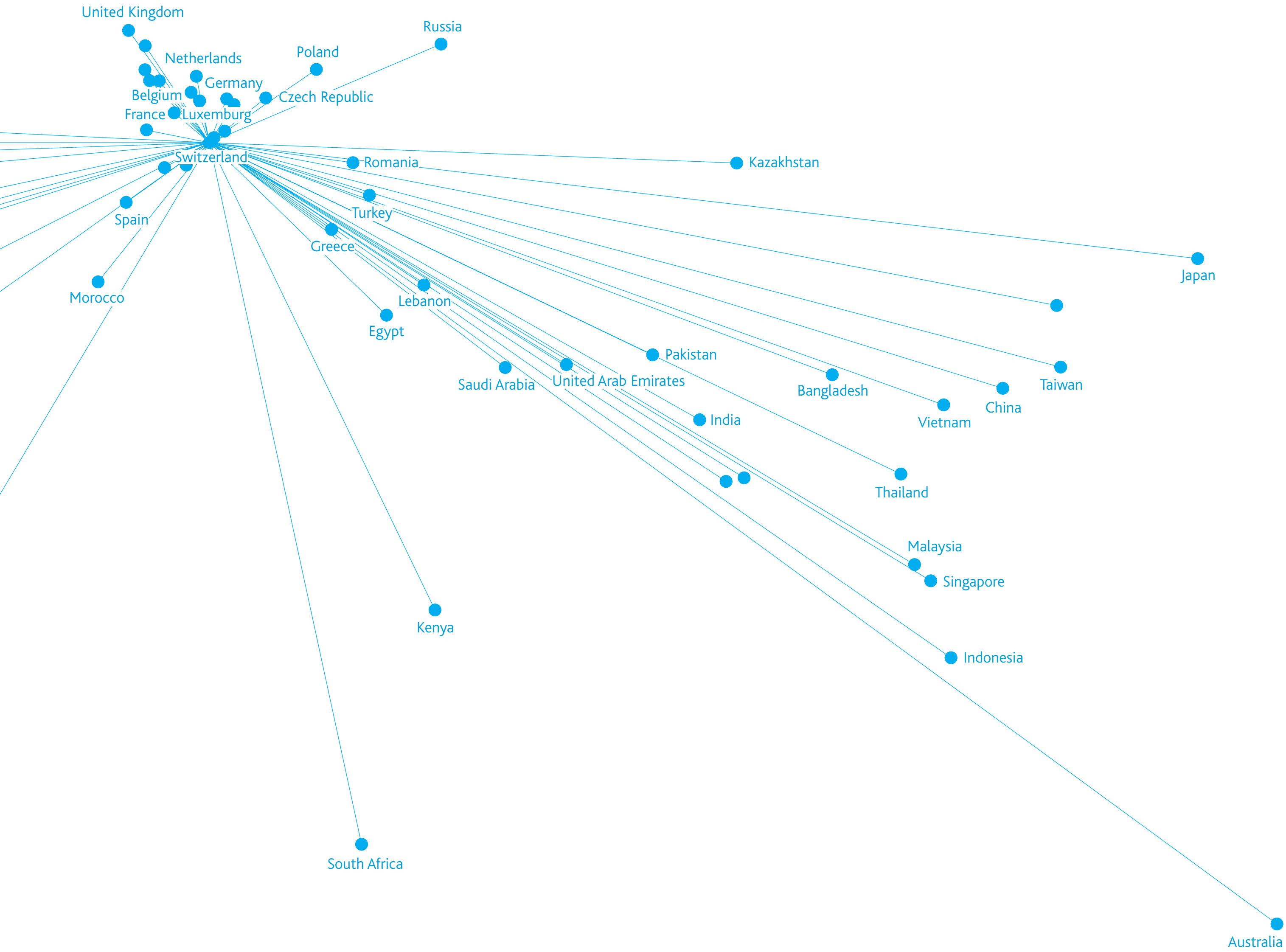
ANNUAL REPORT AND ACCOUNTS
2010



TEMENOS
The Banking Software Company

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, real-time 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.

Contents

Over 4,000 professionals

4,000

Americas

Brazil
São Paulo

Canada
Montreal
Toronto
Vancouver

Costa Rica
San Jose

Ecuador
Quito

Mexico
Mexico City

USA
Houston
Miami
New York
Orlando

GLOBAL NETWORK

Headquartered in Geneva, Switzerland, the company has 64 offices in 40 countries and had revenues of USD 448 million for year ending 31 December 2010. In June 2001, Temenos became a public company listed on the SIX Swiss Exchange (TEMN).

64 offices worldwide

64

Serving clients in over 125 countries

125+

Over 1,100 financial services customers

1,100

Europe

Belgium
La Hulpe

Czech Republic
Prague

France
Nantes
Montpellier
Paris
Toulouse

Germany
Frankfurt
Grosswallstadt

Greece
Athens

Kazakhstan
Almaty

Luxembourg
Luxembourg

Netherlands
Amsterdam

Poland
Warsaw

Romania
Bucharest

Russia
Moscow

Spain
Madrid

Switzerland
Lausanne
Zurich
Geneva

Turkey
Istanbul

United Kingdom
Berkshire
Birmingham
Egham
Glasgow
Hemel Hempstead
London
Newcastle Upon Tyne

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

Bangladesh
Dhaka

China
Shanghai
Hong Kong

India
Bangalore
Chennai
Mumbai

Indonesia
Jakarta

Japan
Tokyo

Malaysia
Kuala Lumpur

Pakistan
Karachi

Singapore
Singapore

Taiwan
Taipei

Thailand
Bangkok

Vietnam
Hanoi

Financial & Operating Highlights
For The Year Ending 31 December 2010

GROWTH OPPORTUNITIES

"New market demands for model bank deployments, parameter driven solutions, more modern componentised architectures, predictive analytics, and product bundling capabilities are creating opportunities for leading solution providers to grow their market share.

Change in bank focus: since the crisis, compliance and risk management have become a key driver of core system replacement. Banks require tighter system integration to more easily address the demands of regulators and auditors and more sophisticated controls to restrict risky products. Many require a new core system or additional core components."

Evaluating the Vendors of Global Core Banking Systems - Aite Group Report, 2011

Outlook

Looking into 2011, we expect continued recovery and faster growth in our end market. We also expect that our business model, affording superior value creation and more choice, will see us grow faster than this expanding market.

Licence Revenues

+27%

FY 10	**160.1m**
FY 09	126.0m
FY 08	150.1m
FY 07	148.8m
FY 06	97.9m

Improved Licence Revenues
Licence revenues showed a dramatic improvement driven by like-for-like growth of 19% as well as contributions from the Viveo and Odyssey acquisitions.

As the first year of recovery following the financial crisis, 2010 was a moderate growth year for the core banking market. Nonetheless, Temenos was able to grow faster than the overall market based on a superior value proposition, a growing partner network and consistently good execution. Temenos recorded 19% like-for-like licence revenue growth against c.6% growth in the market, underlining its significant market share gains.

Financial Highlights

- 19% growth in like-for-like licence revenues* – against a market that grew by single digits, therefore recording several points of market share gain.
- Adjusted EBIT** growth of 25% to USD 113.7m (2009: 91.3m).
- Strong cash generation – cashflow from operations reached USD 125.8m (2009: 117.9m). This represented an EBITDA conversion of 111% (2009: 107).
- 32% growth in maintenance revenues, or 10% growth like-for-like to a USD 154.8m (2009: 117.1m).
- Strengthened our balance sheet by refinancing our debt and calling the convertible bond.

Operational Highlights

- 46 new customer wins including important new tier 1 customers.
- Increase in product extension sales to represent 15% of total licence revenues.
- Expansion of partner programme to include Capgemini. The partner network now has more consultants than Temenos' own services team and brought us 6% of licence revenue in 2010.
- Completion of largest acquisition to date – the USD 101.3m acquisition of Odyssey brings us the leadership position in private wealth platform solutions and offers significant synergies through complementary products and customers.

* Adjusting for the contribution from Metavante (in Q1 2009), FX and revenue from acquisitions.
** Adjusting for restructuring and the amortisation of acquired intangibles.

Operating Cash Flow (USD 000)

+7%

FY 10	125.8
FY 09	117.9
FY 08	56.2
FY 07	64.8
FY 06	27.5

Adjusted Operating Profit (USD 000)

+25%

FY 10	113.7
FY 09	91.3
FY 08	71.5
FY 07	62.5
FY 06	33.3

Total Net Assets (USD 000)

+64%

FY 10	492.7
FY 09	301.0
FY 08	204.6
FY 07	117.4
FY 06	136.1

Adjusted EPS (USD)*

+20%

FY 10	1.47
FY 09	1.23
FY 08	1.13
FY 07	1.03
FY 06	0.57

* 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).

PROFITABILITY EFFICIENCY

Tackling The Productivity Paradox

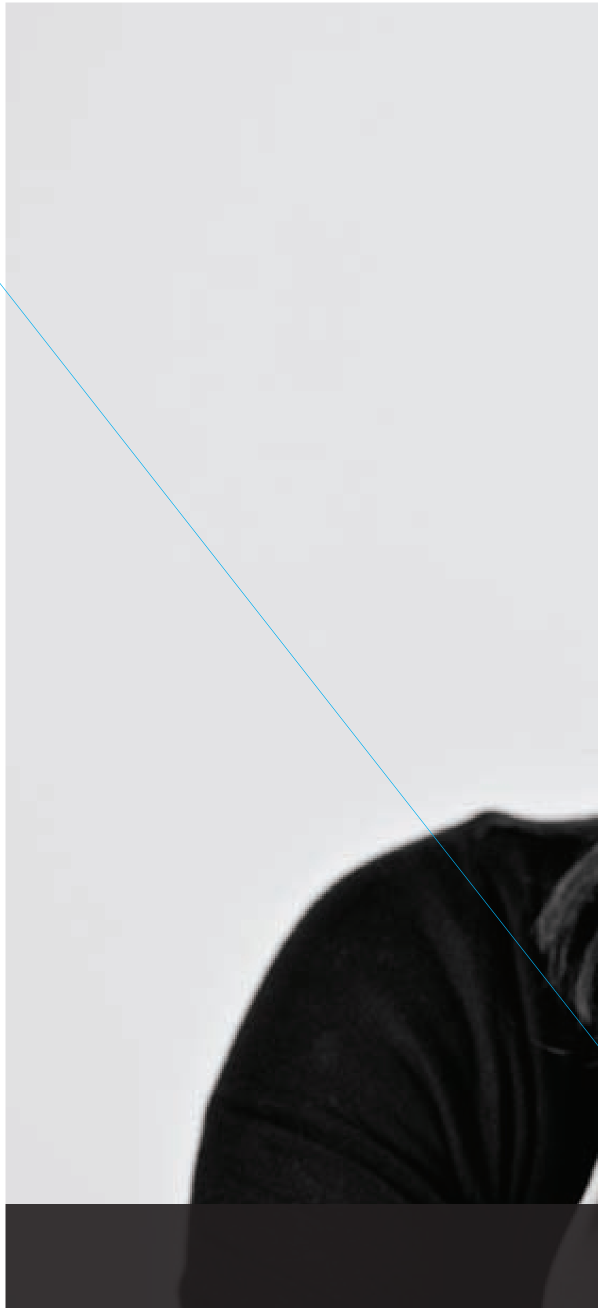
Higher IT spending leads to higher efficiency, particularly in industries characterised by high IT intensity[1]. The one notable exception to this principle, which displays not only one of the highest levels of IT intensity but also spends more in relative terms on IT than any other industry, is banking[2]. The banking industry suffers from what has been termed a productivity paradox wherein incremental IT investments do not produce positive changes in productivity, but in fact the reverse: IT investments produce in aggregate negative returns on productivity[3], thereby perpetuating the higher relative IT spend.

Simply put, academic research on this subject normally entertains two possible explanations: that the paradox does not exist (that is, that the data are either erroneous or interpreted erroneously) or that it stems from bad management of IT and IT projects (which could arise, for instance, from a principal-agent conflict between profit-maximising senior management and those assigned to deliver IT projects, whose interests may be better served by protecting the *status quo*).

Our view, which is supported by a growing body of quantitative and qualitative research, is that the productivity paradox most certainly exists and that its persistence owes more than anything to a reluctance by banks to use third-party systems, which is compounded by bad management of IT and IT projects.

That banks concentrate their spending on internal functions and resources reflects one of two things. Either the bank has a die-hard mindset that building is superior to buying (that developing systems internally confers on an institution a source of competitive advantage); or, the institution recognises the inefficacy of spending so much money on internally developed systems, but is unprepared or unwilling to take the financial and operational risks of doing things differently.

Yet, the folly of continuing to invest in legacy systems is becoming increasingly axiomatic. Using data from *The Banker* – top 1,000 banks, we estimate that 76% of the 100 fastest-growing banks run solutions from one of the many core banking software vendors, like Temenos and Oracle. Furthermore, using the same data, if we look at the profitability ratios of banks running solutions from the largest 5 vendors in the market compared to all other banks, we estimate a significant differential – a 24% higher return on capital, a 22% higher return on assets and a 3.7 point lower cost to income ratio[4].



Banks' IT spending as a percentage of costs relative to other industries

Banking	**14.3%**
TMT	10.1%
Insurance	9.8%
Public Sector	6.7%
Healthcare	5.6%
Consumer	4.2%
Energy	2.8%
Industrial Goods	2.7%

Source: Boston Consulting Group

Source

1 This principle has been established through numerous studies – e.g. Dedrick, J., Gurbaxani, V. and Kraemer, K.L, "*Information and Technology and Economic Performance: Firm and Country Evidence*", 2003.
2 According to data from Boston Consulting, banks spend more than twice the cross-industry average on IT as a percentage of total costs (see diagram).
3 Most of the studies that have highlighted the productivity paradox in banking (e.g. McKinsey Global Institute, "*US Productivity Growth 1995-2000: Understanding the Contribution of Information Technology Relative to Other Factors*", 2001) centre on the US. A more recent study into European banks (Elena Beccalli, "*IT and European Bank Performance*", 2007) also finds the same productivity paradox in European banking (at least that IT investment fails to translate into improvements in productivity in the short-to-medium term).
4 To complete this analysis, we have taken the list of customers for Oracle Financial Services (FLEXCUBE and Microbanker), Infosys (Finacle), TCS (BaNCS and Quartz) and Misys (all core banking products) from the 2009 IBS BOSS guide. For Temenos customers, we have used our internal list of core banking customers. We have then compared the average aggregate profitability of all the banks running these systems and compared them against the average for all other banks. Please note that this analysis is unlikely to be wholly accurate since we rely on the IBS BOSS guide for installed bases and this guide may not be fully up-to-date, accurate or complete.

THE MOST PROFITABLE BANKS RUN TEMENOS

Higher Return On Capital

62%

Higher Return On Assets

54%

Points Lower Cost/Income

7.2

Temenos customers are proven to be more profitable than their peers: analysis on data from The Banker[1] – top 1,000 banks shows that Temenos customers enjoy a 62% higher return on capital, a 54% higher return on assets and a cost/income ratio that is 7.2 points lower than non-Temenos customers.

Source

1 The Banker – *top 1,000 banks 2009*: average values for Temenos customers compared to average values for non-Temenos customers.

Tackling The Productivity Paradox
continued

What Advantages Do Modern Core Systems Bring That Lead To Higher Profitability?
We consider that running a modern core banking system is a prerequisite to delivering sustainable growth. While the challenges and opportunities facing emerging and developed world banks – and banks operating across distinct segments – are clearly very different, they are all most effectively managed using modern third-party systems.

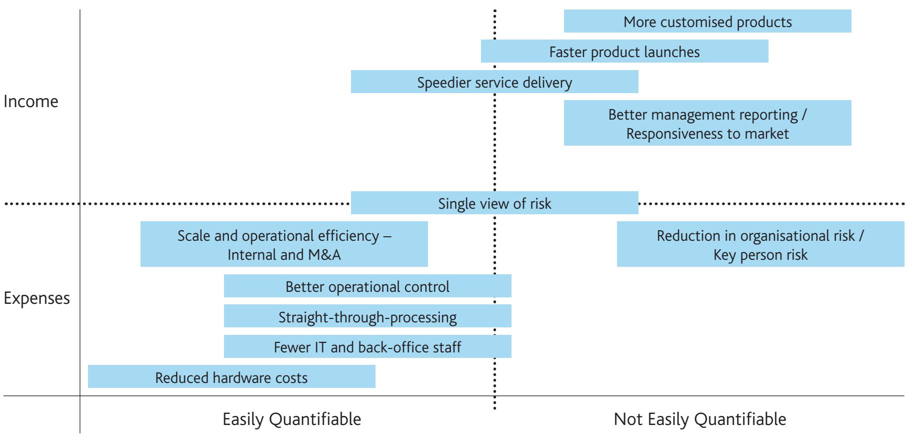
A fast growing emerging world bank will at some point meet technology capacity constraints that will necessitate a change of systems. But, as well as putting in place a scalable infrastructure for generating future profitable growth, a modern core banking system allows a bank to grow with better control and risk management, as well as giving the ability to differentiate at the customer service and product innovation levels.

In the developed world, much is happening that is squeezing banks' margins – higher mandated capital adequacy levels, more competition for deposits, subdued household demand for credit – and, on top of this, new market entrants are giving less loyal and more discerning consumers the option to bank elsewhere. Hence, developed world banks need to adopt modern technology to help them address the complex challenge of reducing their cost bases while raising the quality of their customer experience.

As we attempt to set out below, the advantages of core banking replacement can be manifold, some of which boost revenue and some of which lessen costs – and some of which are easily quantifiable while others are not.

"The adoption of packaged core banking solutions, especially in conjunction with process optimisation, can deliver the increasing returns on IT investment which have historically evaded the banking industry."

Ben Robinson - Director, Strategic Planning - Temenos Group AG



Is It Enough To Use Modern Systems?
We would argue that taking a modern system *per se* is not enough to guarantee significant and measurable improvements in efficiency and productivity. A core banking replacement is *highly likely* to result in better efficiency compared to the situation *ex ante*, but the spread of possible productivity outcomes for the bank is extremely wide. As we illustrate in an upcoming white paper on the subject, there are a whole host of factors that actively contribute to the outcome of a core banking replacement – like the extent of senior management involvement in the project; the number of ancillary applications a bank runs to support its core; the complexity of the IT environment that a bank runs; the degree to which a bank invests in training; and, the level to which know-how is centralised. This is also why we posit that a bank's deployment and management of IT, at both the aggregate and project level, is a key factor in explaining (and reversing) the productivity paradox.

There is also one other important variable, which goes some way to explaining why Temenos customers enjoy superior profitability. This factor is process improvement. We would argue that Temenos offers customers the best packaged core banking solution on the market, with a rich annual upgrade release cycle affording high customer autonomy and low long-run TCO. But, crucial to extracting the full value of the system – and crystallising that value early – is our focus during the implementation on optimising customers' processes and aligning them with our solution. Unless there is emphasis on processes, there is likely to be too much customisation to meet requirements and ultimately too little change will be effected to lead to dramatic improvements in efficiency. In the hands of a vendor with a services model, a bank might well end up with the exactly the same system as before – only more modern.

Temenos Customers... Still The Most Profitable Banks
We first carried out analysis on the aggregate profitability of Temenos customers versus non-Temenos customers (that is, banks that run other core banking applications or that use in-house solutions) with data from *The Banker* – top 1,000 banks 2009.

