ANNUAL REPORT AND ACCOUNTS 2011

TEMENOS
The Banking Software Company

Founded in 1993, Temenos is the leading global provider of integrated modular core banking systems with over 1,500 customer deployments in 125 countries worldwide. Temenos software provides banks with a single, real-time view across the enterprise, enabling banks to maximise returns while streamlining costs.

Our Vision is to provide the software solution of choice for the transformation of the banking industry – for all banks, everywhere.

Our Mission Statement is to extend our product leadership supported by both a professional services group and a strong partner ecosystem, delivering success for our customers, consistent, profitable growth for our company and providing a great place for our employees to realise their ambitions.

THE TEMENOS COMMUNITY

3,940 professionals

3,940

Over 1,500 customer deployments

1,500

Serving clients in over 125 countries

125+

1,782 certified partner resources

1,782

THE LATEST FROM TEMENOS

For the most up-to-date Investor Information and Press Releases, please refer to our website.

> www.temenos.com

Contents

GLOBAL NETWORK

Headquartered in Geneva, the company has 61 offices in 40 countries and had revenues of USD 473.5m for the year ending December 31 2011. In June 2001 Temenos became a public company listed on the SIX Swiss Exchange (TEMN).

Americas

Brazil
São Paulo

Canada
Toronto
Vancouver

Costa Rica
San Jose

Ecuador
Quito

Mexico
Mexico City

USA
Houston
Miami
New York
Orlando

Middle East

Lebanon
Beirut

Saudi Arabia
Riyadh

United Arab Emirates
Dubai

Asia Pacific

Australia
Sydney

Bangladesh
Dhaka

China
Shanghai
Hong Kong

India
Bangalore
Chennai
Delhi
Mumbai

Indonesia
Jakarta

Japan
Tokyo

Malaysia
Kuala Lumpur

Pakistan
Karachi

Singapore
Singapore

Taiwan
Taipei

Thailand
Bangkok

Vietnam
Hanoi

Europe

Belgium
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France
Nantes
Montpellier
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Germany
Frankfurt
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Athens

Kazakhstan
Almaty

Luxembourg
Luxembourg

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Amsterdam

Romania
Bucharest

Russia
Moscow

Spain
Madrid

Switzerland
Geneva
Lausanne

Turkey
Istanbul

United Kingdom
Berkshire
Birmingham
Hemel Hempstead
London
Newcastle Upon Tyne

Africa

Egypt
Cairo

Kenya
Nairobi

Morocco
Casablanca

South Africa
Johannesburg

TAKING BANKS INTO THE CLOUD

Pioneering work between Temenos and Microsoft to offer Temenos T24 (T24) on the Windows Azure platform was marked by the successful implementation of this software offering in a network of five Mexican microfinance institutions (MFIs) in 2011. This represents the first live instance of core banking operations being run on the Azure platform.

This technological development builds on Temenos' experience of core systems applications in hosted environments and will offer far reaching operational and financial gains to certain banking markets across the globe.

Financial & Operating Highlights
For The Year Ending 31 December 2011

DELIVERING RESULTS

2011 was another difficult year for the banking industry, with markets becoming anxious about government indebtedness, precipitating the European sovereign debt crisis. Banks were affected in two ways: the falling value of government bonds undermined their financial position while a crisis of confidence in the wholesale market pushed up funding costs.

In this context, banks began to act more cautiously, especially in Europe, deferring capital projects. Accordingly, the market for core banking systems was subdued and the volume of deals fell by roughly 17%. Against this market decline, Temenos' licences dropped by 9% reported and 14% like-for-like, which while far from satisfactory, demonstrated continued market share gains – underscored by notably strong results in the Middle East and Asia.

There was also much to cheer about in 2011, with important milestones including the launch of T24 Enterprise, deployable in Java and in the mainframe environment, and a new services partnership with IBM to jointly target large retail banks. In addition, we set out and began executing against a new strategic plan, which we believe will see us extend our leadership in the core banking market over the medium term.

Financial Highlights

- Total revenue +6% to USD 473.5m
- Maintenance revenues +28% (+6% like-for-like*) to USD 197.3m (2010: 154.8m)
- Cashflow from operations reached USD 102m (2010: 125.8m) representing an EBITDA conversion of 228% (2010: 111%), the third consecutive year in which cash conversion has exceeded 100%.

Operational Highlights

- 40 new customer wins including a multi-site win for WealthManager in Asia and large retail deals at SAMBA Bank and Wing Lung Bank
- A new services agreement with IBM and an agreement with Wipro to offer T24 on an ASP basis. In the year, partners brought us 12% of licence revenue
- Strong performance in Asia with licence revenue share from this region increased from 17% to 30%
- Successful integration of Odyssey – in 2011, there were 10 cross-sales into the Temenos base as well as sales to new customers.

