Major shareholders (>3%) of Temenos Group AG*	(as at 06.04.2010)
Standard Life Investments	4.97%
OppenheimerFunds, Inc.	3.16%
UBS Fund Management (Switzerland) AG	3.13%
Virmont Sarl	3.10%
Credit Suisse Asset Management Funds AG	3.08%
Andreas Andreades	3.06%
Massachusetts Mutual Life Insurance Company	3.04%

*by holding Temenos Group AG registered shares and on the basis of TEMENOS Group AG registered capital of 59,858,526 shares.

Development of the Temenos share price



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