What we found was a very significant difference in profitability: banks that use Temenos core banking software displayed a 7.2 points lower cost to income, a 62% higher return on capital and 54% higher return on assets than non-Temenos customers. What is more, the sample of Temenos customers was relatively large (10% of the total) and the results were broadly consistent across all regions. For example, in Europe, banks that run Temenos had a 62% higher return on capital and a 39% higher return on assets. Banks in the Middle East had a 44% higher return on assets.

Using *The Banker* – top 1,000 banks 2010 data, we have repeated the exercise and proved that the 2009 results were not a freak outcome – that is, that the big movements in bank profitability in 2008 coupled with any inherent biases in the Temenos user base, towards developing economies or smaller banks, produced an unrepresentative outcome. In 2009, banks across the world enjoyed improving economic fundamentals and stronger profitability and, in fact, on some metrics, the performance disparity between Temenos and non-Temenos customers actually grew – Temenos customers, for instance, enjoyed an 8.6 percentage points lower cost to income ratio (compared to 7.2 points the year before).

The challenge now is to enhance the causal link between the core banking software and the banks' performance. We have set about doing this in two ways.

The first was to poll our customers about their IT spending. The findings revealed that, on average, Temenos customers spend roughly one third of the industry average on IT as a percentage of total costs, suggesting the software has a significant effect on reducing IT expenditure (or enabling banks to realise IT-related economies of scale) and by extension improving overall profitability.

The second endeavour has been to write more and more detailed customer case studies, attempting to set out exactly how the software has been able to help reduce costs and permit the bank to grow revenue faster and undertaking to quantify these impacts. These case studies can be accessed at www.temenos.com/profit.

Ben Robinson
Director, Strategic Planning

GREATER EFFICIENCY

Average Temenos customer IT spend as proportion of total costs

5.3%

Our recent customer poll revealed that, on average, Temenos customers spend approximately one third of the banking industry average on IT as a percentage of total costs, suggesting our software has a significant effect on reducing IT spending or enabling banks to exploit IT economies of scale.

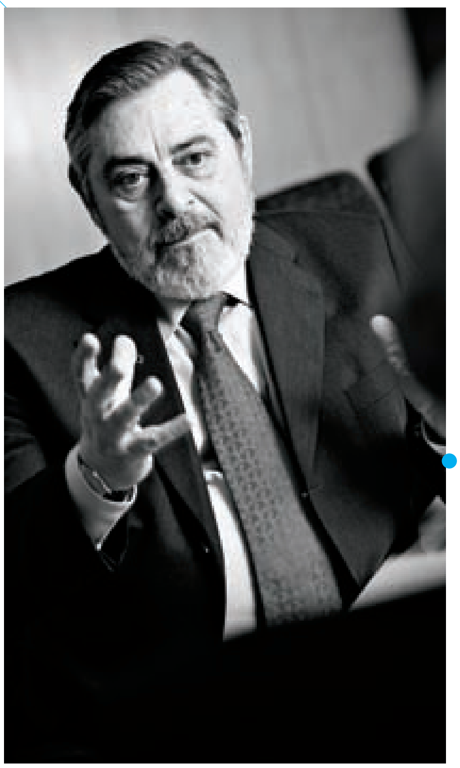
IT spending as a % of total costs: how Temenos customers compare

Temenos Customers	5.3%
Cross Industry Average	7.0%
Banking Industry	14.3%

Source: Boston Consulting Group, Temenos

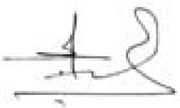
Chairman's Statement

George Koukis



"When a software company is growing software licences and reinvesting the proceeds, a virtuous and self-reinforcing cycle of value creation is established that becomes difficult to break."

George Koukis - Chairman - Temenos Group AG



Temenos delivered a strong performance in 2010 underscored by the return to robust licence revenue growth. This was achieved on the back of a recovering demand in core banking software, acquisitions and market share gains. We have remained focused on our strategy and met our financial objectives, while simultaneously investing in product development, augmenting the sales channel and improving customer service. Although this year represented a return to growth, we continued to exercise tight cost control which led to further margin expansion and strong profit growth.

As we look back over the last two years, which have been difficult for banks and for the vendors who serve them, we can observe that Temenos has weathered the financial crisis better than its peers. To my mind, the reasons are manifold, but can be summarised most succinctly by our steadfast dedication to a business model based on domain specialisation, packaged upgradable software and high product investment that results in superior value creation for our customers. And, because we have outperformed peers – at the same time as executing our partner and M&A strategy – we have reinforced our position as the global market leader in core banking and positioned ourselves to benefit strongly from an improving spending environment.

Strong Performance

Licence sales growth is the foundation of any software company. When a software company is growing software licences and reinvesting the proceeds, a virtuous and self-reinforcing cycle of value creation is established that becomes difficult to break. Therefore, it is so pleasing to me to be able to report very strong in licences – which grew 19% before acquisitions and 27% after including the impact of acquisitions. For the fourth consecutive year, T24 was the best-selling solution in our market.

Market Drivers For Growth

The core banking software market continues to be one of the most exciting and attractive global software markets. The addressable market is extremely large (around USD 24 billion), yet the penetration level of third party applications remains low (around 20%).

In addition, the shift in spending from in-house developed solutions to modern third-party applications is underpinned by structural drivers; drivers that have gained in urgency post-crisis. Simply put, banks spent too much on IT for too little return. They patch up systems that are costly to maintain yet so inflexible as to preclude them from responding adequately to changes in their market. However, while in many banks' minds, the risk of doing nothing was preferable to the risk and cost of replacing core systems, the banking crisis is tipping the balance in favour of replacement. In the post-crisis era, organisations can no longer afford the inefficiencies and risks posed by their legacy systems and must invest in order to respond to the demands of a changing marketplace.

Acquisitions

In the year, we welcomed several hundred new Temenosians who joined the group as part of our acquisition of Odyssey. The Odyssey acquisition, our largest to date, was aimed putting together the market presence, knowledge, scale and intellectual property of two companies to create a leader in the Private Wealth Management space. This is what we have done, and the combination creates a group with much brighter prospects for all concerned and one that we are convinced will deliver significant value for all stakeholders.

Partnerships

A key focus in the year was the advancement of our partnership programme which has gained significant momentum as we signed further, high profile partnership agreements. Following the signing of Cognizant in 2009, we signed Deloitte and Capgemini as global partners in 2010, expanding the reach and scale of our partner delivery capacity. We are delighted to join forces with such global leaders and see their interest as a ratification of our business model and the potential of the core banking market. Together with our existing local partners, the ranks of our external resources are now greater than our internal service resources. Our technology partnerships, in particular with Microsoft, also continue to help us optimise our offering. Our partnerships provide improved customer choice over technology platforms, faster and scalable implementation of solutions as well as an extension of sales channels.

Our People
Our workforce has expanded rapidly during the year as a result of acquisitions as well as responding to the organic growth of the business. We pride ourselves on our diversity and equal opportunity culture in the business, with circa 4,000 people made up of 75 nationalities and speaking over 65 languages. We continue to invest in developing individuals through training and we tap into the creative resources of our top employees via our Leadership Forum. Despite our rapid expansion, we endeavour to preserve the dynamic, entrepreneurial culture on which Temenos was founded and which has afforded the level of autonomy that has allowed our people and business to thrive.

Our talented and energetic workforce is the key to our success and I would like to personally thank them all for their hard work and commitment during 2010.

Product Awards
At Temenos a strong emphasis is placed on product research and development to ensure that we maintain the highest standards of market leading product excellence. This excellence has again been recognised through the awards won by Temenos products, particularly TEMENOS T24 (T24), in 2010. Again in 2010, and in fact every year since its launch, Temenos won the category of Best Core Banking Product in Banking Technology magazine's Readers' Choice Awards. Temenos won 'Leader of the Pack' award by Aite Group in its report on global core banking systems in November 2010 and in the same report T24 was credited with the award for 'Best User Interface'. Temenos was also once again positioned by Gartner, Inc. in the Leaders Quadrant in the International Retail Core Banking Magic Quadrant report.

Integrity And Best Practice
As a fast growing global business, Temenos acts with integrity and adheres to best practice in everything we do. We are mindful of our social and environmental surroundings and encourage employees to take initiative in charitable actions and are proud to support them in those pursuits. In addition, we continue to work with a number of good causes including the Global Fund for Children to support its important work with vulnerable, marginalised children and young people in developing countries.

Succession Plan
After an extensive search lasting several months and evaluating more than 30 candidates, we have selected an excellent new CEO, Guy Dubois. We feel that Guy's significant experience working in and running large international software companies makes him uniquely qualified to lead Temenos through the next stage of its evolution and help the company navigate the challenges and opportunities that lie ahead. Guy will start on 1 July 2011.

Also on 1 July, Andreas will be promoted to the role of Chairman. In the first instance, this will allow for a seamless handover of responsibility from him to Guy. But, the second and much more important implication of Andreas becoming Chairman is that Temenos will retain (and be able to leverage) his experience, his intricate knowledge of the business and his intelligence, which have served us so well and allowed us to realise our market-leading status.

With Andreas becoming Chairman, my role will become one of a non-Executive Director. I will continue to be involved with Temenos, but just not to the same all-consuming extent as before.

As this will be my last Chairman's update, I would like to take the opportunity to thank wholeheartedly our customers, investors, suppliers, and partners for helping to make it the company it is today.

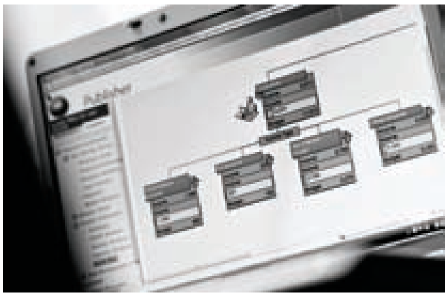
I wish the new CEO and Chairman all my very best wishes for the future and I look forward to assisting them in whatever way possible to help Temenos become an even more successful company.

Lastly, to all Temenosians, a profound THANKS for your hard work and loyalty. Without you none of our achievements would have been possible.

George Koukis
Chairman

BEST CORE BANKING PRODUCT

T24 has been voted as the best core banking product by the readers of Banking Technology every year since this award was launched.



Business Review
Andreas Andreades

"As we look into 2011, we believe that the recovery in banks' application software spending will gain momentum. Irrespective of geography, size or banking vertical, we firmly believe that core banking replacement will form a key and unavoidable plank of banks' strategies to generate sustainable growth.

As regards Temenos, we believe that our market-leading position and superior value creation will see us continue to gain a larger share of this expanding market. Our partner programme offers customers choice and it enables us to scale our offering to meet the demand of more and more banks. Augmented by acquisitions, our high R&D in conjunction with packaged product and processes gives customers a low-cost, modern and functionally rich solution from which to generate above-average profitability."

Andreas Andreades - Chief Executive Officer - Temenos Group AG

No. 1

For the last 4 years, T24 has been the best-selling core banking solution in the world. For the last 13 years, it has been either the best or second best-selling solution.

2010 was the first year of recovery after the worst financial crisis in a generation. After the dramatic slowdown of 2009, emerging market banks resumed their impressive growth trajectory and developed market banks began to restore their balance sheets on the back of increasing profitability.

Against this improving outlook for our end market, demand for core systems also began to recover. In Temenos' case, given the strong momentum with which we entered the year and buoyed also by a broadened product set and an expanding partner channel, we were able to take better advantage of improving conditions and grow significantly faster than the overall market.

Looking into next year, we believe that the structural drivers for core replacement are intensifying and will foster further growth in demand. As the best positioned vendor in our market to capitalise on this nascent replacement cycle, we expect 2011 to be another excellent year for the company.

2010 – A Record Year

2010 was a record year across all of key financial performance indicators. We achieved licence revenue of USD 160.1 million, surpassing our previous record of USD 150.1 million obtained in 2008. This represented 26% growth over 2010, or 19% excluding the impact of acquisitions. Strong licences contributed to overall revenue growth of 21%, to USD 448 million – another record. And, as you would expect from a packaged software company like Temenos – growing strongly and adding further scale through acquisitions – we continued to see good margin leverage. Adjusted EBIT, which adds back acquisition-related amortisation charges and one-off restructuring costs to give a "normalised" view of profitability, grew 25% to USD 114 million, giving a margin of 25.4%. As Temenos has grown in size, it has also become significantly more cash generative: in 2010, cash from operations was USD 125.8 million, which, as in 2009, was significantly in excess of EBITDA.

T24 – Continues To Top The Charts For Core Banking

According to independent sources[1], T24 has been either the best or second best-selling core banking solution in the world for the last 13 years. In 2010, for the fourth consecutive year, it was again the best-selling solution, adding 46 new customers. It is unequivocally the most successful banking product in the world, with the largest installed base.

The key to this success and longevity has been the company's business model. Temenos' model of packaged product and processes, coupled with high R&D has proven to be a winning formula: to grow the company, but also – more importantly – to deliver superior value to our customers. In 2010, as in 2009, Temenos customers achieved significantly and demonstrably higher profitability than their peers.

In 2010, our high R&D spend – once again, more than 20% of sales revenue – translated into many exciting product enhancements. In addition, we moved quickly to absorb the rich intellectual property gained as part of recent acquisitions, to package and make available to T24 users and to enhance as part of our unified product roadmap. Product enhancements included: a full suite of AML solutions, including real-time watch list screening of customers and transactions; STeP payments repair, providing banks with an auto repair and enrichment engine that markedly improves STP rates on payment transactions; significant upgrades to Temenos ARC, in particular for corporate customers; a new Business Events capability to facilitate real-time customer communication; Treasury Trader, a new front office product which provides dealers with real time trading analysis, pre-trade pricing, liquidity management and risk reporting tools; T24 Biometrics to provide banks with "one touch" identification of employees and customers for any transaction in T24; improvements to IFRS compliance support; and, T24 IBIS Model Bank, a preconfigured version of T24 specifically designed for banks migrating from the IBIS banking system.

In addition, the Odyssey acquisition, described in more detail below, greatly enhances our product proposition and roadmap for the fast-growing Private Wealth Management market – providing customers with a rich front-to-back solution combining T24 with Odyssey's established products and joining together the R&D know-how and resources of the two companies.

As we enhance our product and broaden its reach, we are able to deliver more value to customers and, by extension, charge a higher price. This is clearly apparent in our sales figures: new name customers were 7% higher (to 46) against a 19% like-for-like increase in licence revenue. Part of this increase in deal sizes reflects sales mix – tier 1-2 banks represented 25% of our sales, the highest level since 2008 – but the most important variable is higher like-for-like per-user per-module pricing.

CONTINUED INVESTMENT

Annual Cash R&D Spending USDm*

FY 10	93.1
FY 09	67.1
FY 08	82.5
FY 07	65.7
FY 06	45.0

* Cash R&D is defined as the income statement charge for R&D adjusted for the difference between capitalisation and amortisation of internally generated software.

Source

1 IBS Intelligence publishes an annual league table of the best-selling core banking systems. For more information, please visit their website at www.ibsintelligence.com.

Business Review
continued

GROWING RESOURCES

2,300

Number of partner resources committed by end of 2012.

Partner Programme
2010 was a year of rapid expansion of our global systems integrator (SI) partner programme. In line with the goals we set out at the beginning of the year, we signed on Capgemini as a global SI in May, increased the geographical scope of our partnership with Deloitte, and expanded the ranks of our local partners. Over the course of the year we also saw a dramatic increase in the number of resources that our partners have committed to us going forward – currently standing at 2,300 through the end of 2012. This increased visibility over resources at our eventual disposal has enabled us to take measures towards reshaping our own activities in this area. We are in the process of restructuring our own services division and going forward we expect to concentrate on the most value-adding areas (like the provision of T24 subject matter experts), as well as those areas that allow us to extract reusable IP – such as local application development.

The SI partner programme is achieving both delivery scale and also acting as an additional sales channel. In 2010, the partner programme clearly reached its initial goal: to increase the scalability of our ability to implement our software in line with licence demand. Leveraging the expertise and optimal execution skills of our partners also allows us to close deals with greater ease than in the past. In addition, through their broader network of contacts both within existing customers and with ones to whom they introduce us, our partners are helping us to grow our licence revenue. In 2010 both global and local partners brought us 6% of licence revenue and we hope that this share will expand to 10% in 2011.

From a technology standpoint, 2010 was also an exciting year for our partners. In September we published results from the high water benchmark testing of T24 on the Microsoft SQL server 2008 R2 and the Windows Server 2008 R2 Datacenter. These tests showed 95% scalability and the ability to process a peak of 5,200 interest accrual and capitalisations per second during close of business processing. This demonstrated the capability of our joint systems to address the requirements of the world's largest banks. Combined with our joint marketing efforts this has led to a high level of interest and demand for our products and up to 1/3 of our new business is running on the SQL server. We are delighted to have renewed our joint marketing agreement with Microsoft this year and look forward to the continued, fruitful collaboration.

We also performed high water benchmark testing of T24 on the Oracle Exadata server, giving very impressive results. During close of business processing, T24 running on the Exadata server and Sun hardware was able to process more than 6,000 interest capitalisations per second with a database comprising 15 million customers and 25 million accounts. We believe these results will help to crystallise the growing demand for T24 on Exadata.

Finally, we are optimising our performance on the IBM System z with the ability to run T24 natively with our R11 launch. Our ability to work across all platforms and our demonstrated speed and scalability provide us with a competitive advantage versus our peers.

1,100

Total number of financial institution customers following acquisition of Odyssey.

Continuing Pace Of Acquisition And Integration
In 2010, we proceeded successfully with the integration of Viveo and made our largest ever acquisition. Over the course of 2010 we largely completed the integration of the Viveo operations into our own. In addition, we were delighted to see faster than expected migration of V-Bank customers to T24, which confirms our initial assessment of the product in the market.

Having demonstrated our capacity to integrate larger acquisitions, we were very happy to announce the acquisition of Odyssey at the end of the third quarter. While the rationale for the Viveo acquisition was gaining scale and market share in French speaking territories, the combination of Temenos and Odyssey creates a key market leader in the fast-growing Private Wealth Management market. Odyssey's two products, Triple'A Plus and WealthManager are market leading front-end solutions for Private Wealth Management and we can now offer them alongside our own applications to enhance significantly our joint product and value proposition. In addition, there is an important cross-selling opportunity as the combined group now boasts a customer base of over 1,100 financial institutions. Following on from our experience in accelerating the integration of Viveo, we have begun the same process with Odyssey and we are confident that we fully integrate Odyssey by the end of 2011, including bringing its productivity to group levels.

Outlook For 2011

As we look into 2011, we believe that the recovery in banks' application software spending will gain momentum. Irrespective of geography, size or banking vertical, we firmly believe that core banking replacement will form a key and unavoidable plank of banks' strategies to generate sustainable growth. Fast-growing banks need to put in place robust infrastructure to allow them to realise their potential, while banks operating in slow-growing markets or verticals will need to address their cost bases if they are to return their institutions to the level of returns seen in the last 3 decades.

As regards Temenos, we believe that our market-leading position and superior value creation will see us continue to gain a larger share of this expanding market. Our partner programme offers customers choice – over which technology they run and which SIs they use – and it enables us to scale our offering to meet the demand of more and more banks. Augmented by acquisitions, our high R&D in conjunction with packaged product and processes gives customers a low-cost, modern and functionally rich solution from which to generate above-average profitability.

In addition, we are strengthening our management team to help the company to continue to grow to meet the market opportunity. I echo the words of George: in Guy Dubois, Temenos has found an excellent new CEO, with the right skills, experience and personal qualities to lead Temenos to become a giant in banking software. As Chairman, I look forward to playing an active role in realising the company's strategy for growth.