* Like-for-like growth in revenues is expressed after adjusting for year-on-year movements in foreign exchange rates and after excluding the revenue contribution from acquisitions.

Total Revenues

+6%

Total Revenues +6% to USD 473.5m
(2010: USD 448.0m)

Maintenance Revenues

+28%

Maintenance Revenues +28% to USD 197.3m
(2010: USD 154.8m)

Partner Resources

+27%

Partner Resources +27% to 1,780
(2010: 1,400)

Outlook

While signs of a recovery in the banking sector are still tentative, we are hopeful that 2012 will afford a more benign environment for core system replacement. All through 2011, we saw strong interest from banks in taking new systems, as reflected in our healthy pipeline of deals. The challenge we had was converting this interest into concrete orders. The difficult and uncertain outlook for banks led them to defer orders, causing sales cycles to lengthen substantially. In 2012, should conditions become more stable, we might see sales cycles begin to normalise and therefore a potential improvement in licence revenue. Furthermore, the actions we are taking as part of our mid-term strategic plan should also start to take effect, helping to improve performance, while the restructuring measures taken at the end of 2011 should deliver an improvement in margins. Nonetheless, since for the time being the environment remains uncertain, we have communicated a relatively broad outlook range to our investors.

USD 450m-500m: the range of total revenues anticipated in 2012, representing between -5% and +6% growth over 2011.

19%-22%: the level of expected Adjusted EBIT* margins in 2012, compared to 18.6% achieved in 2011. Given the revenue range above, this translates into an absolute dollar range of USD 85-100m.

100%: as in the last 3 years, we expect a conversion of adjusted operating cash** into adjusted EBITDA*** of at least 100%.

* Adjusted EBIT is EBIT adjusted for amortisation of acquired intangibles and any one-off restructuring costs
** Adjusted for one-off outflows related to restructuring
*** Adjusted for one-off restructuring costs

HARNESSING RAPIDLY-GROWING MARKETS

uniBank, a Ghanaian owned universal commercial bank, became the first customer to go-live with ARC Mobile in April 2011. ARC Mobile, a multi-mobile channel solution, was launched in May 2010 to help Temenos customers take advantage of the rapidly-growing market for mobile banking services; a market that, in revenue terms, is growing at a compound annual growth rate (CAGR) in excess of 35% (more than four times faster than the overall banking market) and is expected to reach USD 25 billion by 2014.

While the demand for mobile banking services is being driven predominantly by emerging markets, as a means chiefly for large unbanked populations to gain access to basic banking services, increasingly discerning and technology-savvy consumers in developed economies are also turning to this channel in greater numbers and for a greater range of services.

"Mobile banking represents today the fastest growing channel for banks across the globe. With ARC Mobile, uniBank is the first Ghanian bank to offer advanced mobile banking services that will fundamentally change the way people bank in the country; Temenos is proud to be providing the technology to make this happen."

Andreas Andreades - Chairman - Temenos Group AG

Chairman's Statement
Andreas Andreades

308

Banking Executives participate in the Temenos Community Forum (TCF)

It has always been important to us at Temenos to know what our customers are thinking and we are constantly in dialogue with them to understand this. Every year, at the TCF, we have the opportunity to survey our customers to identify the key issues that keep them awake at night.

This annual Temenos Community Survey yields fascinating insights into the prevailing global banking challenges, investment priorities and industry trends. This year, we canvassed 190 banking executives across a range of banking sectors in 71 countries.

"Temenos delivered a solid performance in 2011 in the context of a challenging market environment. The impact was most pronounced on licence revenue, which declined 9%. However, despite the difficult macroeconomic conditions, Temenos still managed to sign 40 new customers and sales to existing customers were resilient. Strong growth in our maintenance business of 28% supported total revenue, which grew 6%. This resilient performance coupled with continued tight cost control position the company well for a recovery in spending on third-party core banking systems."

Andreas Andreades - Chairman - Temenos Group AG

2011 Review

The past four years have been difficult for the banking sector, which has been at the centre of the financial, sovereign and economic crises. While in 2009 and 2010 the outlook for banks recovered as the financial crisis eased and the global economy improved – and during which time we experienced growth in banks' software spending – 2011 saw a return to more difficult times. The onset of the European sovereign credit crisis in 2011 turned into a fully formed credit crunch for European and global banks. This resulted in an especially difficult year for financial software markets, probably the most difficult in the last decade. In terms of number of deals, the core banking market contracted by as much as 17% and probably more so by value of deals and, in this context, Temenos' performance was resilient and demonstrated further market share gains. Nonetheless, notwithstanding market share gains, our licences were down by 9% and, since we had prepared the business for growth on the back of successes in the prior two years, the drop in profitability was even greater. We are of course not satisfied about our financial performance, which we will strive to improve.

2011 was a year of change and restructuring for the Temenos business. As outlined in the report of our CEO, we took a number of steps in the year to strengthen the company's market leadership and are confident that, over the medium term, we can return to 10%-15% annual licence revenue growth and deliver on average 100 to 150 basis points of annual margin expansion at the same time as producing strong cash flows to generate significant shareholder value. Our strategy to achieve these targets is centred on continued product innovation, improvement in the profitability of our services business, growth of our partner sales channel, and execution of accretive acquisitions that further our strategy. Thanks to continued growth over the years we now boast more than 1,500 customer deployments, supporting customers who are eager to work with us to expand the breadth of our offering and with whom we are collaborating closely. In addition, we will continue to expand our customer base every year as well as exploit pockets of growth in geographies like Asia and the Middle East as well as in areas such as Private Wealth Management and retail banking.

Market Drivers For Growth

The core banking software market continues to be one of the most exciting and attractive global software markets. It is large, growing, underpenetrated and fragmented. What is more, the shift in spending from in-house development to third-party software is a pre-condition to return the sector to historic levels of profitability. Given the structural pressures on profitability arising from higher funding costs, the higher level of capital that banks are required to hold in order to manage risk and the shrinking of their balance sheets, banks can no longer afford to maintain and develop legacy core banking systems, which are not only the largest drain on IT costs but also a major inhibitor to growth. Banks running modern core banking software enjoy significantly higher profitability and faster growth. While the financial crisis has momentarily dampened the appetite for banks to pursue renovation projects, we remain focused on our task and will be ready to service significant pent up demand when appetite returns.

Acquisitions

The Odyssey acquisition has now been fully integrated within Temenos and is delivering strong results. In the year we had, for instance, more than 10 Temenos customers acquiring Odyssey products in addition to a number of new customer wins. In 2011, we also completed the acquisition of Primysin, a Canadian provider of business intelligence software, which augments our Insight Business Intelligence offering especially in the area of operational business intelligence. Through our sustained efforts on acquisitions as well as organic growth over the last few years, our annual maintenance revenue is now approximately USD 200 million representing more than 40% of total revenue and giving improved visibility over revenue, cash flow and profitability. Our acquisition track record in the last 3 years has transformed Temenos into a fully-fledged multi-product financial services vendor expanding our addressable market and reaching out to satisfy the needs of our customers in a more holistic way. Through acquisitions we expanded our reach into business intelligence, compliance, payments and finally into wealth management, the fastest growing segment of the banking software market.

42%

The percentage of revenues coming from maintenance in 2011, giving greater visibility over revenues, cashflow and profitability and underpinning our ability to invest in future growth.

OUTSTANDING PRIVATE BANKING PLATFORM

Temenos was awarded Outstanding Private Banking Platform at the 2011 Private Banker International (PBI) Global Wealth awards. The PBI awards, which reflect excellence across a range of private banking categories, are regarded as the most credible in the industry, voted by and for the industry.

Nicholas Moody, editor of PBI commented: "Temenos' acquisition of Odyssey last year has created a significant force in private banking technology providers. Its combination of core back office functionality and portfolio management software gives a front-to-back solution that is used by an estimated 120 clients globally. Its wealth practice now makes up a significant proportion of Temenos' revenue as it looks to harness the estimated 25% growth in the private wealth software market in the next two years. The fact that it continues to sign on clients, including EFG and Bankhaus Main, indicates its strong market position."

Chairman's Statement
continued

At The Forefront Of Technology And Innovation

During 2012 we have worked very closely with Microsoft and deployed our T24 software on the Azure cloud making the world's most advanced core banking functionality available as a service without installing software at our clients' premises. Already a number of microfinance and community banks run on the service which is another first for Temenos. We expect that eventually this channel will achieve mainstream acceptance, and will revolutionise how we deliver our software to our clients. Temenos is ready to lead this new exciting phase of market development.

Product Awards

A further reflection of our commitment to product innovation, underpinned by the highest R&D spending in the industry, Temenos was the recipient of several product awards in 2011. Temenos won the category of Best Core Banking Product in Banking Technology magazine's Readers' Choice Awards – especially pleasing since it is judged by our customers. Temenos won the "Technology Provider of the Year" and, in conjunction with Metro Bank, "Best Use of IT in Retail Banking" at the Financial Sector Technology Awards. Temenos was named a "Global Power Seller" by Forrester and was once again positioned by Gartner, Inc. in the Leaders Quadrant of its International Retail Core Banking Magic Quadrant report. And, lastly, building on the acquisition of Odyssey, Temenos won the "Outstanding Private Banking Platform" at the 2011 Private Banker International (PBI) Global Wealth awards.