In view of improving market conditions, superior competitive positioning and an enhanced management team, we set out the following financial guidance for the year ahead. We expect to grow our overall revenues by 22-26% in 2011. Within that we target like-for-like licence growth of 15-20%. In terms of margins, we aim for a 20-21% operating margin and a 26-27% adjusted EBIT margin. Lastly, we expect a 100% EBITDA into cash flow conversion. In terms of share count, we anticipate 75 million fully diluted shares at the end of 2011, which incidentally means that stock dilution has averaged at 2.5% per annum over the last 5 years, in line with our forecasts.

As always, I would like to thank all Temenosians for their hard work, dedication and enterprise over the year; our customers for continuing to place their faith in our products; our partners for helping us to build better solutions and make them available to a wider audience; and lastly, our shareholders for their continued support.

I look forward, in my new role as Group Chairman, to updating you on the progress we have made in 2011.

Andreas Andreades
Chief Executive Officer

PRODUCT EXTENSIONS

Odyssey's Triple'A Plus product is the world's leading front-office system for private banking, with sophisticated modelling capabilities and comprehensive instrument coverage, and combined with T24, which offers class-leading back-office functionality, will give Temenos a unique set of tools to offer clients. In addition, Odyssey's WealthManager advisor desktop provides an integrated suite of components covering client management, advice, sales, portfolio management, compliance and client reporting. WealthManager was originally developed for the North American market, and it is uniquely placed to address the specific needs of that market. Putting together Odyssey's solutions with our existing offerings gives us therefore a very strong solution portfolio to take to banks worldwide.

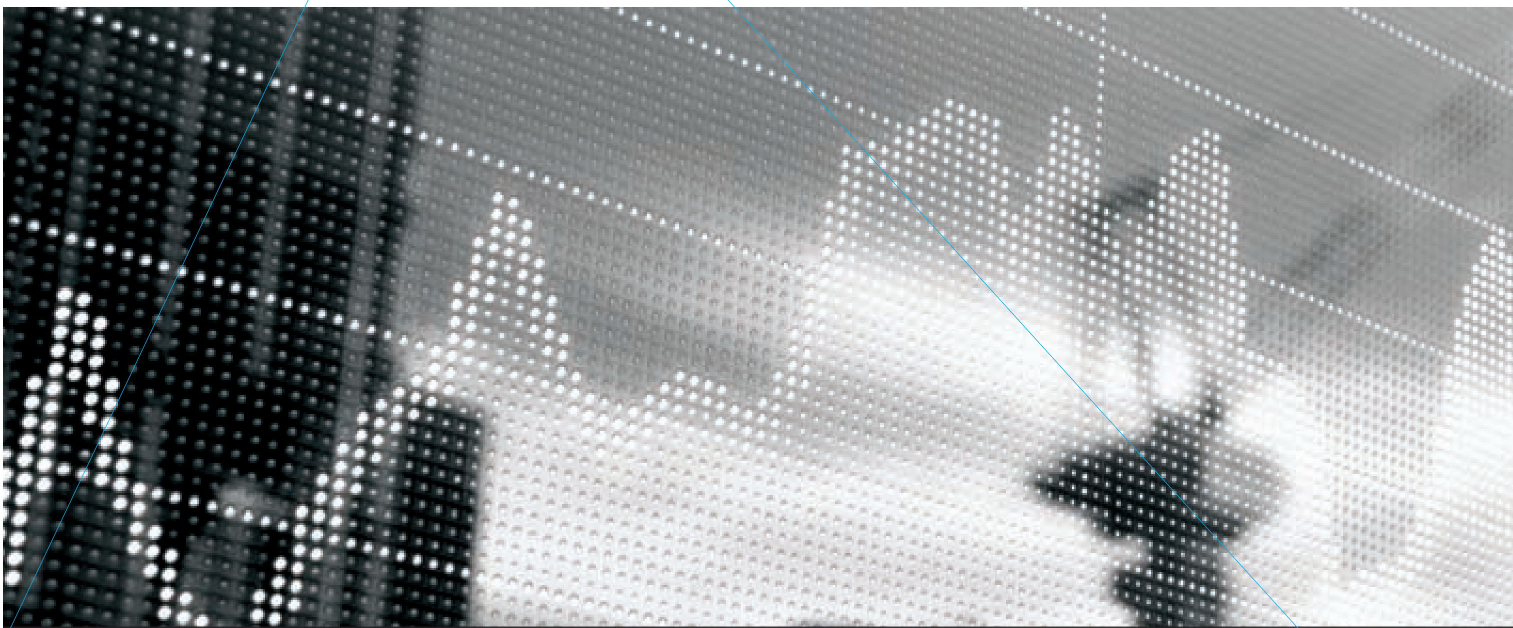
"In Guy Dubois, Temenos has found an excellent new CEO, with the right skills, experience and personal qualities to lead Temenos to become a giant in banking software. As Chairman, I look forward to playing an active role in realising the company's strategy for growth."

Andreas Andreades - Chief Executive Officer - Temenos Group AG

Maintenance Revenue (USD 000)

FY 10	**154.8**
FY 09	117.1
FY 08	101.2
FY 07	76.3
FY 06	55.0

Acquisition Strategic Success
A Recipe For Excellence



SOLID EXECUTION

Viveo Margins Increase By

15ppts

Combined Group Customer Base

+1,100

"Our success with our recent integration of Viveo has given us the experience and confidence to undertake larger acquisitions."

Andreas Andreades - Chief Executive Officer - Temenos Group AG

EFFECTIVE STRATEGY

2010 was a very exciting year for acquisitions at Temenos. We acquired Viveo at the very end of 2009 and by the following month we launched the two Viveo products AML and STeP to our salesforce at our annual sales convention. This gave us a strong start into the year with those products. Our ability to leverage these new products through our global sales force brought a significant acceleration of sales to them. With our R10 upgrade release in May of 2010, we launched a new AML suite, and announced the full integration of the Viveo products. With AML and STeP now part of our product extension portfolio, we look forward to their continued penetration into our existing customer base. In particular, AML continues to draw international attention and has been the focus of some of our joint marketing activities with our partners Microsoft and Deloitte.

Over the course of 2010 we essentially completed the intended restructuring at Viveo by disposing of non-core activities such as VBF Consulting. This helped us to bring Viveo margins up to group level by the end of 2010, one year ahead of our initial plan. Additionally encouraging was the early migration of 4 Viveo customers over to T24 during the course of the year. This indicates to us that we were correct in our assessment of the Viveo product and the interest of their existing client base in migrating to a product that offers global capabilities as well as an on-going upgrade path. Looking at our pipeline, we believe that the pace of migration will continue in 2011.

In the middle of the year we made a small, but important technology acquisition in FE Mobile. Mobile banking is clearly a growth driver in the important emerging market space, but the advent and increasing penetration of smart phones means that mobile banking functionalities are also a "must have" application for developed market banks. Given our prior partnership with FE Mobile, we were able to fully integrate their product into T24 with very little investment. The mobile banking functionalities are already integrated into our ARC front office product extension and we are pleased that the up-take is already quite strong.

In September of 2010 we announced the acquisition of a leader in the private-banking software space – Odyssey. The acquisition is fully in line with our strategy to make accretive acquisitions that give us market leadership in areas of strategic interest. The products of Odyssey and Temenos dovetail neatly, with Temenos' back-end expertise now complemented by the superlative front-end functionalities of the two Odyssey products, Triple'A Plus and WealthManager. The acquisition gives Temenos significant scale in the private banking market, one that we believe is growing faster than other areas of banking.

We closed the Odyssey transaction by mid-October and immediately began the process of integration and restructuring of their activities. As a result, we believe that we will be able to bring Odyssey margins to group level by the end of 2011 – again pulling up the integration timeframe by one year.

The acquisitions of both Viveo and Odyssey have given us access to a broader selection of tier 1 accounts, and we look forward to cross-selling into that important client base, in particular as post-financial crisis, these institutions seem to have increased their interest in core banking software renewal.

With these experiences now under our belt, we believe that we have proven our expertise in finding accretive candidates and rapidly integrating them. Post the financial crisis, the core banking software market has clearly picked up for the global leaders, but the local players – who once dominated specific countries and sectors – are having an increasingly difficult time. Vendor viability, global functionality and strength of R&D programmes are becoming increasingly important for banks when it comes to choosing a software provider. Increasingly, this means that the local vendors simply can't compete. This means that there are still plenty of smaller candidates available at attractive valuations and we continue to scan the market for opportunities. Despite our two significant acquisitions over the past 15 months, our leverage is still at low levels and we believe we have the internal capacity to manage further acquisitions.

We still maintain our strict acquisition criteria however. We expect acquisitions to be accretive within the first calendar year and look for opportunities where we can bring the margins of acquired companies up to our own within 12 months. Primarily we aim to use acquisitions to increase our market leadership either geographically or in market segments where we feel that we are under-represented. Access to complementary products can also be a reason for acquisition, though generally we feel that the T24 suite is quite complete. Finally we intend to leverage our global sales organisation, our market leadership and our strong R&D investment.

Max Chuard
Director, M&A and Investor Relations

Overview Of Odyssey

Established in 1995, Odyssey is headquartered in Luxembourg with 14 offices globally and 400 full time employees. The acquisition was for an Enterprise Value of USD 101.3 million, and the transaction closed on 18 October 2010.

Temenos intends to be the leader in private wealth platform solutions, creating scale in private banking and gaining market share in a growing market. Our offering will increase with a broader product portfolio and provide significant synergies through complementary offerings and customers.

"Putting together Odyssey's solutions with our existing offerings gives us a very strong solution portfolio to take to banks worldwide."

Lynne Landau - Product Manager for Private Banking - Temenos Group AG

Partner Programme
Delivering A Greater Share

EXPANDING DELIVERY

New Implementation Activities By Partners	Cognizant Trained Resources	New T24 Customers Taking The Microsoft SQL Database
50%	400	31%

Update On Partners

Cognizant – Full utilization for 350+ resources.

Deloitte – Expanding geographical scope of partnership.

Capgemini – Has set up competency centers in China and India – 300+ trained resources – Rolling out testing workshops.

Microsoft – 30 leads over the year – Banks up to 6 million accounts implementing on the Microsoft platform – 1/3 of new business running on SQL server – Launched T24 into the cloud on the Windows Azure platform.

Oracle – Benchmark testing on Exadata platform shows strong scalability.

ROBUST PARTNER NETWORK

After establishing our partner programme in 2009, 2010 was a year of considerable growth as existing partners expanded and new partners came on board. The Global Service Partners boosted delivery scale whilst the local and regional partners added new contacts and deeper local knowledge. Technology partners, in particular Microsoft, continued to shape our approach to the market.

During the year partner T24 resources grew by over 80% and we have commitments in place for significant further growth. At present our partners have committed to have over 2,300 Temenos certified resources in place by the end of 2012. This represents a step change in the numbers of external Temenos resources and has allowed us to reshape our internal service efforts. In May, Capgemini joined Cognizant and Deloitte as a Global Services Partner. Key to Capgemini's growth has been the acquisition of Thesys in November of 2010. Thesys was one of the existing T24 Partners. This has allowed Capgemini to scale resources quickly. Having established competence centres in both India and China, and given its strong presence in Europe and North America, we believe Capgemini is well positioned to support Temenos growth.

In addition to our Global Service Partners, we continue to foster a network of local partners who are also an important factor in contributing Temenos certified resources. The growth of all our systems integration (SI) partners is predicated in part by their ability to recruit and train new talent. In order to support this Temenos has spent 2010 perfecting our T24 implementation training courses and certification methods to accelerate the development of accreditation of new consultants. We hope that these measures will pay off in 2011.

While our partner universe is by no means complete, it remains the intention of Temenos to work with partners who can build significant businesses across multiple clients rather than tactical point solutions. Therefore, our key concern in adding any potential future partners is that their strategic interests are fully aligned with our own. As our partner programme has grown, we have been able to more precisely delineate Temenos' activities on projects and those where we seek to involve our partners. This specialisation and the use of combined onshore and offshore activities allow economies of scale and reproducibility on projects. Activities such as "interface design" and "data migration" are areas that partners have assumed and allowed Temenos consultants to focus on the role of Subject Matter Experts. Going forward, we have a roadmap of activities which we expect to be sequentially embraced by the partners. These include the majority of all implementation activities. In the future we expect Temenos to retain core competence and expertise, but to use this specifically in areas of project management in order to maintain proximity to the customer, project and IP. This proximity is crucial to understanding the needs of our customers and supporting our ongoing R&D efforts.

To-date all the Partner Programme activity has been around T24. However, with the acquisition of Odyssey, the approach will also be applied to the Triple'A Plus and WealthManager products that reside in the new Private Wealth Management division in order to create a larger sales and delivery capability.

2010 was also an important year for our technology partners, in particular Microsoft. The benchmark study of T24 running on the Microsoft SQL server created a great deal of buzz within the industry as we were the first to demonstrate the ability to run the core processes of banks with up to 25 million accounts. This resulted in a significant uptake of clients seeking to run T24 on the Microsoft stack. Since then the offering has progressed with Temenos clients being the first to implement T24 in the Cloud on Microsoft Azure. Microsoft has been very active in marketing activities around the T24 suite and we are very happy that they have decided to renew our joint marketing agreement. For 2011, we think that the area of Business Intelligence may be a particular beneficiary as our recently expanded and relaunched Insight product is based on Microsoft technology.

Naturally, we continue to emphasise the breadth of choice that we offer in terms of technology partners and we continue to work closely with Oracle and IBM. We performed a similar benchmarking study with T24 running on the Exadata machine with stellar results. We have also continued to develop T24 on the IBM System z mainframe. We expect these recent developments as well as our efforts to componentise T24 to improve its uptake in tier 1 accounts.

We look forward to 2011 being a year in which our SI and technology partners contribute to our revenue growth momentum. Establishing and delineating a global service partner programme is a lengthy process, compounded by the fact that the types of deals they attract are larger and therefore have longer sales cycles. We appreciate the new routes to market that our partners provide and expect that partners could contribute up to 10% of our licence revenue for 2011.

Michael Head
Director, Global Alliances

"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 run and over which advisors they use."

Andreas Andreades - Chief Executive Officer - Temenos Group AG

Product Strategy
Seamless Integration

IMPROVING PERFORMANCE

Product Extensions Revenue % Of Licence Revenue

15%

18 Banks Have Selected AML In 2010

18

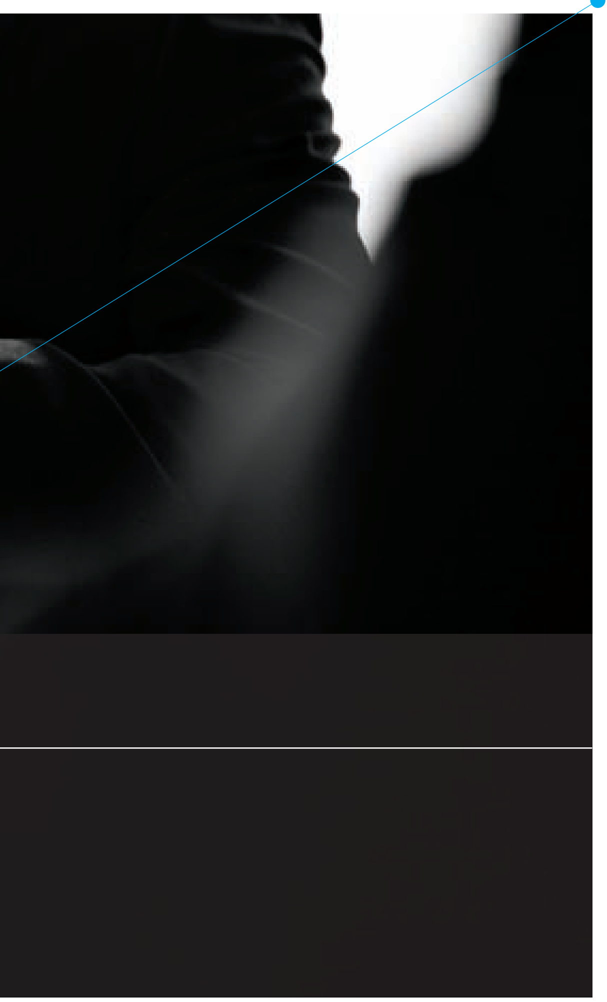
SUSTAINED INVESTMENT

Temenos continued to invest industry-leading levels of R&D in our products in 2010, providing unrivalled value to our clients and a clear differentiation in our markets. This was invested in accordance with our longstanding principles of open and standards-based software that uses modern technology to provide valuable flexible support for the financial services industry. Our principle is to always provide clear future upgrade paths for our software so that our customers may benefit from our high level of investment.

In addition to the development of our existing systems we also continued the integration of our acquisitions into a coherent and complementary range of products for our market.

Our longstanding investment strategy for our main core banking system, T24, continued. This is made available to existing and new clients through our annual release programme with release R10 being made available in April. It featured a wide range of exciting improvements that offer measurable value to our customers. These included:

- Extended support for IFRS (International Financial Reporting Standards).
- Event driven customer communications.
- Enhanced corporate internet banking.
- New client reporting for private banking.
- Greatly enhanced branch automation and retail product simulations.
- The extension of our new banking product architecture, AA (Application Architecture), to deposits.
- Over 70 other individual enhancements.



DISTINCT DIFFERENTIATION

We also continued our investment in the technology that enables and supports T24, providing a foundation for our new offering of T24 on the IBM System z mainframe computer. During 2010 we acquired our first customer for the new Java version of the system and we are delighted to offer the world's best-selling core banking solution on this widely used platform. At our Community Forum in May we also announced a major programme of investment in the componentisation of T24. This work will enable us to offer the various market leading constituent parts of T24 as stand-alone modules, complementing clients existing systems or offering a simpler path of phased IT renovation to larger banks. This opens a new market for our software in the main domestic systems of tier 1 and 2 banks. The first components in this investment will be available with the next release of T24 in May 2011.

We also continued to prove T24's ability to support the largest banks with benchmark testing in the laboratories of our technology partners. During the year we achieved record performance figures on both the Microsoft and Oracle platforms and we are currently performing the same tests on the IBM stacks, our other major platform.

During 2010 we also extended T24 into the cloud, offering the product on the Microsoft Windows Azure platform. This opens up new markets for our products in banks that choose not to run their software on their own premises.

We saw further results from our investment in smarter implementations of T24 that reduce the time, cost and risk of migration to T24 for our new clients and thus bring the benefit and value of the system to them earlier. This is based on our T24 model bank that contains extensive, pre-configured good business practice as well as a new "process led" approach to implementation projects. During the year 41 new clients were successfully taken live using these new methods.

This implementation approach is designed to support the increasing importance of our implementation and system integration partners by 'de-skilling' the implementation process. During the year our partners trained a further 597 consultants in implementing T24.

Following our acquisition of the Viveo group in 2009, we launched a new suite of anti money laundering (AML) products to complement T24, including real-time watch list screening of customers and transactions. AML is an important area of demand from banking clients and our previous relationships with partner products are now replaced with our own offering, providing a more tightly integrated and efficient solution for our customers. Barclays became the first customer to select AML as its preferred global sanctions solution for payments screening during the year. We also introduced STeP Payments Repair (another former Viveo product) to provide banks with an auto repair and enrichment engine that markedly improves straight through processing (STP) rates on payment transactions.