Our Partners

Following the agreements with Cognizant in 2009 and Deloitte and Capgemini in 2010, we signed a global partnership agreement with IBM, and a Global T24 Services Partner and ASP agreement with Wipro in 2011. We are delighted to join forces with such global leaders and see their interest as a ratification of our business model, our product roadmap and the potential of the third-party core banking software market. Together with our existing local partners, our ecosystem of external consultants now numbers nearly 1,800. Our partnerships continue to help us optimise our offering, provide improved customer choice over technology platforms, reliable and low risk implementation of solutions, as well as an extension of sales channels and greater reach for Temenos.

Our Customers

Customer success begets corporate success. Maximising customer satisfaction is our primary goal. In 2012, we have launched the Temenos Customer Loyalty Programme (TCLP). TCLP will build on our existing customer initiatives and help improve satisfaction by converting customer feedback into a concrete set of easily measurable actions.

In 2011, we hosted our annual Temenos Community Forum (TCF) in Lisbon, Portugal. The 2011 event was the largest and most successful ever with over 800 attendees from 84 countries. The attendees were a mix of customers, prospects, press, industry analysts, investors, partners and Temenos employees. The event was, as always, extremely active with 80 presentations and workshops, and more than 500 meetings.

Our People

We pride ourselves on our diversity and equal opportunity culture at Temenos and our 4,000 employees comprise 75 nationalities and speak 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. We endeavour to preserve the dynamic, entrepreneurial culture on which the business was founded and which has afforded a level of autonomy that has allowed our people and business to thrive.

Board of Directors

In 2011, we decided to nominate three new directors for election to the Board of Directors at our Annual General Meeting of Shareholders to be held in June 2012. The new candidates are Ian Cookson, Thibault de Tersant and Sergio Giacoletto-Roggio. I firmly believe the new candidates have outstanding skills and significant experience that will strongly contribute to the ability of the Temenos Board of Directors to support our future strategic and business objectives. I would also like to thank our departing directors, Mark Austen, Lewis Rutherfurd and Paul Selway-Swift for their valuable contribution to Temenos over the past few years.

CEO Transition

2011 was also a year of management transition. On 1 July, I assumed the role of Chairman and Guy Dubois joined the company as CEO. Evidently, it was a difficult market backdrop in which to take on the top job at Temenos, but I would like to take the opportunity to thank Guy for his hard work in 2011 and to congratulate him on his many achievements. Guy quickly gained a thorough understanding of the business and its environment and the operational changes he has made in his first year, along with the new management he has brought in, have rendered Temenos a much stronger company.

Lastly, I would like to thank of our people, partners, investors and customers for their continued support in 2011.

Andreas Andreades
Chairman

PROVIDING FLEXIBILITY WITH COMBINED STRENGTH

2011 saw the launch of T24 Enterprise Java Edition (T24E Java Edition), the new Java and component based version of Temenos T24 (T24) designed for use by the world's largest banks. As part of this launch, Temenos unveiled results of a major benchmark which illustrate the high performance of the new product running natively on IBM's System z servers, fully exploiting the advanced features that System z users benefit from today.

T24E Java Edition combines the industry's most efficient core banking software with IBM System z, the unrivalled platform of choice for large scale banks globally, including the top 50 global banks. These banks can now acquire a modern, cost effective and highly scalable core banking solution combined with the highest levels of resilience, reliable performance and rich, mature and proven control environment of System z.

IBM has also granted T24E Java Edition certification for the IBM Banking Industry Framework for Core Banking Transformation, its foundation for the incremental modernisation of a bank's core systems.

T24E Java Edition provides the best option for IBM mainframe users to successfully migrate from legacy core banking systems in a risk controlled manner and improve their performance, profitability and customer service.

"Large banks value the reliability, scalability and security of the mainframe environment." said Andreas Andreades, Chairman, Temenos. "T24 Enterprise for System z ensures that large banks can continue to enjoy the scalability and reliability of the mainframe platform, while exploiting the benefits of lower cost of ownership, flexibility to adapt to market changes and ability to differentiate at the customer service level that are afforded by a modern banking application like T24.

"We estimate that 55% of core banking spend is undertaken by large retail banks, so clearly this is a very large opportunity for all parties involved and we look forward to a long and successful partnership with IBM."

Andreas Andreades - Chairman - Temenos Group AG

Business Review
Guy Dubois

THE MARKET SUPPORTS OUR MID-TERM OUTLOOK

"As banks adjust to the new political and economic realities of the post-financial crisis landscape, Ovum expects the market for core transformation, and core replacement within this, to accelerate. Outside the largest Tier-one banks, Ovum believes that the leading vendor solutions have reached sufficient functional and technology maturity to make buy, not build, the default option for most institutions, with vendors able to help banks deal with the advances in technology architecture and process-centric design that have occurred over the last decade."