Our mobile banking product, ARC Mobile, had a successful year, being selected by 10 customers reflecting the growing importance of this channel. We also released new capabilities in our business intelligence and MIS solution, Insight, particularly around private banking and wealth management. And we launched Treasury Trader, a new front office product which provides dealers with real time trading analysis, pre-trade pricing, liquidity management and risk reporting tools;

In October we acquired Odyssey with its powerful, market-leading solutions for the front offices of private banks and investment managers. These complement T24's strengths in the middle and back offices of these organisations and we closed the year by launching our integration strategy for these products which offer the most compelling range of front to back office solutions for this major sector of the financial services industry.

Mark Gunning
Director, Banking Services

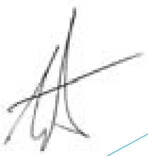
"We are making incremental investments in product initiatives and have a compelling roadmap to ensure we provide our customers with broader functionality, pre-packaged with standard service definitions, so the technology remains modern and the cost of ownership is reduced."

Andreas Andreades - Chief Executive Officer - Temenos Group AG

Financial Review
David Arnott

"Temenos' end market improved in 2010, while the company also grew market share – translating into licence growth of 27%, the best performance since 2007, and total revenue growth of 21%. Further, the positive change in the revenue mix, towards licences and maintenance, coupled with the realisation of scale economies afforded significant margin expansion. Consequently, in 2010, Temenos enjoyed substantial growth in underlying profitability together with continued strong cash generation."

David Arnott - Chief Financial Officer - Temenos Group AG



Licence Growth Drives Strong Overall Revenues

As banks' planning horizons extended from short-term, tactical decisions – centred on capital preservation and cost containment – to more long-term strategic investments, so demand for core banking systems also began to improve. Compared to a 3-4% contraction in 2009, we estimate that our market grew by around 6% in 2010.

The fact that Temenos was able to grow licences at 27%, or 19% organically, against this market growth of 6% underlines the extent of market share gains. We estimate that Temenos had a market share of 23% in 2010 and, with the Odyssey acquisition, heads into 2011 with a market share of 25%.

A function of this licence growth, as well as the addition of maintenance sales from acquired businesses, maintenance revenues grew by 32% on 2009, to a level of USD 155 million or 35% of total revenues. This solid base of recurring maintenance underpins strong future cash and profit generation.

Services revenues, even after including sales from acquisitions, grew only 5% in 2010, reflecting the continuing shift in the provision of implementation-related services from Temenos resources to partner resources. This change in services delivery conforms with our long term plan of concentrating Temenos' resources on the provision of expert services and the development of local applications. We believe this is only way for us to scale delivery as we grow.

KEY FIGURES DECEMBER 31

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

	2010	Re-presented 2009
Employees (including consultants)	**4,261**	3,416
Revenue	**447,951**	370,322
EBITDA	**113,592**	110,359
Adjusted operating margin %	**25.40%**	24.70%
Adjusted operating profit	**113,728**	91,273
Cash generated from operations	**125,826**	117,904
Total assets	**984,246**	809,076
Shareholders' equity	**492,727**	300,969
Basic earnings per share	**USD 0.98**	USD 1.17
Diluted earnings per share	**USD 0.93**	USD 1.07
Adjusted earnings per share	**USD 1.47**	USD 1.23

Product Margin Expansion More Than Offsets Deterioration In Services Profitability
In 2010, Temenos achieved significant underlying profit growth as a result of an improving sales mix and the realisation of significant economies of scale, more than offsetting the deterioration in services margins.

As Temenos grows, organically and by acquisition, it is able to extract significant economies of scale. This is mostly clearly illustrated if we look at the margin progression of our product business. In 2010, our product business saw 660 basis points of underlying margin expansion as we succeeded in bringing the margins of acquired business towards the level of the overall group and as we increased productivity in our base business.

In contrast, in our services business, the acceleration in partner services provision left us with spare capacity and lower than normal utilisation that depressed margins and profitability: in 2010, the underlying services margin, before restructuring costs, fell to 2.9%.

The net result of these two movements was an increase in adjusted operating profit (adjusted for one-off restructuring charges and amortisation of acquisition-related intangibles) to USD 114 million, giving a margin of 25.4%, 70 basis higher than in the prior year.

Strong Cash Generation And Further Improvements In DSOs
Temenos was strongly cash generative in 2010, while improvements in the cash terms of new licence deals along with a favourable change in the revenue mix enabled us to sustain recent improvements in DSOs.

In 2010, Temenos generated USD 126 million of operating cash, which translates into a cash to EBITDA conversion of 111%, the second successive year that it has exceeded 100%. This level of cash generation is consistent with a software business of our scale and so we expect it to continue.

In addition, DSOs are being reduced towards levels consistent with a mid-size software company. One of the reasons why Temenos has traditionally had such an elevated level of DSOs has been our model of delivering projects ourselves, which has resulted in a high relative share of services revenues and accordingly, as the most working capital intensive revenue activity, a high level of receivables relative to sales. Therefore, as partners assume a greater level of services provision and we observe a corresponding shift in the revenue mix, this is having a beneficial impact on DSOs. The other principal driver is better upfront cash terms on new licences, realised partly as a result of a decoupling of licence and services revenues through the partner programme (which makes customers less inclined to tie licence cash payments to services delivery) and partly as recognition of the highly packaged nature of our software and its superior value creation.

Low Gearing And Refinancing Leave Room For Manoeuvre
Strong cash flow and the conversion of Temenos' convertible bond leave the group with minimal net debt. In November, Temenos called its CHF 132.5 million convertible bond resulting in an increase of 7.3 million in the number of outstanding shares. The impact, together with strong cash generation, has been to leave the group with net gearing of just USD 13.1 million, less than 0.1x EBITDA.

In addition, Temenos took advantage of favourable market conditions to negotiate and extend its borrowing facilities. In October, the group replaced a USD 220 million borrowing facility which would have expired in 2012 with a new USD 350 million facility, due in Q2 2014.

As a result, Temenos has significant headroom to undertake corporate actions to create shareholder value. Despite committing more than USD 190 million to acquisitions in the last 18 months, we are position either to undertake further acquisitions or return cash to shareholders through stock repurchases.

2011 Outlook
The conditions for further strong growth in revenues and profitability are in place. The banking sector is again investing in capital projects. Our value proposition is proven to generate superior value for our customers. We are capitalising on the significant economies of scale afforded to a growing software company. And, lastly, the partner programme is acting as both a source of deals and as an augmented delivery channel, both of which will provide an additional positive uplift to margins and profitability.

For our formal outlook for 2011, please see the Business Review.

David Arnott
Chief Financial Officer

170M

Temenos has significant headroom to undertake value-creating acquisitions should suitable opportunities arise. At the end of 2010, the group had cash and cash equivalents, together with treasury shares, amounting to USD 170 million – as well as access to significant additional borrowing facilities if needed.

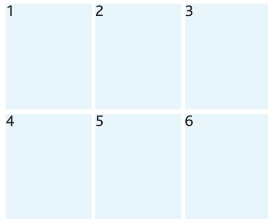
SUSTAINED R&D INVESTMENT

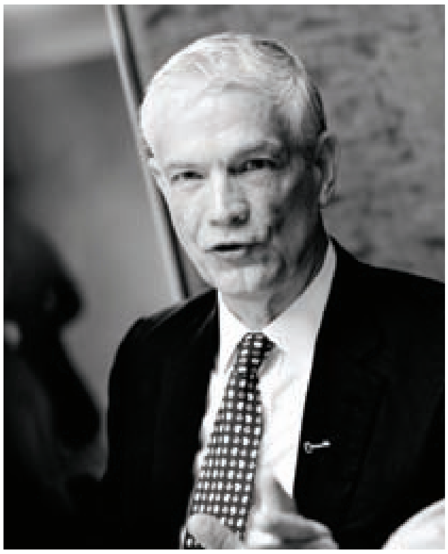
Temenos continues to invest strongly into its product in order to maintain technological leadership. In 2010, our cash R&D spend (adjusted for the difference between capitalisation and amortisation) rose from 18.1% to 21.1%.

Board Of Directors
Temenos Group AG

FOCUSED

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





"Temenos delivered a strong performance in 2010 underscored by the return to robust licence revenue growth. This was achieved on the back of a recovering demand in core banking software, acquisitions and market share gains. We have remained focused on our strategy and met our financial objectives, while simultaneously investing in product development, augmenting the sales channel and improving customer service."

George Koukis - Chairman - Temenos Group AG

1 George Koukis
Chairman, Executive Director (until 30 June 2011)
Non-Executive Director (effective 1 July 2011)
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) which is 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 (until 30 June 2011)
Chairman (effective 1 July 2011)
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 tenth years since he joined Temenos, the company has expanded considerably. Incorporating the figures from the recent Odyssey acquisition, Temenos has grown from less than 150 employees to more than 4,000 and to more than 1,400 clients and USD 448 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.

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 Andreas Andreades
Chief Executive Officer (until 30 June 2011)
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 tenth years since he joined Temenos, the company has expanded considerably. Incorporating the figures from the recent Odyssey acquisition, Temenos has grown from less than 150 employees to more than 4,000 and to more than 1,400 clients and USD 448 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.

4 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 Guy Dubois
Chief Executive Officer (effective 1 July 2011)
French, born in 1954

Since 2009, Mr. Guy Dubois has served as president and CEO of MACH Group, the leading provider of hub-based mobile communications exchange solutions. Before joining MACH, Mr. Dubois was the executive vice president and president of product business of Amdocs, responsible for global product strategy and direction, sales and marketing, customer service and professional services. Prior to Amdocs, he was president and CEO of Cramer Systems where he led the company through a period of record growth and product portfolio expansion. Between 2001 and 2005, he was executive vice president at PeopleSoft Corporation, where he led overall strategy, business development and execution for all company activities outside North America. Previously, Mr. Dubois held senior positions with Vantive, Sybase and Digital Equipment Corporation. Mr. Dubois holds an Engineering Diploma and is a graduate of Lille Graduate School of Business Management in France.

5 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.

3 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.

"2010 was a record year across all of our key financial performance indicators. We achieved licence revenue of USD 160.1 million in the year, surpassing our previous record of USD 150.1 million obtained in 2008. This represented 26% growth over 2010, or 19% excluding the impact of acquisitions. Strong licences contributed to overall revenue growth of 21%, to USD 448 million – another record."

Andreas Andreades - Chief Executive Officer - Temenos Group AG





COMMITTED TO OUR SOCIAL RESPONSIBILITY

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.

Since inception, Temenos has emphasised its mission to run its business with the highest possible ethical standards and appreciation for the human element in our growth story. This principle encompasses our efforts to promote sustainability and compassion in the four key areas of environment, workplace, community and market.

Environment

As a software company Temenos naturally has a minimal impact on the environment, but we continue to strive to reduce further the burden of our operations and products. Over the past year we have implemented a new video conferencing solution and continue to actively promote both video and audio conferencing solutions as a substitute for corporate air travel, which is the largest component of our relatively small corporate carbon footprint. We work actively to conserve natural resources by promoting recycling of paper products and using low-energy light bulbs in our offices. We aim to reduce energy consumption by installing energy efficient equipment and maintaining air-conditioning not lower than 24 degrees Celsius in our geographically warmer office locations.

Workplace

With over 4,000 employees from 75 countries, speaking over 65 languages and representing a multiplicity of cultures and ethnicities, Temenos is a truly diverse company. We operate a robust health and safety policy globally as well as an equal opportunity policy for all, regardless of race, colour, ethnic or national origin, sex, marital status, disability, age or religious beliefs. In line with our rapid personnel growth over the past several years, in 2010 we launched a Human Resources intranet application to ensure that the processes for setting performance objectives and career management are globally optimised and standardised. As of late 2010 we launched an internal staff recognition scheme to recognise staff and communicate their success stories across the organisation. Finally, we continue to motivate and incentivise staff through appropriate equity-based incentive programmes which provide both recognition and reward in a way that aligns the objectives of both staff and organisation.

Community

We are delighted to have renewed our sponsorship of the Global Fund for Children for the next three years. The GFC fosters grassroots organisations that support and promote the welfare and education of the world's most vulnerable children and youth. Such community-based organisations are often best positioned to make a positive impact on children's lives as they are rooted in local knowledge and have a unique perspective that larger institutions may miss. The core values of the GFC are very much aligned with those of Temenos. In addition to leveraging local knowledge, they promote innovation, excellence, integrity, empowerment, accountability and collaborative work. Finally, the GFC works to promote global diversity and foster cultural citizenship, which is also a fundamental objective at Temenos.

With the acquisition of Viveo we have been introduced to and continue to support the School for Children with Hearing Disabilities in Bucharest, which provides much needed equipment and support for this disadvantaged children's group, improving their prospects and quality of life.

Temenos also participates in matching donor programmes where the interest and passions of our employees are aligned with our philosophy to support the world's neediest populations. We also provide a forum for employees to draw attention to charities where they are personally involved and would like to involve the greater Temenos community.

Market

Microfinance and community banking is an important part of our business and we expanded our engagement in this market in 2010. Our coincident goal and opportunity is to contribute to better access to and quality of microfinance through corporate commitment; specifically by finding creative ways of engaging the thousands of financial institutions that strive to serve the neediest communities globally.

An example of how Temenos is able to use technology to reach out to the smallest financial institutions is through our T24 Azure hosted services offering. This year Temenos invested a significant amount of resources in migrating its T24 core banking system to the Microsoft Windows Azure platform. This allows us to offer a new business model for microfinance and community banking.

We believe that this solution is optimal for the world's smallest financial institutions, as it allows them to replace the high-data centre costs associated with running a multi-application environment with a consumption based pricing model. We have partnered with the Mexican government to pioneer this solution with a group of 12 MFIs (Microfinance Institutions). The first tranche is currently in the process of implementing and is expected to go live in Q2 2011. A second group of banks is planned to migrate later in 2011 and we look forward to continued growth in this area. We believe that the expansion of this model can provide even the smallest and most remote MFIs with access to modern core banking at a price point that they can afford. Our ambition is to empower and remove barriers to access to modern technology.

Temenos also engages the microfinance community through direct support to Microfinance Transparency (www.mftransparency.org) a non-profit organisation that leads the microfinance industry in product pricing transparency by promoting public disclosure, generally accepted responsible practice, and education. Pricing transparency and responsible practice is a tool to help improve competition and good business practice and is hoped to minimise opportunists who might use the microfinance model opportunistically. Transparency and education are important elements of a healthy market.

GOVERNING THE GROUP

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance 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 Directive on Information Relating to Corporate Governance's annex.

Unless otherwise indicated, the information provided in this report reflects the situation as of the 31 December 2010.

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 Chief Executive Officer who is the head of the Executive Committee of the Management Board (Executive Committee).

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 capitalization	CHF 2,782,288,151
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
DBS Global Solutions (Pty) Limited	Cape Town	South Africa	100 ZAR
Fairs Limited	London	United Kingdom	50,000 GBP
FE Mobile Limited	London	United Kingdom	100 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
Odyssey Financial Technologies Australia Pty Limited	Sydney	Australia	2 AUD
Odyssey Financial Technologies GmbH	Frankfurt am Main	Germany	25,000 EUR
Odyssey Financial Technologies Hispania SL	Madrid	Spain	10,000 EUR
Odyssey Financial Technologies Inc.	Saint John	Canada	560,586 shares (no par value)
Odyssey Financial Technologies Inc.	Wilmington	USA	10 USD
Odyssey Financial Technologies K.K.	Tokyo	Japan	10,000,000 JPY
Odyssey Financial Technologies PLC	London	United Kingdom	50,000 GBP
Odyssey Financial Technologies Pte Limited	Singapore	Singapore	125,000 SGD
Odyssey Financial Technologies SA	Luxembourg	Luxembourg	29,500,000 EUR
Odyssey Financial Technologies SA	Brussels	Belgium	62,000 EUR
Odyssey Group SA	Luxembourg	Luxembourg	21,904,670 EUR
Quetzal Informatique SAS	Paris	France	235,280 EUR
SC TEMENOS Romania SA	Bucharest	Romania	100,000 RON
TEMENOS (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysia	500,000 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	10,000 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 Eurasia Banka Yazilimlari Ltd Sirketi	Istanbul	Turkey	5,000 TRY
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	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 Ukraine LLC	Kiev	Ukraine	64,000 UAH
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-TFR SA	Geneva	Switzerland	100,000 CHF
Viveo Group SAS	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 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 2010.

Name	Number of shares	Percentage of the share capital[1]
Massachusetts Mutual Life Insurance Company	3,245,865	4.54%
Stichting Pensioenfonds Zorg en Welzijn	3,122,222	4.37%
Standard Life Investments	2,976,314	4.16%

[1] On the basis of TEMENOS Group AG registered capital of 71,524,117 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 2010, the ordinary share capital amounted to CHF 357,620,585 consisting of 71,524,117 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 a conditional capital totalling CHF 22,817,190 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totalling CHF 33,039,520 exists for shares that may be issued in conjunction with financial instruments.

2.2 Conditional capital

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quarter (1)), the company's share capital may be increased by a maximum aggregate amount of CHF 22,817,190, through the issuance of a maximum of 4,563,438 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 any 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 quarter (2)), the share capital may be increased by an amount not exceeding CHF 33,039,520, by issuing up to 6,607,904 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 8,386,120, that is 1,677,224 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

	31.12.10 CHF 000	31.12.09 CHF 000	31.12.08 CHF 000
Ordinary share capital	**357,621**	299,293	295,027
Conditional share capital	**55,857**	114,185	118,450
Authorised share capital	**–**	129,231	129,231
Share premium & capital reserve (incl. reserve for own shares)	**292,053**	197,930	197,781
Profit (loss) carried forward	**99,593**	3,378	2,987
Total equity	**749,267**	500,601	495,795

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 2010. 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 please refer to note 21 of the consolidated financial statements. On 16 November 2010, Temenos exercised its right to call for an early redemption of its convertible bond. As a result it was fully redeemed on 17 December 2010 (please refer to note 14 of the consolidated financial statements). No warrants have been issued by the Company.

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 Chief Executive Officer, 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 the By-Laws.

3.1 Members of the Board of Directors

As at 31 December 2010 the Board of Directors comprises the following six members, four of whom are non-executive:

Name	Position
George Koukis	Chairman, Executive Director (until 30 June 2011) Non-Executive Director (effective 1 July 2011)
Paul Selway-Swift	Vice-Chairman, Non-Executive and Independent Director
Andreas Andreades	Chief Executive Officer, Executive Director (until 30 June 2011) Chairman (effective 1 July 2011)
Mark Austen	Non-Executive and Independent Director
Chris Pavlou	Non-Executive and Independent Director
Lewis Polk Rutherfurd	Non-Executive and Independent Director

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.

At the forthcoming Annual General Meeting of Shareholders (17 June 2011), the Board of Directors proposes the election of Mr. Guy Dubois as a member of the Board of Directors for a term of office of three years.

Please refer to page 23 for their biographies.

3.2 Other activities and vested interests

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

- Activities in governing and supervisory bodies of important Swiss and foreign organizations, 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	2013
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

Corporate Governance
continued

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 Committee	Compensation Committee	Nomination Committee
George Koukis			
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.

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 2010, the following numbers of meetings were held:

Board/ Committees	Meetings held
Board of Directors	6
Audit Committee	4
Compensation Committee	4
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 2010.

The average duration of the meetings is as follows (in hours):

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

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 almost all 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 By-Laws. The Board of Directors of Temenos decides in particular on significant acquisitions, disposals, strategic alliances, share repurchase programmes 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 by Chief Financial Officer, Chief Operating Officer and Chief Technology Officer.

In compliance with the Board of Directors' decisions, the Executive Committee is responsible for execution of 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. Among the key responsibilities are the insurance of effective and efficient operations, accurate financial reporting, compliance with laws and regulations and the safeguarding of assets.