Ovum – Solution Guide to International Retail Core Banking Systems, February 2011

"In some respects 2011 was a difficult year for Temenos, but we made good progress in a number of important areas. We continue to believe the company is best-placed to capitalise on the shift in financial institutions' spending from in-house software development to third-party applications as a means of growing asset yield, enhancing customer experience, improving efficiency and reducing the cost of operations."

Guy Dubois - Chief Executive Officer - Temenos Group AG

An Industry Perspective
When you observe the core banking market from outside, it is puzzling that packaged software penetration levels remain so low. On the one hand, you have an industry supporting an unsustainable level of IT spending. On the other, you have a number of off-the-shelf core banking applications capable of delivering demonstrably higher profitability.

My assumption before joining the industry was that banks were wedded to internal software development in an effort to gain competitive advantage.

I now no longer believe this to be case. Banks have not more widely embraced third-party systems for two reasons: the size of the challenge and the lack of market sanction for not doing so.

To overcome banks' reluctance to undertake these large projects, system vendors need to do a better job of setting out their credentials. Core system vendors need to convince banks that the industry has grown up – that the software has matured but also that it is capable of being implemented in months not years and with a price tag in the single-digit millions.

But the external environment is also changing in a way that will drive core system replacement. Up to now, core replacement has been a pro-cyclical activity – that is, banks modernise systems when they are doing well. However, the realities of a post-crisis world, with stricter regulations, tougher competition and more demanding customers will change this. The economics of spending too much on IT will bite much harder, as will the restrictions placed on growth from operating legacy systems.

Far from giving banks a source of competitive advantage, legacy systems must be modernised if banks are to return to pre-crisis profitability levels.

2011 In Review
The sovereign debt crisis made for a very difficult backdrop to core banking sales in 2011 and our performance suffered, with profitability in particular much lower than we had expected. That said, Temenos did strengthen its market position in the year and we are confident that, with the restructuring measures taken and by delivering our strategic plan, we will be able to deliver a quick and meaningful turnaround in 2012 and, over the medium term, return the business to sustained double-digit growth in licences and profits.

2011 was the year the market called time on sovereign debt, doubting the ability of some governments to service their debts and so pushing down significantly the price of their bonds. In this context, and as the largest holders of sovereign debt, banks saw funding costs rise sharply which, alongside a worsening macroeconomic picture, caused them to start acting much more cautiously.

33

Temenos had 33 customer go-lives in 2011. This equates to one customer going live every 11 days with our software, including in the year the first live deployment of T24 in java at Swissquote. In addition to these go-lives, we had over 50 customers upgrade to newer versions of our products.

STRATEGIC PRIORITIES

Strategic Priorities	Progress	Further Information
1 Extend leadership with innovative apps built on superior architecture	• Completed largest ever benchmark with Microsoft. • Creation of Product Business Group (PBG).	> Page 10
2 Place a relentless focus on sales to drive growth	• Increased penetration of Asia market – 17% to 27%*. • Completed re-tooling of the sales organisation.	> Page 10
3 Create a profitable, knowledge led, expert services organisation	• Appointed head of Customer Loyalty & Maintenance business. • Appointed new head of CSG.	> Page 24
4 Continue to strengthen our partner ecosystem	• New partnerships (Wipro, IBM). • Over 1,782 trained partner consultants.	> Pages 19 & 23
5 Exploit growth opportunities with bolt-on acquisitions	• 10 cross sales of Odyssey products to existing customers. • Closed Primisyn acquisition in BI market.	> Page 11
6 Deliver strong results with continued focus on margin and cash	• Launched cost efficiency programme to take out USD 25 million. • Continued growth of maintenance stream to ~USD 200 million.	> Page 12

For more information on our strategy and strategic goals, please follow the link below and select the CEO Presentation from our Investor Day December 2011.

> www.temenos.com/Investor-Relations/New-Presentations

* License sales Q311 v Q111.

Business Review
continued

BEST CORE BANKING PRODUCT

In 2011, Temenos won the Banking Technology Readers' Choice award for 'Best Core Banking Product' for the fifth year running, meaning that T24 has been the winner every year since the award was launched in 2007.

RECORD-BREAKING PERFORMANCE

Close collaboration between Temenos and Microsoft led to optimised connectivity between T24 and SQL Server 2012, which was applied during testing. This enabled the test to exploit and complement the latest features of both the application and the pre-release version of SQL Server.