- Prior to each Board of Directors meeting, members of the Board of Directors receive reports, summarizing recent financial results and operational developments.
- Chief Executive Officer and Chief Financial Officer personally report at each Board meeting and supplementary reports are provided, as required, by Associate Director Finance and Legal Director.
- The Group's performance management process ensures that company targets as agreed with the Board of Directors are delegated to senior management at the start of every financial year.
- The Internal Audit function provides an objective means of assessing how risks are managed and controlled. This function's independent status is assured by the fact that the Internal Audit Director reports directly to the Chairman of the Audit Committee.
- Findings from internal audit reviews and / or internal control self-assessments, together with related action plans, are reported in detail to senior management; summary reports are provided to the Audit Committee regularly.
- The Group Risk Management function owns the risk management process, promoting anticipatory management of threats and opportunities, and providing Executive Management with information necessary to manage and mitigate overall risk exposure.
- Executive Management evaluates risks at yearly intervals, or in special cases, on an ad-hoc basis. Corresponding risk mitigation plans and their implementation are reviewed by the Audit Committee and ultimately approved by the Board of Directors.
- Risk management is an integral part of the business planning process. Potential negative developments are evaluated, so that timely countermeasures can be implemented.
- The organizational structure ensures that specialized functions like Quality and IT continuously support the management of risk (e.g. IT security, business continuity).

4. Executive Committee

4.1 Members of the Executive Committee

As at 31 December 2010, 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

Guy Dubois has been appointed Chief Executive Officer, effective 1 July 2011.

Please refer to page 24 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on page 24, 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, please refer to note 8 of the unconsolidated financial statements.

This section summarises the compensation programmes for the executive members of the Board of Directors and for the Executive Committee (the "Executives") in 2010.

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 programmes 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. Equilar also provided benchmark compensation information based on a detailed analysis of recently filed proxies from 50 global software companies. This information was used to benchmark the compensation of Executives. 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 (stock appreciation rights and stock options).

5.1 Content and method of determining the compensation and the share-ownership programmes continued
The on-target annual bonus applicable to the Executives represents 90% of base salary for the Chief Executive Officer and 100% of the base salary for the other Executive Committee members. Annual bonus is conditional upon achievement of key financial performance targets (earnings per share 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 earnings per share, 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 stock appreciation rights are conditional on cumulative adjusted diluted earnings per share targets over 3 years. In case the achievement is below the predefined threshold there is no stock appreciation rights grant; in case of overachievement, there is an accelerator up to a maximum of 200% of the initial stock appreciation rights grant. The level of the stock appreciation rights award under the Temenos Stock Appreciation Plan depends on the position of the Executive Director. For more information on the actual grant, please refer to the remuneration report.

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, stock appreciation rights):

- 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.

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 17 June 2011. 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 27 May 2011 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 stock appreciation rights 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 stock appreciation rights are immediately forfeited. Options and stock appreciation rights 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 was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 4 June 2010 for a period of one year (PricewaterhouseCoopers SA was first elected in 2003).

8.1.2 The lead auditor for the Group audit is Mr. David Mason, who was elected for the first time at the General Meeting of Shareholders of TEMENOS Group AG held on 4 June 2010.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,265,000 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 838,000 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	306
Transactions	320
Non Audit Fee - Audit related	**626**
Tax Advisory	150
Other Advisory	62
Non audit related	**212**
Total Non Audit Fee	**838**

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 Chief Financial Officer.

9. Information policy

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

Updates

Temenos publishes an audited annual report for the year to 31 December and an audited 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 17 June 2011, 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 2011 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 statement of financial position, income statement, statement of comprehensive income, statement of cash flow, statement of changes in equity and notes for the year ended 31 December 2010.

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 2010 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

David Mason	Guillaume Nayet
Audit expert	Audit expert
Auditor in charge	

Geneva, 22 February 2011

Consolidated Income Statement
For The Year Ended 31 December

	2010 USD 000	2009 USD 000
Revenues		
Software licensing	**160,108**	125,989
Maintenance	**154,788**	117,134
Services	**133,055**	127,199
Total revenues	**447,951**	370,322
Operating expenses		
Cost of sales	**141,039**	116,019
General and administrative	**64,544**	50,596
Other operating expenses	**168,677**	123,475
Total operating expenses (note 26)	**374,260**	290,090
Operating profit	**73,691**	80,232
Finance income	**1,786**	1,273
Finance costs	**(13,669)**	(12,656)
Finance costs – net (note 27)	**(11,883)**	(11,383)
Profit before taxation	**61,808**	68,849
Taxation (note 12)	**(401)**	(306)
Profit for the year	**61,407**	68,543
Attributable to:		
Equity holders of the Company	**61,641**	68,635
Non-controlling interest	**(234)**	(92)
	61,407	68,543
Earnings per share (in USD) (note 28):		
basic	**0.98**	1.17
diluted	**0.93**	1.07

Notes on pages 42 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income
For The Year Ended 31 December

	2010 USD 000	2009 USD 000
Profit for the year	**61,407**	68,543
Other comprehensive income:		
Available-for-sale financial assets (note 20)	**(38)**	6
Cash flow hedge (note 20)	**2,573**	10,993
Currency translation differences	**(26,333)**	(64)
Other comprehensive income for the year, net of tax	**(23,798)**	10,935
Total comprehensive income for the year	**37,609**	79,478
Attributable to:		
Equity holders of the Company	**37,764**	79,554
Non-controlling interest	**(155)**	(76)
	37,609	79,478

Notes on pages 42 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement Of Financial Position
As At 31 December

	2010 USD 000	Re-presented 2009 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 7)	**160,274**	142,651
Trade and other receivables (note 8)	**307,453**	286,190
Other financial assets (note 9)	**6,062**	4,838
Prepayments	**17,048**	10,761
Total current assets	**490,837**	444,440
Non–current assets		
Property, plant and equipment (note 10)	**14,797**	14,933
Intangible assets (note 11)	**406,680**	299,154
Trade and other receivables (note 8)	**33,503**	17,735
Deferred tax assets (note 12)	**38,429**	32,814
Total non-current assets	**493,409**	364,636
Total assets	**984,246**	809,076
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	**112,669**	81,917
Other financial liabilities (note 9)	**3,794**	5,621
Deferred revenues	**155,408**	118,630
Income tax liabilities	**12,155**	5,848
Borrowings (note 14)	**94,448**	36,357
Provisions for other liabilities and charges (note 15)	**3,971**	572
Total current liabilities	**382,445**	248,945
Non-current liabilities		
Borrowings (note 14)	**88,172**	237,232
Deferred tax liabilities (note 12)	**13,334**	15,740
Income tax liabilities	**1,550**	2,440
Retirement benefit obligations (note 24)	**2,711**	2,845
Trade and other payables (note 13)	**3,307**	905
Total non-current liabilities	**109,074**	259,162
Total liabilities	**491,519**	508,107
Capital and reserves attributable to the Company's equity holders		
Share capital (note 18)	**236,958**	178,340
Treasury shares (note 18)	**(9,208)**	-
Share premium and capital reserves (note 19)	**19,508**	(85,231)
Fair value and other reserves (note 20)	**(55,896)**	(32,019)
Retained earnings	**300,859**	239,218
	492,221	300,308
Non-controlling interest	**506**	661
Total equity	**492,727**	300,969
Total liabilities and equity	**984,246**	809,076

Notes on pages 42 to 83 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows
For The Year Ended 31 December

	2010 USD 000	2009 USD 000
Cash flows from operating activities		
Profit before taxation	**61,808**	68,849
Adjustments:		
Depreciation, amortisation and impairment	**49,370**	47,127
Gain on disposal of subsidiary, business and non-current assets	**(3,057)**	36
Cost of share options (note 21)	**17,040**	17,142
Foreign exchange gain on non-operating activities	**(11,418)**	–
Interest expense – net (note 27)	**9,796**	6,055
Fair value loss from financial instruments (note 27)	**3,872**	8,181
Financial instrument related expenses (note 27)	**3,159**	1,649
Changes in net working capital		
Trade and other receivables, prepayments and other financial assets	**(14,756)**	1,410
Trade and other payables, and other financial liabilities	**6,203**	(37,769)
Deferred revenues	**3,809**	5,224
Cash generated from operations	**125,826**	117,904
Income taxes paid	**(2,800)**	(4,974)
Net cash generated from operating activities	**123,026**	112,930
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,413)**	(2,136)
Disposal of property, plant and equipment	**623**	43
Purchase of intangible assets	**(3,171)**	(2,875)
Capitalised development costs (note 11)	**(22,249)**	(19,513)
Acquisitions of subsidiary, net of cash acquired	**(81,770)**	(84,664)
Disposal of subsidiary or business, net of cash disposed	**3,526**	–
Settlement of financial instruments	**(4,736)**	(1,988)
Interest received	**307**	184
Net cash used in investing activities	**(110,883)**	(110,949)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	**2,751**	1,510
Acquisition of treasury shares	**(10,417)**	–
Proceeds from borrowings	**183,557**	82,829
Repayments of borrowings	**(171,465)**	(13,791)
Debt refinancing	**12,014**	9,178
Interest payments	**(6,582)**	(2,992)
Payment of financial instrument related expenses	**(4,968)**	(1,840)
Payment of finance lease liabilities	**(654)**	(591)
Net cash generated from financing activities	**4,236**	74,303
Effect of exchange rate changes	**1,244**	767
Increase in cash and cash equivalents in the year	**17,623**	77,051
Cash and cash equivalents at the beginning of the year	**142,651**	65,600
Cash and cash equivalents at the end of the year	**160,274**	142,651

Notes on pages 42 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	Non-controlling interest USD 000	Total USD 000
Balance at 1 January 2009	**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	–	–	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)
	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**
Profit for the year	–	–	–	–	61,641	(234)	61,407
Other comprehensive income for the year, net of tax	–	–	–	(23,877)	–	79	(23,798)
Total comprehensive income	–	–	–	(23,877)	61,641	(155)	37,609
Cost of share options (note 21)	–	–	17,040	–	–	–	17,040
Exercise of share options	20,851	1,724	(19,536)	–	–	–	3,039
Shares issued on exercise of conversion rights	37,767	–	109,458	–	–	–	147,225
Share issuance costs	–	–	(2,223)	–	–	–	(2,223)
Acquisition of treasury shares	–	(10,932)	–	–	–	–	(10,932)
	58,618	(9,208)	104,739	(23,877)	61,641	(155)	191,758
Balance at 31 December 2010	**236,958**	**(9,208)**	**19,508**	**(55,896)**	**300,859**	**506**	**492,727**

Notes on pages 42 to 83 are an integral part of these consolidated financial statements.

Notes To The Consolidated Financial Statements
31 December 2010

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 NV 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 14 February 2011.

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 and "available for sale" financial assets.

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 of VIVEO GROUP SAS (note 6).

Standards, amendments and interpretations effective as of 1 January 2010 that have an impact to the Group's operations

- IFRS 3 (revised) 'Business combinations', and consequential amendments to IAS 27 'Consolidated and separate financial statements', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures', all effective for annual periods on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to the former IFRS 3. For example, all acquisition-related costs are expensed, the consideration transferred including contingent payments is recognised at fair value and subsequently re-measured through the statement of comprehensive income. The Group has applied the new standard to the business acquisitions that occurred during 2010 (note 6). In comparison to the superseded IFRS 3, the main effects on the Group's financial statements are the acquisition- related costs (note 6) and the recognition of contingent consideration for the acquisition of FE-Mobile Limited (note 6). The adoption of the consequential amendments to IAS 27, IAS 28 and IAS 31 has not resulted in a material impact on the Group's financial statements;
- IFRS 2 (Amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS2', and IFRIC 11, 'IFRS2 - Group and treasury share transactions', the amendment expands on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance has not resulted in a material impact on the Group's financial statements;
- IAS 7 (2009 annual improvement) 'Statement of Cash Flow'. This amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. This amendment has no material impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2010 but not relevant to the Group's operations at balance sheet date
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but they are not relevant to the Group's operations at the balance sheet date:

- IFRS 5 (2008 Annual improvements) 'Non-current Asset Held for Sale and Discontinued Operations';
- IFRIC 17 (Interpretation) 'Distributions of Non-cash Assets to Owners';
- 2009 Annual improvements effective on 1 January 2010, unless specifically detailed in the preceding section.

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 2011 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:

- 2010 Annual improvements. IASB issued a collection of amendments to several IFRSs to be effective from 1 January 2011 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;
- IFRS 7 (amendment) 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 July 2010. This amendment aims to improve transparency of transactions involving transfers of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the asset. This amendment is not expected to have a material impact on the Group's financial statements. The Group will apply the amendment for the financial reporting period commencing on 1 January 2011;
- IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement', effective for annual periods beginning on 1 January 2011. This amendment corrects an unintended consequence of IFIRC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, it was not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This is now corrected with this amendment. This amendment is not expected to have a significant impact on the Group's financial statements. The Group will apply the amendment for the financial reporting period commencing on 1 January 2011;
- IFRIC 19 (new interpretation) 'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010. This interpretation clarifies the accounting by an entity when the terms of a financial liabilities are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss. Convertible bond conversion are scoped out of this interpretation. The Group will apply this interpretation for the financial reporting period commencing on 1 January 2011;
- IFRS 9 (Standard) 'Financial Instruments', effective for annual periods beginning on or after 1 January 2013. This new standard introduces new requirements for the classification, recognition and measurement of financial assets and financial liabilities. 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 the new standard for the financial reporting period commencing on 1 January 2013;
- IAS 12 (amendment) 'Income taxes', effective for annual periods on or after 1 January 2012. The amendment provides an exception to the general principle that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequence that would follow from the manner in which the entitiy expects to recover the carrying amount of an asset. This amendment is not expected to have an impact on the Group's financial statements. The Group will apply the revised standard for the financial reporting period commencing on 1 January 2012;
- IAS 24 (revised) 'Related party disclosures', effective for annual periods on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This revised standard is not expected to have an impact on the Group's financial statements. The Group will apply the revised standard for the financial reporting period commencing on 1 January 2011;
- IAS 32 (amendment) 'Financial Instruments: Presentation', effective for annual periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. This amendment is not expected to have an impact on the Group's financial statements. The Group will apply the amendment for the financial reporting period commencing on 1 January 2011.

(b) Basis of consolidation
The consolidated financial statements include the financial statements of TEMENOS Group AG as well as its subsidiaries.

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's 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquireee either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Notes To The Consolidated Financial Statements
31 December 2010

2. Accounting policies continued

(b) Basis of consolidation continued

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss when appropriate.

Associates

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. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains of losses arising in investments in associates are recognised in the income statement.

(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's 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. An impairment loss is recognised 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 impairment charge 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 either reduced through the use of an allowance account or directly written off when there is no expectation of further recovery. The amount of the loss is recognised in the "Other operating expenses". Subsequent recoveries are credited in the same account previously used to recognise the impairment charge.

(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 unless otherwise specified.

(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 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

Computer software licenses acquired through single purchase 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 their estimated useful lives.

Computer software technologies acquired through business combinations are initially measured at fair value and then amortised using the straight line method over their estimated useful life.

Customer related intangible asset

Customer-related intangible assets acquired through business combinations are initially measured at fair value and then amortised using either the straight-line method over their estimated useful life or using a different allocation method when appropriate.

(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.

Notes To The Consolidated Financial Statements
31 December 2010

2. Accounting policies continued

(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.

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.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

(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 recognised 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 entity of the Group 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 expensed 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.

(q) Employee benefits
Pension obligations

The Group's subsidiaries 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 periods. 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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period 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. 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 the income statement over the expected average remaining service lives of the related employees.

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Notes To The Consolidated Financial Statements
31 December 2010

2. Accounting policies continued

(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: 'Revenue'.

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.

Software licensing

Software licence revenues represent all fees earned from granting customers licences to use the Group's 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.

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 yet 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 ("CODM"). 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 ("CEO").

(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, loans and receivables or as available-for-sale financial assets. 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 "Finance costs-net" 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 costs – net".

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 other comprehensive income.

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 directly reduced by the impairment loss for all financial assets carried at amortised costs with the exception of trade receivable, where the carrying amount may be 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 "Finance costs – net" 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 costs – net".

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 for hedge accounting 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.

Certain derivative transactions, while providing effective 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 are immediately recognised within "Finance costs – net" in the income statement. When the underlying of the derivative relates to a non-operating component, then the change in the fair value is recognised in the same sub-category within "Finance costs – net".

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.

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 monetary assets and liabilities not designated as hedged items, the Group has a specific balance sheet hedging policy ensuring that the 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	
	2010 FCY* 000	2009 FCY* 000
EURO	**25,516**	(20,429)
UK Pounds	**(7,129)**	13,595
Swiss Francs	**(5,947)**	(10,099)
Singapore Dollars	**2,312**	(1,889)
South African Rand	**1,404**	37,954
India rupee	**134,272**	(360,921)

*Foreign currency

The above values represent the exposure net of any hedging-related instruments.

Notes To The Consolidated Financial Statements
31 December 2010

3. Financial risk management continued

(a) Financial risk factors continued
Sensitivity analysis
The following table details the Group's hypothetical sensitivity analysis 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.

	2010 USD 000	2009 USD 000
Profit or loss before tax	**1,041**	5,122
EURO	**(467)**	7,586
UK Pounds	**147**	(1,510)
Swiss Francs	**(195)**	(562)
Other currencies	**1,556**	(392)
Equity: Derivatives designated as hedging instrument (cash flow hedge)	**2,968**	nil

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 USD (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 31 December 2010, 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 net exposure 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 31 December 2010, the Group did not recognise and was not aware of any specific significant 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:

- 92% 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 2010					
Trade and other payables	102,308	10,361	–	–	–
Borrowings	94,178	319	10,421	80,253	–
Other long term payables	–	–	3,336	70	–
Total non-derivatives financial liabilities	**196,486**	**10,680**	**13,757**	**80,323**	**–**

	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, as re-presented	73,917	8,000	–	–	–
Borrowings	19,498	17,538	36,895	220,996	–
Other long term payables	–	–	832	73	–
Total non-derivatives financial liabilities	**93,415**	**25,538**	**37,727**	**221,069**	**–**

Notes To The Consolidated Financial Statements
31 December 2010

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 2010					
Outflow foreign exchange derivatives	147,318	7,120	–	–	–
Inflow foreign exchange derivatives	(144,307)	(7,028)	–	–	–
Net settled foreign exchange derivatives	691	–	–	–	–
Total derivatives	**3,702**	**92**	**–**	**–**	**–**

	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)	–	–	–	–
Total derivatives	**5,621**	**–**	**–**	**–**	**–**

(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 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 the inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and 2 in the current and prior periods.

Year ended 31 December 2010

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Assets				
Fair value through profit or loss (FVTPL)				
– Held for trading	–	2,400	–	2,400
Derivatives instruments used for hedging	–	3,602	–	3,602
Available-for-sale financial assets	60	–	–	60
Total	**60**	**6,002**	**–**	**6,062**

	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	–	2,765	–	2,765
Derivatives instruments used for hedging	–	1,029	–	1,029
Total	**–**	**3,794**	**–**	**3,794**

Year ended 31 December 2009

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Assets				
Fair value through profit or loss (FVTPL)				
– Held for trading	–	4,775	–	4,775
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
Total	**–**	**5,621**	**–**	**5,621**

Notes To The Consolidated Financial Statements
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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 2010 the carrying amount of the goodwill amounts to USD 298.5 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 1,297 thousand, if favourable; or
- decrease the deferred tax asset by USD 1,375 thousand and increase the contingent tax liability by nil if unfavourable.

At 31 December 2010 the carrying amount of the deferred tax asset and the contingent tax liability amounts to USD 38.4 million and nil 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 14.7 thousand lower or USD 13.7 thousand higher.

At 31 December 2010 the carrying amount of the pension liabilities amounts to USD 2.7 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 2010:

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	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 SAS	France	100%
VIVEO GROUP SAS	France	100%
VIVEO FRANCE SAS	France	100%
VIVEO BANKING & FINANCE CONSULTING SAS	France	100%
TEMENOS DEUTSCHLAND GMBH	Germany	100%
ODYSSEY FINANCIAL TECHNOLOGIES GmbH	Germany	100%
ACTIS.BSP GERMANY 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%
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%
ODYSSEY FINANCIAL TECHNOLOGIES K.K.	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%
ODYSSEY FINANCIAL TECHNOLOGIES S.A.	Luxembourg	100%
ODYSSEY GROUP S.A.	Luxembourg	100%
TEMENOS (MALAYSIA) SDN BHD	Malaysia	100%
TEMENOS MEXICO SA DE CV	Mexico	100%
FOMENTO 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%

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5. Group companies continued

Company name	Country of incorporation	Ownership interest
TEMENOS ROMANIA SA	Romania	100%
VIVEO ROMANIA SRL	Romania	100%
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%
ODYSSEY FINANCIAL TECHNOLOGIES PTE LTD	Singapore	100%
TEMENOS AFRICA PTY LIMITED	South Africa	100%
DBS GLOBAL SOLUTIONS (PTY) LIMITED	South Africa	100%
TEMENOS HISPANIA SA	Spain	100%
ODYSSEY FINANCIAL TECHNOLOGIES HISPANIA SL	Spain	100%
TEMENOS HEADQUARTERS SA	Switzerland	100%
TEMENOS SUISSE SA	Switzerland	100%
T-TFR SA	Switzerland	100%
T-jBASE SA	Switzerland	100%
VOL-DE-NUIT SA	Switzerland	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%
TEMENOS EURASIA BANKA YAZILIMLARI LTD SIRKETI	Turkey	100%
ODYSSEY FINANCIAL TECHNOLOGIES Inc.	U.S.A.	100%
TEMENOS USA, INC.	U.S.A.	100%
FINANCIAL OBJECTS INC.	U.S.A.	100%
TEMENOS UKRAINE LLC	Ukraine	100%
TEMENOS UK LIMITED	United Kingdom	100%
FE MOBILE 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%
ODYSSEY FINANCIAL TECHNOLOGIES PLC	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); Stockholm (Sweden); Singapore (Singapore); Santo Domingo (Dominican Republic); Tunis (Tunisia); London (UK); Montpellier (France); Nantes (France); Toulouse (France); Hong Kong (Hong Kong); Lausanne (Switzerland) and Geneva (Switzerland).

6. Business combinations

Prior years acquisitions

Included in USD 81.8 million of cash-outflow from acquisition, are USD 1.8 million for deferred consideration in respect of the acquisition of LYDIAN ASSOCIATES LIMITED and USD 1.4 million for acquisition-related costs.

VIVEO GROUP
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 2009.

	2009 USD 000	2010 adjustment USD 000	**Total** **USD 000**
Purchase consideration:			
– Cash paid	91,060	–	**91,060**
– Direct costs relating to the acquisition	1,730	231	**1,961**
Total purchase consideration	92,790	231	**93,021**
Fair value of net assets acquired	(23,466)	7,021	**(16,445)**
Goodwill	69,324	7,252	**76,576**

As required by IFRS 3: 'Business Combinations', comparative information in the financial statement has been re-presented to reflect the change of the provisional values.

Subsequent adjustments by category

	2009 USD 000	2010 adjustment USD 000	**Total** **USD 000**
Trade and other receivables	37,276	(2,773)	**34,503**
Prepayments	1,001	(207)	**794**
Property, plant and equipment	1,906	(575)	**1,331**
Intangible assets	21,500	3,520	**25,020**
Deferred tax asset	1,722	(1,722)	**–**
Deferred revenue	(21,503)	(4,454)	**(25,957)**
Trade and other payables	(18,125)	(622)	**(18,747)**
Retirement benefit obligations	(950)	(655)	**(1,605)**
Provisions for other liabilities and charges	(503)	236	**(267)**
Total	22,324	(7,252)	**15,072**

6. Business combinations continued

Current year acquisitions

FE-MOBILE LIMITED
On 10 May 2010 the Group acquired 100% of the share capital of FE-Mobile Limited, a UK based provider of software solutions for the mobile banking industry.

Since its foundation in 2002, FE-Mobile Limited has created a successful range of mobile banking applications. The FE-Mobile solution, marketed under the brand name of SecureLink, operates across three mobile channels providing universal applicability: a downloadable application, Extensible HyperText Markup Language ("XHTML") browser and Short Message Service ("SMS"). The solution is secure, simple, versatile, scalable, easy to implement and easy to maintain. Given its flexibility, the product can easily replicate banks' existing functionality while giving them access to a robust platform for development and significant additional functionality, meaning that it can be marketed to all banks. The acquisition of FE-Mobile Limited will allow to broaden the suite of application that the Group can offer to its customers.

The goodwill arising from the acquisition is mainly attributable to the enhancement of the Group's software solutions and to the penetration into the mobile banking industry.

Fair value of the consideration transferred at acquisition date:

	USD 000
– Cash paid	582
– Contingent consideration	4,491
Total purchase consideration	5,073

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	65
Trade and other receivables	1
Intangible assets (note 11)	858
Trade and other payables	(1)
Deferred tax liability (note 12)	(240)
Total identifiable net assets	683
Goodwill	4,390
Acquisition-related costs included in "General and administrative" line in the income statement	72
Consideration paid in cash	582
Cash and cash equivalents acquired	(65)
Cash outflow on acquisition	517

The fair value of the trade and other receivables approximates its carrying value and it is expected to be fully recoverable.

The acquisition method of accounting has been provisionally completed at 31 December 2010. The Group is continuing to evaluate the fair value of certain intangibles.

None of the goodwill is expected to be deductible for tax purposes.

The revenue and profit or loss 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 2010, the estimated contribution by the acquiree to the Group's revenues and profit or loss would not have been significant.

The contingent consideration consists of the following arrangement:

- USD 737 thousand on the final acceptance by the Group of the acquired product by 31 May 2011;
- USD 737 thousand on the successful "Go-live" of certain number of units sold;
- USD 3,984 thousand on certain number of units sold during a period ending on the third anniversary of the acquisition date.

The fair value of the contingent consideration represents 84% of the maximum of the aggregate consideration as described above. The Group's estimate is based using the most recent forecast on the expectation of the future units sold over the consideration period.

ODYSSEY

On 18 October 2010 the Group acquired 100% of the share capital of Odyssey, a Luxembourg-based provider of application software solutions for the Private Wealth Management market.

The Private Wealth Management market is highly attractive in terms of both overall size and growth rates, yet remains highly fragmented. Like the overall banking application market, the Private Wealth Management market is likely to enjoy strong growth as banks switch from in-house spending to third party licences in order to improve business responsiveness and organisational efficiency. However, the structural drivers underpinning growth in the Private Wealth Management market are ever more compelling:

- expanding high-margin private banking activities is highly desirable for banks attempting to rebuild their balance sheets and achieve high returns in an era of lower leverage;
- customers and regulators are both demanding more transparency and simpler products, forcing banks to revisit their business models; and
- the traditional offshore model is coming under pressure from collective government action to tighten tax avoidance, increasing onshore competition and forcing banks to build competitive advantage through better service.

As a result, the Private Wealth Management software market is expected to grow more strongly than the wider banking application market. With this transaction, the Group broadens its product portfolio in this attractive software vertical, gains market share and establishes a clear Private Wealth Management market leader that can service customers of all sizes globally. Customers of the enlarged group will benefit significantly from the availability of a combined product set, supported by one company and with a highly compelling roadmap. In addition, the economies of scale of the combination are likely to be significant in all areas.

The goodwill arising from the acquisition is mainly attributable to the enhancement of the Group's software solutions and to the penetration into the Private Wealth Management market.

Fair value of the consideration transferred at acquisition date:

	USD 000
– Cash paid	86,348
Total purchase consideration	86,348

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,235
Trade and other receivables	35,278
Prepayments	2,821
Other financial assets	4,993
Property, plant and equipment (note 10)	2,066
Intangible assets (note 11)	19,845
Trade and other payables	(23,763)
Deferred revenue	(34,973)
Provision for other liabilities and charges (note 15)	(479)
Borrowings	(33,378)
Income tax liability	(1,646)
Deferred tax liability (note 12)	(5,684)
Total identifiable net assets	(26,685)
Goodwill	113,033
Acquisition-related costs (included in "General and administrative") line in the income statement	944
Consideration paid in cash	86,348
Cash and cash equivalents acquired	(8,235)
Cash outflow on acquisition	78,113

The fair value of the trade and other receivables is USD 35,278 thousand and includes trade receivables with fair value of USD 34,572 thousand. The gross contractual value for trade receivables due is USD 40,173 thousand, of which USD 5,601 is expected to be uncollectible.

The acquisition method of accounting has been provisionally completed at 31 December 2010. The Group is continuing to evaluate the fair value of the pension liability and certain intangible assets.

None of the goodwill is expected to be deductible for tax purposes.

The acquiree contributed revenues of USD 19.6 million and net gain of USD 1.6 million to the Group's consolidated financial statement for the period between the acquisition date the balance sheet date.

If the acquisition had occurred on 1 January 2010, the estimated contribution by the acquiree to the Group's revenues would have been USD 69.7 million and USD 10.9 million loss to the Group's income statement.

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7. Cash and cash equivalents

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

	2010 USD 000	2009 USD 000
Cash at bank and in hand	**101,326**	96,966
Short term deposits with banks	**58,948**	45,685
	160,274	142,651

Included in the above amount, is USD 6.4 million (2009: USD 3.8 million) of cash and cash equivalents that are held in jurisdiction where regulatory exchange controls exist and therefore are not available for the general use of the Group.

8. Trade and other receivables

	2010 USD 000	Re-presented 2009 USD 000
Trade receivables	**338,466**	297,230
VAT and other taxation recoverable	**7,730**	6,950
Other receivables	**6,731**	6,564
Allowance for doubtful debts	**(11,971)**	(6,819)
	340,956	303,925
Less non-current portion	**(33,503)**	(17,735)
Total current portion of trade and other receivables	**307,453**	286,190

"Trade receivables" line comprises USD 149.3 million of unbilled receivables (2009: USD 158.5 million).

The carrying amount of the current financial assets included in the trade and other receivables 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.

Maturity and fair value of the non-current portion of the trade and other receivables

	Carrying amount		Fair value	
	2010 USD 000	2009 USD 000	**2010 USD 000**	2009 USD 000
Between 1 and 2 years	**33,503**	17,735	**33,243**	17,358
	33,503	17,735	**33,243**	17,358

The fair value measurement is based on the discounted cash flow method using a rate of 0.78% (2009: 1.45%)

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

	Gross 2010 USD 000	**Impairment 2010 USD 000**	Re-presented Gross 2009 USD 000	Re-presented Impairment 2009 USD 000
Not yet due	**238,501**	**–**	238,837	–
Current (less than 30 days)	**37,997**	**–**	19,209	–
Past due 31-90 days	**27,792**	**56**	20,546	50
Past due 91-180 days	**9,528**	**330**	9,920	206
Past due 181-360 days	**10,727**	**14**	9,506	1,640
More than 360 days	**28,382**	**11,571**	12,726	4,923
	352,927	**11,971**	310,744	6,819

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.

	2010 USD 000	Re-presented 2009 USD 000
At 1 January	**6,819**	18,814
Provision for receivables impairment	**2,295**	635
Acquisition of subsidiary	**5,601**	2,678
Used amounts	**(3,494)**	(13,242)
Unused amounts	**(161)**	(1,216)
Disposals	**(66)**	–
Exchange gain or loss	**977**	(850)
At 31 December	**11,971**	6,819

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

	2010		2009	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cash flow hedges	**3,602**	**1,029**	–	–
Forward foreign exchange contracts – held for trading	**2,400**	**2,765**	4,775	5,621
Available-for-sale investment	**60**	**–**	63	–
At 31 December	**6,062**	**3,794**	4,838	5,621

The ineffective portion recognised in the profit or loss in respect of cash flow hedges was USD nil (2009: USD 2.1 million loss)

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur each month during the next 12 months. Gains or losses recognised in the hedging reserve equity (note 20) on forward foreign exchange contracts as of 31 December 2010 will be recognised in the income statement in the periods during which the hedged forecast transaction affects the income statement.

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

Year ended 31 December 2010	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 2010	11,242	2,859	21,865	2,925	38,891
Foreign currency exchange differences	(564)	28	(137)	101	(572)
Acquisition of subsidiary (note 6)	290	–	1,776	–	2,066
Additions	766	–	3,597	–	4,363
Reclassification	–	–	–	–	–
Retirements/disposals	(822)	(2,485)	(970)	–	(4,277)
31 December 2010	**10,912**	**402**	**26,131**	**3,026**	**40,471**
Depreciation					
At 1 January 2010	8,438	1,361	14,037	122	23,958
Foreign currency exchange differences	(271)	–	(294)	4	(561)
Charge for the year	1,093	74	3,608	56	4,831
Reclassification	–	–	–	–	–
Retirements/disposals	(698)	(1,084)	(772)	–	(2,554)
31 December 2010	**8,562**	**351**	**16,579**	**182**	**25,674**
Net book value					
31 December 2010	**2,350**	**51**	**9,552**	**2,844**	**14,797**

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, as re-presented	687	65	579	–	1,331
Additions	429	9	1,755	87	2,280
Retirements/disposals	(382)	(255)	(1,823)	–	(2,460)
31 December 2009 (re-presented)	11,242	2,859	21,865	2,925	38,891
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
Retirements/disposals	(362)	(258)	(1,761)	–	(2,381)
31 December 2009	8,438	1,361	14,037	122	23,958
Net book value					
31 December 2009 (re-presented)	2,804	1,498	7,828	2,803	14,933

The gain on the disposals recognised in the "General and administrative" line was USD 2,098 thousand. Included in this number, is USD 1,850 thousand in respect of the sale of the boat "TEMENOS II".

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

	Vehicles USD 000	Fixtures fittings & equipment USD 000	Total USD 000
Net book value at 31 December 2010	**1**	**1,085**	**1,086**
Net book value at 31 December 2009	17	1,088	1,105

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

11. Intangible assets

Year ended 31 December 2010	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 2010	109,638	197,357	22,347	35,894	39,177	404,413
Foreign currency exchange differences	–	(16,149)	(106)	(1,510)	(2,152)	(19,917)
Acquisition of subsidiary (note 6)	–	117,423	–	7,645	13,058	138,126
Additions	22,249	–	–	2,691	–	24,940
Reclassifications	–	(121)	(22,241)	385	(2,498)	(24,475)
Retirements/Disposals	–	–	–	(26)	(1,608)	(1,634)
31 December 2010	**131,887**	**298,510**	**–**	**45,079**	**45,977**	**521,453**
Amortisation						
At 1 January 2010	58,070	121	20,920	15,001	11,147	105,259
Foreign currency exchange differences	–	–	(97)	(583)	(401)	(1,081)
Charge for year	16,607	–	1,033	6,349	11,081	35,070
Reclassifications	–	(121)	(21,856)	–	(2,498)	(24,475)
31 December 2010	**74,677**	**–**	**–**	**20,767**	**19,329**	**114,773**
Net book value						
31 December 2010	**57,210**	**298,510**	**–**	**24,312**	**26,648**	**406,680**

11. Intangible assets continued

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	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, as re-presented	–	76,576	–	8,911	16,109	101,596
Additions/adjustments	19,513	–	–	3,605	–	23,118
Reclassifications	–	–	(2,972)	2,972	–	–
31 December 2009 (re-presented)	109,638	197,357	22,347	35,894	39,177	404,413
Amortisation and impairment						
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	–	–
31 December 2009	58,070	121	20,920	15,001	11,147	105,259
Net book value						
31 December 2009 (re-presented)	51,568	197,236	1,427	20,893	28,030	299,154

Amortisation charge of USD 31.6 million (2009: USD 23.0 million) is included in the "Cost of sales" line; USD 1.1 million (2009: USD 2.2 million) in "Other expenses" line and USD 2.4 million (2009: USD 1.1 million) in "General and administrative" line.

Impairment tests for goodwill
Goodwill is allocated to the "Product" reportable segment.

	2010			2009		
	Amount USD 000	**Growth rate %**	**Discount rate %**	Amount USD 000	Growth rate %	Discount rate %
Product	**298,510**	**1**	**12.73**	197,236	1	13.72
	298,510			197,236		

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 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.

12. Taxation

Tax expense	2010 USD 000	2009 USD 000
Current tax on profits for the year	**13,782**	7,350
Adjustments in respect of prior years	**(436)**	(10,524)
Total current tax	**13,346**	(3,174)
Deferred tax – origination and reversal of temporary differences	**(12,945)**	3,480
Total tax expense	**401**	306

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:

	2010 USD 000	2009 USD 000
Profit before tax	**61,808**	68,849
Tax at the domestic rate of 25%	**15,452**	17,212
Non-taxable income and expenses	**966**	(1,978)
Utilisation of previously unrecognised losses	**(6,010)**	(9,925)
Tax losses for which no deferred income tax asset was recognised	**10,996**	8,642
Tax adjustments related to prior periods	**(436)**	(10,524)
Reversal (recognition) of deferred tax assets on intellectual property	**949**	(116)
Non-taxable consolidation adjustment on intellectual property amortisation	**–**	(9,066)
Other movement on deferred tax assets and liabilities, including rate changes	**(9,708)**	3,714
Effects of different tax rates	**(19,612)**	(1,278)
Overseas withholding tax	**6,330**	3,579
Other tax and credits	**1,474**	46
Total tax expense	**401**	306

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2009: 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:

	2010 USD 000	Re-presented 2009 USD 000
Deferred tax assets – to be recovered after more than 12 months	**29,737**	24,920
Deferred tax assets – to be recovered within 12 months	**8,692**	7,894
Deferred tax assets	**38,429**	32,814
Deferred tax liabilities – to be recovered after more than 12 months	**(9,234)**	(12,552)
Deferred tax liabilities – to be recovered within 12 months	**(4,100)**	(3,188)
Deferred tax liabilities	**(13,334)**	(15,740)
Net deferred tax assets	**25,095**	17,074

12. Taxation continued

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 65,598 thousand (2009: USD 48,249 thousand) in respect of losses amounting to USD 281,842 thousand (2009: USD 235,623 thousand) that can be carried forward against future taxable income. Losses amounting to USD 54,375 thousand (2009: USD 57,954 thousand) will expire within the next 5 years, USD 18,579 thousand (2009: USD 62,575 thousand) will expire within 5 to 10 years and USD 31,817 thousand (2009: USD 20,438 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 28,468 thousand (2009: USD 29,417 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 (2009: nil).

As part of the acquisition of Odyssey and FE-Mobile Limited, the Group acquired deferred tax assets of USD nil and deferred tax liabilities of USD 5,924 thousand.