At peak performance, the system processed 11,500 transactions per second in online business testing and averaged more than 10,000 interest accrual and capitalisations per second during close-of-business testing – processing 25 million capitalisations and account accruals in less than 42 minutes. The testing showed a near linear scalability of 95% as the number of agents was increased.

In our market, this caution manifested itself in longer sales cycles, particularly in Europe and with Tier 1 institutions. The overall volume of core banking deals in 2011 fell by 17% and, given the lack of mega-deals, declined further in value terms. Against this, our licence revenues dropped by 9% reported or 14% like-for-like and hence we are confident that we continued to gain market share.

Like many market players, we had anticipated growth in sales in 2011 and so went into the year with a higher cost base. Consequently, adjusted EBIT of USD 88 million fell by a greater margin than the drop in licences – by 23%. Nonetheless, maintenance revenue grew by 28% to reach USD 197 million, or 42% of total revenues, helping total revenues to grow by 6% to USD 473 million. Operating cashflow was also strong at USD 125 million – more than two times the level of EBITDA.

Some Significant Operating Achievements

Our Middle Eastern and Asian businesses grew licence revenue compared to 2010. In the Middle East, large deals, such as the deal at SAMBA bank, the second-largest bank in Saudi Arabia[1], underscored market share gains. In Asia, we capitalised on the fast-growing banking market to generate double-digit licence growth, recording a multi-site deal for our WealthManager (WM) solution and a significant T24 retail deal with Wing Lung Bank in Hong Kong.

We also saw growth in sales to our installed base. In 2011, we saw particularly strong take-up in our BI product, Insight, and our Private Wealth Management (PWM) solutions, Triple'A Plus (TAP) and WM. Both of these solution sets play very well in an environment where banks are endeavouring to raise revenue per asset – Insight gives banks the granular customer information to be able to cross-sell effectively and manage risk better while TAP and WM give banks the tools to offer their High Net Worth (HNW) and Mass Affluent customers higher margin and less capital-intensive wealth management products and services.

We added two significant new partnerships: Wipro Technologies, with whom we have partnered to offer T24 on an Application Service Provider (ASP) model to smaller European banks, and IBM, with whom we have signed a services partnership (on top of our existing technology partnership) to target jointly the world's largest retail banks. The number of trained partner consultants working on T24-related projects rose from 1,400 to 1,782 during the year, and partners brought 12% of licence revenues in 2011 compared to 5% in 2010.

2011 saw major new releases of T24, TAP, WM and Insight, incorporating significant functional and technological enhancements, and we invested an additional USD 120 million in R&D in the year to maintain our rate of innovation in the future. The R11 release of T24 was a particular breakthrough: deployable in Java, on a wider range of technology platforms including the IBM z series, and delivering the first stage of our Temenos Banking Framework (TBF).

We successfully integrated Odyssey, the acquisition we made in 2010, and in July 2011, we concluded the acquisition of Primisyn to broaden our BI product offering to include customer analytics and operational intelligence.

Our Mid-Term Strategic Plan

In the summer of 2011, we undertook a detailed strategic planning exercise to determine the right initiatives to deliver strong sustainable growth in revenues and earnings. Our mission for the medium term is to capitalise on our strengths – such as our unrivalled record of innovation and the largest installed base in the industry, to deliver the best returns in the industry for all of our stakeholders: unparalleled customer success, the best place to work and the greatest value creation.

Mid-Term Strategic & Financial Objectives

First, we need to complete delivery of our ambitious technology roadmap known as the Temenos Banking Framework (TBF), which we showcased at our investor day in December 2011. The TBF roadmap will allow for our software to be implemented on a phased basis, component by component and to be deployed natively on multiple platforms, including the mainframe. In addition it will afford asynchronous and partial upgrades of our software, significantly faster functional developments, significantly better performance as well as codeless integration and interaction with other applications and user agents. In short, our roadmap will enable us to deliver far superior performance alongside far simpler integration.

To achieve consistent sales growth, we must realise three strategic initiatives. Firstly, we need to increase the proportion of sales to existing customers to 55% of the mix (compared to our historic 46% average). Secondly, we must increase our exposure to the largest and fastest

Source

1 This is based on size of assets. Source: The Banker – Top 1000 banks 2011.

growing regions, notably Asia but also the Americas, taking this to 40% of the mix. And, lastly, we must increase our sales to Tier 1 and 2 banks, which tend to be disproportionately larger deals. Over the mid-term, we aim to have at least 25% of licence sales coming from Tier 1/2 institutions.

We need also to deliver best-in-class customer experience. To that end, we must continue to raise the level of customer satisfaction, and the newly-formed Customer Services Group (CSG) must be at the heart of our engagement with customers. No external party can ever know our products as intimately as we do. Accordingly, CSG must play a key role in knowledge transfer, and ensuring customer success, and we must continue to generate around a quarter of our revenues from services over the medium term.