The movement in net deferred tax assets is as follows:

	2010 USD 000	Re-presented 2009 USD 000
At 1 January	**17,074**	27,596
Income statement credit	**12,945**	(3,480)
Foreign exchange movement on deferred tax assets and liabilities held in local currencies	**651**	164
Acquisition of subsidiaries	**(5,924)**	(7,310)
Reclassification	**349**	104
At 31 December	**25,095**	17,074

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 2009	5,240	29,301	2,257	484	37,282
(Charged) credited to the income statement	(4,475)	116	(451)	(354)	(5,164)
Exchange differences	555	–	36	105	696
At 31 December 2009, as re-presented	1,320	29,417	1,842	235	32,814
(Charged) credited to the income statement	6,811	(949)	(435)	467	5,894
Exchange differences	2	–	(124)	37	(85)
Reclassification	(194)	–	–	–	(194)
At 31 December 2010	**7,939**	**28,468**	**1,283**	**739**	**38,429**

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 2009	(5,473)	(3,830)	(383)	(9,686)
(Charged) credited to the income statement	1,741	170	(227)	1,684
Acquisition of subsidiary	(7,310)	–	–	(7,310)
Exchange differences	(523)	–	(9)	(532)
Reclassification	104	–	–	104
At 31 December 2009	(11,461)	(3,660)	(619)	(15,740)
Credited to the income statement	4,409	2,600	42	7,051
Acquisition of subsidiary (note 6)	(5,924)	–	–	(5,924)
Exchange differences	736	–	–	736
Reclassification	549	–	(6)	543
At 31 December 2010	**(11,691)**	**(1,060)**	**(583)**	**(13,334)**

13. Trade and other payables

	2010 USD 000	Re-presented 2009 USD 000
Trade payables	**28,662**	29,232
Accrued expenses	**57,445**	34,986
Other payables	**26,562**	17,699
Current trade and other payables	**112,669**	81,917
Non-current other payables	**3,307**	905
Total trade and other payables	**115,976**	82,822

The carrying amount of the current financial liabilities included in the trade and other payables 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 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.

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 costs – net".

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

	Carrying amount		Fair value	
	2010 USD 000	2009 USD 000	**2010 USD 000**	2009 USD 000
Between 1-2 years	**3,237**	832	**3,212**	809
Between 3-5 years	**70**	73	**69**	69
	3,307	905	**3,281**	878

The fair value measurements is based on the discounted cash flow method using a rate of 0.78% (2009: 1.45%).

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14. Borrowings

	2010 USD 000	2009 USD 000
Current		
Obligations under finance leases (note 16)	**568**	533
Other loans	**16**	21
Bank borrowings	**93,864**	34,310
Convertible bond	**–**	1,493
	94,448	36,357
Non-current		
Obligations under finance leases (note 16)	**617**	701
Other loans	**4**	41
Bank borrowings	**87,551**	102,776
Convertible bond	**–**	133,714
	88,172	237,232
Total borrowings	**182,620**	273,589

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	
	2010 USD 000	2009 USD 000	**2010 USD 000**	2009 USD 000
Obligations under finance leases (note 16)	**617**	701	**612**	676
Other loans	**4**	41	**3**	40
Bank borrowings	**87,551**	102,776	**86,873**	98,922
Convertible bond	**–**	133,714	**–**	144,743
	88,172	237,232	**87,489**	244,381

The fair value measurement is based on the discounted cash flow method using a rate of 0.78% (2009: 1.45%).

Bank borrowings are at variable rates and mature until 2014. The carrying amounts are all denominated in USD (2009: Euro 66.6 million and USD 41.4 million).

On 16 November 2010, the Group exercised its right to call for an early redemption of the convertible bond. The liability was fully extinguished by the exercise of the conversion rights into 7,322,776 shares of the Company.

Bank facilities
On 20 October 2010, the Group concluded a combined term loan and revolving credit facility with a pool of five large financial institutions, replacing existing financing facilities. The pertinent details of the facility available to the group are as follows:

Multicurrency term loan refinancing facility:
USD 100 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. Utilised amounts are repayable in fixed installments between October 2011 and February 2014.

During the year, USD 100 million, being the full amount of the term loan facility, was utilised to refinance the existing facility.

Multicurrency revolving credit facility (RCF) available for general corporate purposes including acquisitions and trade finance:
USD 250 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 28 February 2014.

As at 31 December 2010, a total of USD 83.6 million is drawn as cash loans under the RCF. As at 31 December 2010 guarantees totaling USD 16.3 million (2009: USD 18.3 million) were in issue.

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.

15. Provisions for other liabilities and charges

	Legal claims USD 000	Property provision USD 000	Restructuring USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2010, as re-presented	303	125	–	144	572
Foreign currency exchange differences	(26)	(9)	(20)	(11)	(66)
Acquisition of subsidiary (note 6)	405	74	–	–	479
Increase in provisions recognised in the income statement	42	384	2,788	–	3,214
Used during the year	(47)	(140)	–	–	(187)
Unused during the year	(14)	(27)	–	–	(41)
31 December 2010	**663**	**407**	**2,768**	**133**	**3,971**

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 2010.

The balance at 1 January 2010 was re-presented to reflect the effect of the PPA finalisation of VIVEO GROUP SAS.

Property provisions
It mainly relates to costs associated with onerous leases and dilapidations. Provision for onerous lease represents the net present value of the excess rent over the sublet value or the market value. Provisions for dilapidations represents the net present value of the estimated costs to occur at the date of exit.

Property provisions are expected to be utilised within the next 12 months.

Contingent liability
The fair value of the contingent liability recognised on the acquisition of Viveo Group at 31 December 2009 was re-measured based on the new information subsequently obtained. The remaining balance represents future excess costs in order to fully complete the services implementation. The balance is expected to be fully utilised during 2011.

Restructuring
During 2010 the Group has implemented a plan to restructure the VIVEO Group business. An agreement is currently being negotiated with the local Union and Work council that specifies the terms of the restructuring plan such as number of staff involved and compensation package. Total cost incurred in 2010 amount to USD 3.6 million. The provision at 31 December 2010 is expected to be fully utilised during 2011.

16. Obligations under finance leases

Finance leases liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2010 USD 000	2009 USD 000	**2010 USD 000**	2009 USD 000
Obligations under finance leases:				
repayable within one year	**660**	643	**568**	533
repayable between one and five years	**671**	781	**617**	701
	1,331	1,424	**1,185**	1,234

Included in the financial statement as:		
Current borrowings (note 14)	**568**	533
Non-current borrowings (note 14)	**617**	701
	1,185	1,234

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:

	2010 USD 000	Re-presented 2009 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held for trading	**2,400**	4,775
Derivatives instruments used for hedging	**3,602**	–
Available-for-sale financial assets	**60**	63
Loans and receivables (including cash and cash equivalent)	**501,230**	446,576
Total	**507,292**	451,414
Financial liabilities		
Fair value through profit or loss (FVTPL)		
– Held for trading	**2,765**	5,621
Derivatives instruments used for hedging	**1,029**	–
Financial liabilities measured at amortised cost	**298,596**	356,411
Total	**302,390**	362,032

18. Share capital

As at 31 December 2010, the issued shares of TEMENOS Group AG comprised 71,524,117 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 2010 are summarised below:

		Nominal value	
	number	in CHF 000	in USD 000
Total number of shares issued, as at 1 January 2009	59,005,487	295,027	174,122
Shares issued in respect of deferred consideration on acquisition from prior years	853,039	4,266	4,218
Total number of shares issued, as at 31 December 2009	59,858,526	299,293	178,340
Shares issued on exercise of employee share options	4,342,815	21,714	20,851
Shares issued on exercise of conversion rights	7,322,776	36,614	37,767
Total number of shares issued, as at 31 December 2010	71,524,117	357,621	236,958
Treasury shares	(464,982)	(10,549)	(9,208)
Total number of shares outstanding, as at 31 December 2010	**71,059,135**	**347,072**	**227,750**

As at 31 December 2010 the number of treasury shares held by the Group amounted to 464,982 (2009: nil).

TEMENOS Group AG also has conditional capital, comprising:

conditional shares that may be issued on the exercise of employee share options	4,563,438
conditional shares that may be issued in conjunction with financial instruments	6,607,904

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 2009	4,189	28,558	42,232	(83,740)	(68,456)	(77,217)
Cost of share options	–	–	17,142	–	–	17,142
Exercise of share options	–	(1,342)	–	(22,810)	–	(24,152)
Settlement of employee share options	–	–	(996)	–	–	(996)
Share issuance costs	–	(8)	–	–	–	(8)
Balance at 31 December 2009	4,189	27,208	58,378	(106,550)	(68,456)	(85,231)
Cost of share options (note 21)	–	–	17,040	–	–	17,040
Exercise of share options	–	–	–	(19,536)	–	(19,536)
Exercise of conversion rights	(4,189)	113,647	–	–	–	109,458
Share issuance costs	–	(2,223)	–	–	–	(2,223)
Balance at 31 December 2010	–	**138,632**	**75,418**	**(126,086)**	**(68,456)**	**19,508**

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.

On 16 November 2010, the Group exercised its right to call for an early redemption of the convertible bond. All bonds were fully converted into the Company' shares.

The premium recognised in 2010 represents the difference between the carrying amount of the liability at the conversion date and the issuance of 7,322,776 shares at a conversion price of CHF 18.06.

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.

The price used in respect of the conversion of the convertible bond represents the conversion price.

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 2010 the cost of treasury shares held by the Group was USD 9,208 thousand (2009: USD nil).

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 (previously named TEMENOS Holdings NV) 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 2009	(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 gain or (loss)	–	6	3,504	3,510
Balance at 31 December 2009	(32,026)	7	–	(32,019)
Currency translation differences	(26,412)	–	–	(26,412)
Transfers to income statement within "Personnel costs"	–	–	(790)	(790)
Net fair value gain or (loss)	–	(38)	3,363	3,325
Balance at 31 December 2010	**(58,438)**	**(31)**	**2,573**	**(55,896)**

21. Share based payments

Share options

Share options are granted to executive board members 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:

	2010		2009	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**3,708,607**	**$11.89**	5,037,133	$10.29
Granted during the year	**96,788**	**$20.63**	300,447	$18.88
Forfeited during the year	**(52,056)**	**$11.20**	(45,127)	$20.05
Exercised during the year	**(2,236,900)**	**$10.24**	(1,583,846)	$7.95
Outstanding at the end of the year	**1,516,439**	**$15.03**	3,708,607	$11.89

1,083,067 of the outstanding options (2009: 2,738,126) were exercisable at the balance sheet date with a weighted average exercise price of USD 12.65 (2009: USD 8.13). The options exercised during the year had a weighted average share price at the time of exercise of USD 29.77 (2009: USD 22.56).

Share appreciation rights

Share appreciation rights are granted to executive board members 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 earnings per share targets. In case of overachievement of earnings per share 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:

	2010		2009	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**7,913,543**	**$16.37**	6,422,419	$14.26
Granted during the year	**3,430,285**	**$25.71**	2,928,451	$18.16
Forfeited during the year	**(279,034)**	**$16.41**	(239,422)	$13.41
Exercised during the year	**(4,027,304)**	**$14.40**	(1,197,905)	$10.41
Outstanding at the end of the year	**7,037,490**	**$22.05**	7,913,543	$16.37

690,972 of the outstanding share appreciation rights (2009: 2,924,917) were exercisable at the balance sheet date with a weighted average exercise price of USD 13.73 (2009: USD 14.12). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 28.52 (2009: USD 24.73).

As described above, in case of overachievement of earnings per share 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 728,575 additional share appreciation rights that were issued with a weighted average exercise price of USD 15.57 as a result of the application of the overachievement provisions from grants in prior years (2009: 867,287 at USD 9.78). As at 31 December 2010 there were 5,518,426 remaining share appreciation rights (2009: 4,315,755) that may be subject to this overachievement provision with a weighted average exercise price of USD 22.45 (2009: USD 17.05).

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:

2010 **Exercise price**	**Number**	**Remaining contractual life (years)**
$0.01-$0.20	**26,705**	**0.95**
$1.39-$1.92	**95,100**	**2.09**
$5.98-$7.96	**288,929**	**4.06**
$8.52-$9.99	**614,910**	**6.27**
$10.00-$12.86	**1,599,237**	**7.93**
$14.98-$17.10	**562,870**	**5.37**
$19.93-$23.51	**617,688**	**6.14**
$24.00-$25.02	**3,169,139**	**9.04**
$25.67-$30.80	**420,348**	**8.31**
$34.82	**1,159,003**	**10.17**
	8,553,929	

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	

Fair value of stock options and share appreciation rights

The fair value of options and share appreciation rights granted during the period 2010 and 2009 is determined using an "Enhanced American Pricing Model".

The weighted average fair value of options and share appreciation rights granted during the period was USD 8.50 (2009: USD 5.77). The significant inputs into the model were weighted average share price at grant date of USD 26.44 (2009: USD 18.42), weighted average exercise price of USD 25.57 (2009: USD 18.35), standard deviation of expected share price returns of 40.60% (2009: 40.30%), weighted average option lives of 4.77 years (2009: 4.91 years) and weighted average annual risk-free interest rate of 2.64% (2009: 2.34%). 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.

Loyalty shares

A grant of 108,947 Loyalty shares was made to certain employees in 2010. Loyalty shares are conditional on the employee completing a specified period of service. The vesting period is three years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the 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 35.94. None of the Loyalty shares were cancelled or forfeited during the period and none of the Loyalty 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 17,040 thousand (2009: USD 18,944 thousand).

22. Segment information

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

Effective 2010, the Group has conducted a re-organisation of its internal reporting that has resulted in a reconsideration of the business activities from a regional to a product perspective. The new reporting segments have been identified as: "Product and Services". The comparatives have been consequently re-presented to reflect the change in the reportable segments.

The product segment is primarily engaged in marketing and licensing the Group's software and solutions and the services segment comprises of the various other activities such as product implementation, providing services.

Regional information is still presented to the CODM but it is not primarily used to review the Group's performance and to make decisions as how to allocate resources.

The Group's Chief Executive Officer assesses the performance of the operating segments based on the operating result. This measure reflects operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated costs mainly comprise of restructuring costs, share-based payment expenses, depreciation and amortisation, offices-related expenses, net finance costs and any other corporate expenses that cannot be directly attributable to the operating segments.

Reportable segments derive their revenue primarily from the licensing and maintenance of the Group' software solutions for the "Product" segment and respectively from providing a wide range of supporting activities in respect of the implementation of the Group's solutions for "Services" segment.

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

	Product		Services		Total	
	2010	2009	**2010**	2009	**2010**	2009
	USD 000	USD 000	**USD 000**	USD 000	**USD 000**	USD 000
External revenue	**310,949**	243,123	**137,002**	127,199	**447,951**	370,322
Operating contribution	**155,484**	132,237	**15,936**	17,731	**171,420**	149,968
Total assets	**166,700**	171,500	**95,700**	90,000	**262,400**	261,500

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

Intersegment transactions are recognised as a reduction of the expenses rather than and internal revenue. They are charged based on internal cost rates that excludes any profit margin.

Reconciliation to the Group's Financial Statement	2010 USD 000	2009 USD 000
Total operating profit from the reportable segments	**171,420**	149,968
Depreciation and amortisation	**(39,901)**	(30,127)
Unallocated expenses	**(57,828)**	(39,609)
Finance costs – net (note 27)	**(11,883)**	(11,383)
Profit before taxation and discontinued operations	**61,808**	68,849

Total assets	2010 USD 000	2009 USD 000
Total assets allocated to the reportable segment	**262,400**	261,500
Unallocated items:		
Trade and other receivables	**78,556**	42,425
Cash and cash equivalents	**160,274**	142,651
Other financial assets	**6,062**	4,838
Prepayments	**17,048**	10,761
Property, plant and equipment	**14,797**	14,933
Intangible assets	**406,680**	299,154
Deferred tax assets	**38,429**	32,814
Total assets per the balance sheet	**984,246**	809,076

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22. Segment information continued

Geographical Information

Revenue from external customers	**2010 USD 000**
Switzerland (country of the Group's domiciliation)	**9,720**
United Kingdom	**32,110**
France	**49,162**
Luxembourg	**41,196**
Other countries	**315,403**
Total	**447,591**

	2009 USD 000
Switzerland (country of the Group's domiciliation)	6,016
United Kingdom	41,437
Other countries	322,869
Total	370,322

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

Non current assets	**2010 USD 000**	Re-presented 2009 USD 000
Switzerland (country of the Group's domiciliation)	**60,063**	55,178
Other countries	**361,414**	258,909
Total	**421,477**	314,087

The total revenue derived from a single customer that exceed 10% of the total Group's revenue is USD nil (2009: USD nil).

23. Personnel costs

	2010 USD 000	2009 USD 000
Salary, bonuses and commissions	**173,673**	132,076
Termination payments	**6,546**	2,023
Social charges	**28,330**	15,302
Defined contribution pension costs	**5,303**	4,059
Defined contribution and defined benefit pension costs (note 24)	**1,053**	799
Cost of employee share option scheme	**17,040**	17,142
Other personnel costs	**9,922**	5,995
	241,867	177,396

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

	2010 USD 000	2009 USD 000
Key management personnel of TEMENOS Group AG		
– short-term cash compensation and benefits	**5,030**	2,521
– post-employment benefits	**172**	171
– share-based payment	**8,853**	6,630
	14,055	9,322
Non-executive directors		
– short-term employee benefits	**320**	320

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 8 of the unconsolidated Financial Statements of TEMENOS Group AG.

24. Retirement benefit obligations

Throughout the world the Group maintains defined contribution plans for its employees of which many are state-sponsored and under which the relevant contributions are expensed as they accrue.

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:

	2010 USD 000	Re-presented 2009 USD 000
Fair value of plan assets	**13,428**	10,517
Present value of funded obligations	**(14,539)**	(11,845)
	(1,111)	(1,328)
less:		
Unrecognised actuarial gains	**(487)**	(799)
Assets not recognised	**(416)**	(63)
Net asset (liability) in the balance sheet	**(2,014)**	(2,190)

	2010 USD 000	Re-presented 2009 USD 000
Represented by:		
Accrued liabilities	**(2,711)**	(2,845)
Prepaid asset	**697**	655
Net asset (liability) in the balance sheet	**(2,014)**	(2,190)

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

	2010 USD 000	Re-presented 2009 USD 000
As at 1 January	**11,845**	8,634
Current service cost	**1,201**	877
Interest cost	**479**	328
Contributions by plan participants	**628**	564
Actuarial losses (gains)	**400**	(65)
Acquisitions	**–**	2,125
Curtailments	**(552)**	–
Exchange differences	**899**	809
Benefits paid	**(361)**	(1,427)
As at 31 December	**14,539**	11,845

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24. Retirement benefit obligations continued

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

	2010 USD 000	2009 USD 000
As at 1 January	**10,517**	8,554
Expected return on plan assets	**415**	321
Acquisitions	**–**	520
Exchange differences	**1,150**	572
Employer contributions	**1,041**	946
Employee contributions	**628**	564
Benefits paid	**(361)**	(1,427)
Actuarial gains (losses)	**38**	467
As at 31 December	**13,428**	10,517

The actual return on plan assets was positive USD 453 thousand (2009: positive USD 788 thousand).

The amounts recognised in the income statement are as follows:

	2010 USD 000	2009 USD 000
Current service cost	**1,201**	877
Interest cost	**479**	328
Expected return on plan assets	**(415)**	(321)
Amortisation of net gain	**(7)**	–
Gain arising from curtailments	**(552)**	–
Assets not recognised	**347**	(85)
Total costs included in personnel costs	**1,053**	799

Principal weighted average actuarial assumptions at the balance sheet date:

	2010	2009
Discount rate at 31 December	**3.60%**	4.10%
Expected return on plan assets at 31 December	**4.05%**	3.50%

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

	2010	2009
Liquidities	**12%**	14%
Fixed income securities	**44%**	38%
Equity securities	**25%**	29%
Real estate	**19%**	19%
	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 2011 are USD 1,060 thousand.

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	2010 USD 000	Re-presented 2009 USD 000	2008 USD 000	2007 USD 000	2006 USD 000
Present value of defined benefit obligation	**14,539**	11,845	8,634	8,117	7,271
Present value of plan assets	**13,428**	10,517	8,554	9,523	8,678
Deficit/(surplus)	**1,111**	1,328	80	(1,406)	(1,407)
Experience adjustments on plan liabilities	**352**	(12)	(71)	83	116
Experience adjustments on plan assets	**38**	467	(1,294)	(251)	206

25. Expenses by nature

	2010 USD 000	2009 USD 000
Third party licences and commissions	**9,854**	7,588
Personnel costs and external consultants	**262,929**	199,677
Depreciation and amortisation (note 10 and 11)	**39,901**	30,127
Travel expenses	**28,725**	18,550
Rent and other occupancy costs	**18,513**	15,033
Marketing and other professional costs	**12,689**	8,684
Other costs	**23,898**	29,944
Capitalised expenditure (note 11)	**(22,249)**	(19,513)
	374,260	290,090

Included in “Other costs” line, is a gain of USD 797 thousand in respect of disposals of minor subsidiary and business. The net asset excluding cash and cash equivalent disposed of was USD 2,729 thousand and the net consideration received in cash was USD 3,526 including USD 982 thousand of cash disposed of.

26. Expenses by function

	2010 USD 000	2009 USD 000
Sales and marketing	**83,358**	72,177
Services	**137,469**	104,851
Software development and maintenance	**88,889**	62,466
General and administrative	**64,544**	50,596
Total operating expenses	**374,260**	290,090

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27. Finance costs – net

	2010 USD 000	2009 USD 000
Finance income:		
– Interest income on short-term bank deposits	**255**	125
– Interest income on short-term investments	**52**	59
– Interest income on non-current trade and other trade receivables	**407**	1,089
– Fair value loss from financial instruments, net	**(3,872)**	–
– Foreign exchange gain, net	**4,944**	–
Total finance income	**1,786**	1,273
Finance costs:		
– Interest expense on convertible bond	**(6,037)**	(5,754)
– Interest expense on obligations under finance leases	**(118)**	(97)
– Interest expense on non-current trade and other payables	**(116)**	(46)
– Interest expense on bank borrowings	**(3,909)**	(1,303)
– Other interest expense	**(330)**	(128)
– Financial instrument related expenses	**(3,159)**	(1,649)
– Fair value (loss) gain from financial instruments, net	**–**	(8,181)
– Foreign exchange gain, net	**–**	4,502
Total finance costs	**(13,669)**	(12,656)
Finance costs – net	**(11,883)**	(11,383)

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).

	2010 USD 000	2009 USD 000
Profit attributable to equity holders of the Company	**61,641**	68,635
Weighted average of common shares outstanding during the year (in thousands)	**62,909**	58,498
Basic earnings per share (USD per share)	**0.98**	1.17

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.

	2010 **USD 000**	2009 USD 000
Profit attributable to equity holders of the Company	**61,641**	68,635
Interest expense on convertible debt (net of tax)	**6,037**	5,640
Profit used to determine diluted earnings per share	**67,678**	74,275
Weighted average of common shares outstanding during the year (in thousands)	**62,909**	58,498
Adjustments for:		
– Assumed conversion of convertible debt (in thousands)	**6,860**	7,323
– Share options (in thousands)	**3,394**	3,680
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**73,163**	69,501
Diluted earnings per share (USD per share)	**0.93**	1.07

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 2010 amounted to USD 14.3 million (2009: USD 11.9 million) and operating lease expenses relating to leased equipment were USD 2.1 million (2009: USD 2.4 million).

At 31 December	**2010** **USD 000**	2009 USD 000
No later than 1 year	**14,853**	10,173
Later than 1 year and no later than 5 years	**35,190**	19,201
Later than 5 years	**8,038**	5,834
Total	**58,081**	35,208

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 491 thousand, and the terms and conditions of the lease agreement conform to standard market practices.

There were no other large or significant transactions with related parties during the year ended 31 December 2010.

31. Post balance sheet events

There are no reportable post balance sheet events.

32. Risk assessment required by Swiss Law

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. 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 2010.

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 2010 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

David Mason Audit expert Auditor in charge	Guillaume Nayet Audit expert

Geneva, 22 February 2011

Unconsolidated Balance Sheet
As At 31 December 2010

	2010 CHF 000	2009 CHF 000
Assets		
Current assets		
Prepayments and other assets	**169**	341
Liquid funds	**68**	87
Total current assets	**237**	428
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	**616,331**	479,331
Receivable from other Group entities	**144,161**	24,266
Total non-current assets	**760,492**	503,597
Total assets	**760,729**	504,025
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**550**	334
Other liabilities	**5,058**	2,693
Tax payable	**125**	397
Total current liabilities	**5,733**	3,424
Non-current liabilities		
Payable to other Group entities	**5,729**	–
Total non-current liabilities	**5,729**	–
Shareholders' equity		
Share capital (note 3)	**357,621**	299,293
General legal reserve (note 4)	**345**	176
Share premium (note 4)	**291,708**	197,754
Retained earnings (note 4)	**99,593**	3,378
Total shareholders' equity	**749,267**	500,601
Total shareholders' equity and liabilities	**760,729**	504,025

Unconsolidated Income Statement
For The Year Ended 31 December

	2010 CHF 000	2009 CHF 000
Income from investments in subsidiaries	**100,165**	3,500
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(3,391)**	(2,575)
Net profit before taxation	**96,774**	925
Taxation	**(390)**	(385)
Net profit after taxation	**96,384**	540

Notes To The Unconsolidated Financial Statements
31 December 2010

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 Ltd 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%
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-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 Finance Luxembourg SARL (financing company)	100%
12,500 shares of a nominal value of EUR 1 each.	
TEMENOS UK Limited, United Kingdom (holding company)	
12,500,000 shares of a nominal value of Pounds 20 each.	100%
TEMENOS Holdings France SAS, France (holding company)	
2,000,801 shares of a nominal value of EUR 10 each.	100%

Notes To The Unconsolidated Financial Statements
31 December 2010

3. Share capital

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

	2010 number	2009 number
Total number of TEMENOS Group AG shares issued, as at 1 January	**59,858,526**	59,005,487
Shares issued and alloted in relation to the convertion of the bond	**7,322,776**	–
Shares issued and alloted on exercising of employee share options	**4,342,815**	853,039
Total number of TEMENOS Group AG shares issued, as at 31 December	**71,524,117**	59,858,526

TEMENOS Group AG also has conditional capital, comprising:

Conditional shares that may be issued on the exercise of employee share options	4,563,438
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

The holdings of more than 3% of the voting rights of all issued shares, as at 31 December 2010 are as follows:

Massachusetts Mutual Life Insurance Company	4.54%
Stichting Pensioenfonds Zorg en Welzijn	4.37%
Standard Life Investments	4.16%

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 2009	27	175,139	22,615	2,987	200,768
Appropriation of available earnings:					
– to General legal reserve	149	–	–	(149)	–
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
Appropriation of available earnings:					
– to General legal reserve	169	–	–	(169)	–
Share issued less related costs	–	93,954	–	–	93,954
Net profit of the year	–	–	–	96,384	96,384
Balance at 31 December 2010	**345**	**291,708**	**–**	**99,593**	**391,646**

5. Contingent liabilities

TEMENOS Group AG has provided certain guarantees to third parties, primarily in favour of TEMENOS Finance Luxembourg Sàrl, in the context of credit facilities placed at the disposal of the latter for a total of USD 350 million. Management believes that these guarantees are unlikely to be activated.

6. Proposal for the appropriation of available earnings

	2010 CHF 000	2009 CHF 000
Profit for the year	**96,384**	540
Balance brought forward from previous year	**3,209**	2,838
Total available earnings	**99,593**	3,378
Proposal of the board of directors:		
Appropriation to general reserves	**4,819**	169
To be carried forward	**94,774**	3,209
	99,593	3,378

7. 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
31 December 2010

8. 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: 0.6452; USD/CHF: 0.9358; USD/EUR: 0.7497; USD/SGD: 1.2853)

This section summarises TEMENOS' Compensation programmes 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 2010 fiscal year compared to 2009.

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 programmes 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 benchmarked to the top quartile of other global software companies; however the largest part of total compensation is variable compensation, which is only paid on achievement of EPS and profit 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 2010 and 2009 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	 Annual bonus	All other compen-sation(1)	**Total cash compen-sation**	Number of SARs granted(2)	Over-achievement of 2007/06 SARs awards
G. Koukis	2010	571,917	668,048	86,431	**1,326,396**	15,684	96,234(4)
Chairman	2009	465,886	–	76,324	**542,210**	21,471	60,838(5)
P. Selway-Swift	2010	80,000	–	–	**80,000**		–
Vice-Chairman	2009	80,000	–	–	**80,000**		–
A. Andreades	2010	908,854	978,468	95,560	**1,982,882**	250,000(3)	260,080(4)
Member	2009	817,969	–	87,350	**905,319**	–	1,647,291(6)
M. Austen	2010	80,000	–	–	**80,000**	–	–
Member	2009	80,000	–	–	**80,000**	–	–
C. Pavlou	2010	80,000	–	–	**80,000**	–	–
Member	2009	80,000	–	–	**80,000**	–	–
M. Austen	2010	80,000	–	–	**80,000**	–	–
Member	2009	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) This corresponds to 1/3 of the 750,000 3 years SAR grant for the period 2010 to 2012 (referred to as the 2010-2012 CEO plan) and takes into account that Mr Andreades will hold the position of Chairman from 1 July 2011. Mr. Andreades has not participated in the Annual SARs plan since 2007. The accounting charge of the on target 2010-2012 CEO plan over 3 years is USD 7,365,000 corresponding to USD 2,455,000 per year. The valuation method that has been used is explained in note 21 in the consolidated financial statements. More details are provided in the notes to chart 4 below.
(4) As the 2007-2009 EPS target has been overachieved by 135.5%, the overachievement amounted to 96,234 and 260,080 SARS in accordance with the scheme rules.
(5) As the 2006-2008 EPS target has been overachieved by more than 150%, the overachievement amounted to 60,838 in accordance with the scheme rules.
(6) 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 were granted in February 2010 under the 2007-2009 CEO plan.

No remuneration was paid to related persons.

b. Executive Committee (chart 2)

The total of all compensation earned in 2010 and 2009 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	Fiscal year	Cash: Base salary	Cash: Bonus	All other compen-sation[(1)]	**Total cash compen-sation**	Number of SARs granted	Over-achievement of 2007/06 SARs
Other members of the	2010	1,123,220	566,141	203,679	**1,893,039**	233,078[(3)]	117,784
Executive Committee[(2)]	2009	958,237	0	235,380	**1,193,617**	722,931	182,839

(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. Mr. Andreades compensation details are included in chart 1; his compensation is the highest amount paid to a member of the Executive Committee.
(3) The 233,078 SARs corresponds to 2011 SARs granted to Mr. Arnott and Mr. Loustau as well as1/3 of the 300,000 3 years SARs to Mr. Arnott for delivering the strategic plan for the period 2010 to 2012 (i.e. referred as the 2010-2012 CFO grant). The total accounting charges for other member of Executive Committee to be recorded in relation to the 2011 SARs, the full 3 year 2010-2012 CFO plan is USD 3,945,487 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. Grant details are provided in section II below.

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 2010.

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.

Name	Position	**31 December 2010** Shares	**31 December 2010** Options/ SARs	31 December 2009 Shares	31 December 2009 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	–

No options and/or shares were held on 31 December 2009 and 2010 by related persons.

Notes To The Unconsolidated Financial Statements
31 December 2010

8. 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 2010 (chart 4)

Name	Shares[1]	Options/ SARs grant year	Options/ SARs grant price	Outstanding options and SARs	Number of options and SARs unvested
George Koukis Chairman	111	2007 to 2010	\$12.48 to \$34.82	157,443	69,456
Andreas Andreades Chief Executive Officer	929,982	2010	\$24.00	750,000	750,000
David Arnott Chief Financial Officer	75,000	2007 to 2010	\$12.48 to \$34.82	557,965	537,965
Mark Cullinane Chief Operating Officer	75,000	2008 to 2009	\$12.48 to \$24.55	684,785	684,785
Andre Loustau Chief Technology Officer	75,000	2001 to 2010	\$12.48 to \$34.82	491,370	199,034

[1] Includes Performance Shares granted on 1 December 2008

Number of outstanding Shares, Options and SARs 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 Jan 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

[2] Outstanding Options, SARs and Performance Shares included in the table above include the following:

- 190,100 outstanding Options granted between 2001 and 2007. All options are vested as at 31 December 2010.
- No "2006 SARs" remaining. 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 Adjusted Diluted EPS (referred below as "EPS") targets as follows: 30% vest on 1 May 2007 if 2006 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 is USD 1.49. In case cumulative 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 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.
- 164,750 "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 Adjusted Diluted EPS (referred below as "EPS") targets as follows: 30% vest on 1 March 2008 if 2007 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 EPS is USD 2.51. In case cumulative 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 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 has been increased up to 171% in March 2010 subject to an assessment of individual performance.

- 343,549 "2009 SARs". 2009 SARs have a grant price of USD 12.48 and are conditional on achieving 2009 Adjusted Diluted EPS (referred below as "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 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 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 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 Adjusted Diluted EPS (referred below as "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 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.
- 148,762 "2011 SARs". 2011 SARs have a grant price of USD 34.82 and are conditional on achieving 2011 Adjusted Diluted EPS (referred below as "EPS") target and on achieving personal objectives. Once those conditions are achieved, the vesting is subject to active employment from 1 January 2012 to the end of the vesting period as well as 2011-2013 EPS target as follows: 50% vest on 1 March 2013, if cumulative 2011-12 EPS reaches USD 3.51; 50% vest on 1 March 2014, if cumulative 2011-13 EPS reaches USD 5.84. For every 1% over-achievement of the 3 years cumulative 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.
- 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.
- 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 adjusted diluted 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 adjusted diluted EPS target of USD 4.92.
  - 300,000 overachievement SAR grant subject to employment from 1 January 2011 until 28 February 2013 and cumulative 2010-2012 adjusted diluted EPS 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.

- 750,000 SARs to Mr. Andreades under 2010-2012 CEO plan. These have a grant price of USD 24 and vesting is conditional on the following:
  - 750,000 subject to employment from 1 January 2011 until 31 December 2012. In case the company terminates Mr. Andreades employment contract other than for cause before the end of the vesting period the entire SARs package vest and become exercisable immediately. The grant already takes into account Mr Andreades's change of role to Chairman of the Temenos Board effective 1 July 2011.
- 300,000 SARS to Mr. Arnott under 2010-2012 CFO Plan. These have a grant price of USD 24.08 and vesting is conditional on the following:
  - 300,000 subject to employment from 1 January 2011 until 28 February 2013 and cumulative 2010-2012 adjusted diluted EPS target of USD 4.92.
  - 300,000 overachievement SAR grant subject to employment from 1 January 2011 until 28 February 2013 and cumulative 2010-2012 adjusted diluted EPS of USD 6.14.

In case cumulative EPS achievement is below target, the respective SAR grant will be forfeited.

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

III. Loans granted to members of governing bodies

As of 31 December 2010, 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.

IV. Major shareholders

Please refer to note 3 of the unconsolidated financial statements.

Financial Highlights
In Millions Of US Dollars Except Earnings Per Share

	2010	2009	2008	2007	2006
Revenues	**448.0**	370.3	406.9	329.8	216.3
Operating costs	**374.3**	290.1	343.0	267.3	183.0
Operating profit	**73.7**	80.2	63.9	62.5	33.3
Profit before taxation	**61.8**	68.8	63.3	64.4	38.6
Net profit after tax	**61.4**	68.5	65.2	64.7	34.4
EBITDA	**113.6**	110.3	87.8	78.5	43.1
Diluted earnings per share (in USD)	**0.93**	1.07	1.02	1.00	0.57
Cash generated from operations	**125.8**	117.9	56.2	64.8	27.5
Current assets	**490.8**	444.4	365.1	294.5	262.7
Non-current assets	**493.4**	364.7	254.9	163.1	89.4
Total assets	**984.2**	809.1	620.0	457.6	352.1
Current liabilities (excluding deferred revenues)	**227.0**	130.3	134.3	101.3	62.4
Deferred revenues	**155.4**	118.6	84.6	57.6	45.0
Total current liabilities	**382.4**	248.9	219.2	158.9	107.4
Non-current liabilities	**109.1**	259.2	196.2	121.3	108.6
Total liabilities	**491.5**	508.1	415.4	280.2	216.0
Total equity	**492.7**	301.0	204.6	177.4	136.1
Total equity and liabilities	**984.2**	809.1	620.0	457.6	352.1

Information For Investors

Capital structure

The registered share capital is divided into 71,524,117 shares on issue with a par value of CHF 5.

Appropriation of profits

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

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Annual general meeting

17 June 2011

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2010
Sector	Technology/Software
Market Segment	SIX Main Market
Index Member	SMIM/SPI
Swiss Security No	124 5391
ISIN No	CH0012453913
Symbol	TEMN
Number of issued shares at 31.12.2010	71,524,117
Number of registered shares at 31.12.2010	63,311,861
Market price high/low	39.55/23.40
Market Price 31.12.2009	26.85
Market Price 31.12.2010	38.90
Market capitalisation high/low (CHF m)*	2,504/1,481
Share capital nominal value at 31.12.2010 (CHF m)	358

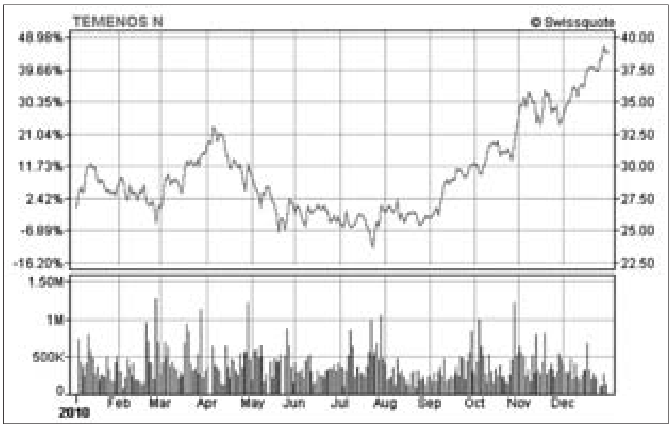
*Based on the number of registered shares at the time.

Key figures per share	2010
Basic earnings per share (USD)	0.98
Diluted earnings per share (USD)	0.93
Consolidated shareholders' equity (USD m)	492.7
Consolidated shareholders' equity per share (USD)	6.89

Major shareholders of Temenos Group AG*	(at 3.3.2011)
Mass Mutual Life Insurance Company (Oppenheimer Funds)	4.72%
Standard Life Investments	4.40%
Stichting Pensioenfonds Zorg en Welzijn (PGGM)	4.37%
AXA (Alliance Bernstein)	3.32%

*By holding Temenos Group AG registered shares and on the basis of TEMENOS Group AG registered capital of 71,524,117.

Development of the Temenos share price



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Printed on Revive 50:50. This paper comes from sustainable forests and is fully recyclable and biodegradable. Made from 50% recovered waste and 50% virgin fibre. The manufacturers of the paper and the printer are accredited with ISO 14001 environmental management system.

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