Our business will not scale to meet the industry's needs without partners. As such, we must ensure that our partners receive regular and sufficient training to be able to implement our software. In addition, we need to support them in their business generation activity. Over the medium term, we aim for the ecosystem of partner certified consultants to reach 3,000 and for the level of partner-brought licences to reach 20% of total.

Lastly, to ensure we can lead this industry over the long term, we need to achieve greater scale more quickly. We therefore continue to consider acquisitions as a strategic priority to complement organic growth. Any acquisition we undertake must deliver earnings accretion within 12 months. Our preference is for acquisitions that can bring complementary products to boost sales growth.

These strategic initiatives translate into the following medium term financial goals.

- Return to 10-15% annual licence growth
- Restore services to double-digit margins
- Keep the services revenue contribution to around 25% of total revenues
- Increase adjusted EBIT margins by 100-150 basis points on average per year
- Maintain 100% conversion of adjusted EBITDA into adjusted cash from operations.

Outlook For 2012

Specifically for 2012, we have set out the following outlook. We expect total revenue to grow by between -5% and +6%, giving an implied range for revenues of between USD 450 million and USD 500 million. We anticipate an adjusted EBIT margin, calculated after adding back one-off restructuring charges and amortisation of acquired intangibles, to be in the range of 19% to 22%, translating into an absolute range of USD 85 million to USD 110 million. Lastly, we anticipate adjusted operating cash (adjusted for one-off outflows related to restructuring) into adjusted EBITDA (adjusted for one-off restructuring costs) of at least 100%.

Closing Remarks

Core banking system replacement represents a significant and largely untapped opportunity. As a vendor community, we need to do a better job of making the link between system modernisation and higher profitability, while also demonstrating how far we have come – in improving the scalability of our systems, establishing proven implementation methodologies, pre-packaging processes, interfaces and local requirements and in growing the ecosystem of core banking implementation specialists. But, core system replacement has become inevitable in light of structural changes in the banking industry – banks need to unburden themselves of legacy systems to improve efficiency and to grow.

While the market was certainly challenging in 2011, Temenos continued to extend its leadership. In addition, we set out and are already delivering on our medium-term strategic initiatives which will see us deliver above-market growth in licences, at the same time as growing margins significantly, to cement further our leadership. In 2012, while we cannot be sure of a market recovery and thus that we can generate total revenue growth, we are confident we will deliver higher margins.

I would like to finish by thanking all of our investors, partners and customers for their warm welcome and their collaboration and support. I would like to thank our people for the same plus their incredible hard work and dedication in 2011. Together, we can and will deliver our vision for the business and realise Temenos' enormous potential.

Guy Dubois
Chief Executive Officer

AUGMENTING BUSINESS INTELLIGENCE

Now no stranger to acquisitions in the BI market, Temenos has again bolstered its offering with the acquisition of Primisyn, a leading provider of BI solutions for the Canadian financial services sector. This has extended Insight by offering clients customer intelligence and operational intelligence modules.

Guy Dubois, Temenos CEO commented, "Business intelligence is a large and fast-growing market within the financial services software sector. Since moving into the BI market in 2008, Temenos has made substantial investment in sales and research and development, and seen rapid sales growth. With this acquisition, we broaden our product offering to include customer analytics and operational intelligence, which will enable us to address a larger market and so, we believe, sustain our double-digit compound growth rates in BI. We welcome the Primisyn team and its customers to Temenos and we look forward to achieving exciting results."

Financial Review
David Arnott

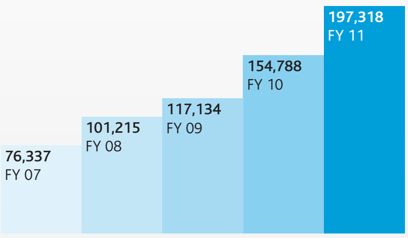
Operating Cashflow

102M

USD 102 million of operating cashflow generated in 2011, driven by lower DSOs.

Adjusted CAGR On Maintenance Revenue In The Last Five Years (USDm)

27%



"Temenos' end markets remained challenging in 2011, and despite this we grew total revenues by 6%, to USD 473.5 million, and are rapidly approaching the half a billion mark. Licencing revenues declined by 9% but this was more than offset by higher maintenance revenues. This, coupled with strong cost control throughout 2011, leaves us very well positioned to deliver significant margin improvement going forward, even in the absence of an improvement in end market conditions. Cash generation was very strong in 2011, with DSOs declining to 103 days, and we expect this downward trend to continue into 2012."

David Arnott - Chief Financial Officer - Temenos Group AG

KEY FIGURES DECEMBER 31

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

	2011	Re-presented 2010
Employees (including consultants)	**3,940**	4,261
Revenue	**473,469**	447,951
EBITDA	**44,727**	113,592
Adjusted operating margin %	**18.5%**	25.40%
Adjusted operating profit	**87,721**	113,728
Cash generated from operations	**102,001**	125,826
Total assets	**954,989**	986,000
Shareholders' equity	**348,182**	492,727
Basic earnings per share	**USD (0.41)**	USD 0.98
Diluted earnings per share	**USD (0.41)**	USD 0.93
Adjusted earnings per share	**USD 0.87**	USD 1.47

Licencing Held Up Well Despite Challenges In Certain Key Markets
During 2011 we saw divergent trends in our end markets, which resulted in total licencing revenues declining by only 9%, while our home market, Europe, had been more significantly impacted. We outperformed our peers as a result of our compelling product and services offerings.

Emerging markets, particularly in Asia and the Middle East, continued to perform very strongly, and the potential from emerging markets will remain a key growth driver for our licencing going forward. It is clear that over the medium term, stronger regulation and competition will accelerate demand in developed markets for efficient, functionally rich and flexible core banking software solutions. However, in 2011 the decision making cycle for such decisions became increasingly extended as banks became more cautious. Whilst we continued to outperform our competitors in winning those deals that did come to market, many banks delayed decisions until visibility improved. This more than offset the strong demand in emerging markets, resulting in an overall decline of 9% in licencing revenues.

We were pleased that in a challenging year, we won key deals in growth territories, and reinforced our value proposition with some key go lives, positioning ourselves very strongly to benefit from more normalised sales cycles.

Our maintenance value proposition was key to our success in 2011, with maintenance revenues increasing 28% over 2010. With the high amount of R&D that we put every year into our product offerings (USD 119 million in 2011 alone), the value proposition for clients who pay maintenance is very compelling, since they benefit from improvements and best practice gained across our client base being built in as regular enhancements through our annual release cycle. Our maintenance rate is 21% of licencing, and this attached to our cumulative licencing over time, providing excellent revenue and cash visibility year on year. For 2011 our maintenance revenues reached USD 197 million.

Services Transition Now Well Under Way, Impacting Profit Margins In 2011
2011 was a transition year for Temenos' services organisation, as we saw an acceleration of our partner programme, whereby implementation partners take on an increasing proportion of services. This not only allows Temenos to focus our own resources on offering more specialised services close to our products, and improves overall group margins but also removes an important constraint to growth. In the short term however, as a result of passing more business to partners, our services revenues declined by 2%, to USD 130 million in 2011, bringing services as a share of total revenues to 27%, marginally higher than our targeted 25%.

We made a conscious decision not to reduce the cost base of our services business, and focused instead on realigning our services delivery capability with the partner led model. This included focusing on Project Manager and senior consultant skills, as well as packaging and standardizing our Implementation approach. As a result, the costs of our services business increased 11% in 2011. The combination of these two factors resulted in a decline in overall margin, which was -17% in 2011.

We restructured a number of unprofitable services contracts during 2011 as part of a strategic review of our services business, and this resulted in exceptional charges above our usual run rate for project based write offs. We now expect a return to normal as a result of a much strengthened management team and improved processes in our delivery business.

We have absorbed the majority of the structural shift in our services margin in 2011, and are now very well positioned to benefit going forward. Importantly, we are now starting to see traction in Partner led Licence deals, which reached 12% of total licencing in 2011, more than funding the investment in transforming our services business.

Despite good cost control across all lines of business and improved maintenance revenues, this was insufficient to absorb the lower licencing and financial impact of our services transition, and as a result underlying EBIT margins declined to 19%, down from 25% in 2010.

Financial Review
continued

"Emerging markets, particularly in Asia and the Middle East, continued to perform very strongly as growth-led demand in rapidly expanding economies meant that financial institutions had to invest in next generation banking systems to meet tangible and imminent growth pressures, ranging from the ability to service the growing needs of urbanised, historically unbanked populations, to attracting High Net Worth Individuals."

David Arnott - Chief Financial Officer - Temenos Group AG

STRONG PRODUCT ADVANTAGE

Temenos continues to invest strongly into its product in order to maintain technological leadership. In 2011 our R&D spend represented 25% of revenues. We have a comprehensive and compelling offering to meet the needs of the most demanding financial institutions.

Strong Cash Generation And Improvements In DSOs
Temenos was strongly cash generative in 2011, while improvements in cash payment terms along with a very strong maintenance business model, with all customers paying annually in advance, reducing DSOs to 103 days.

In 2011 Temenos generated USD 102 million of operating cashflows, which translates into a cash to EBITDA conversion of 228%, the third successive year where 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.

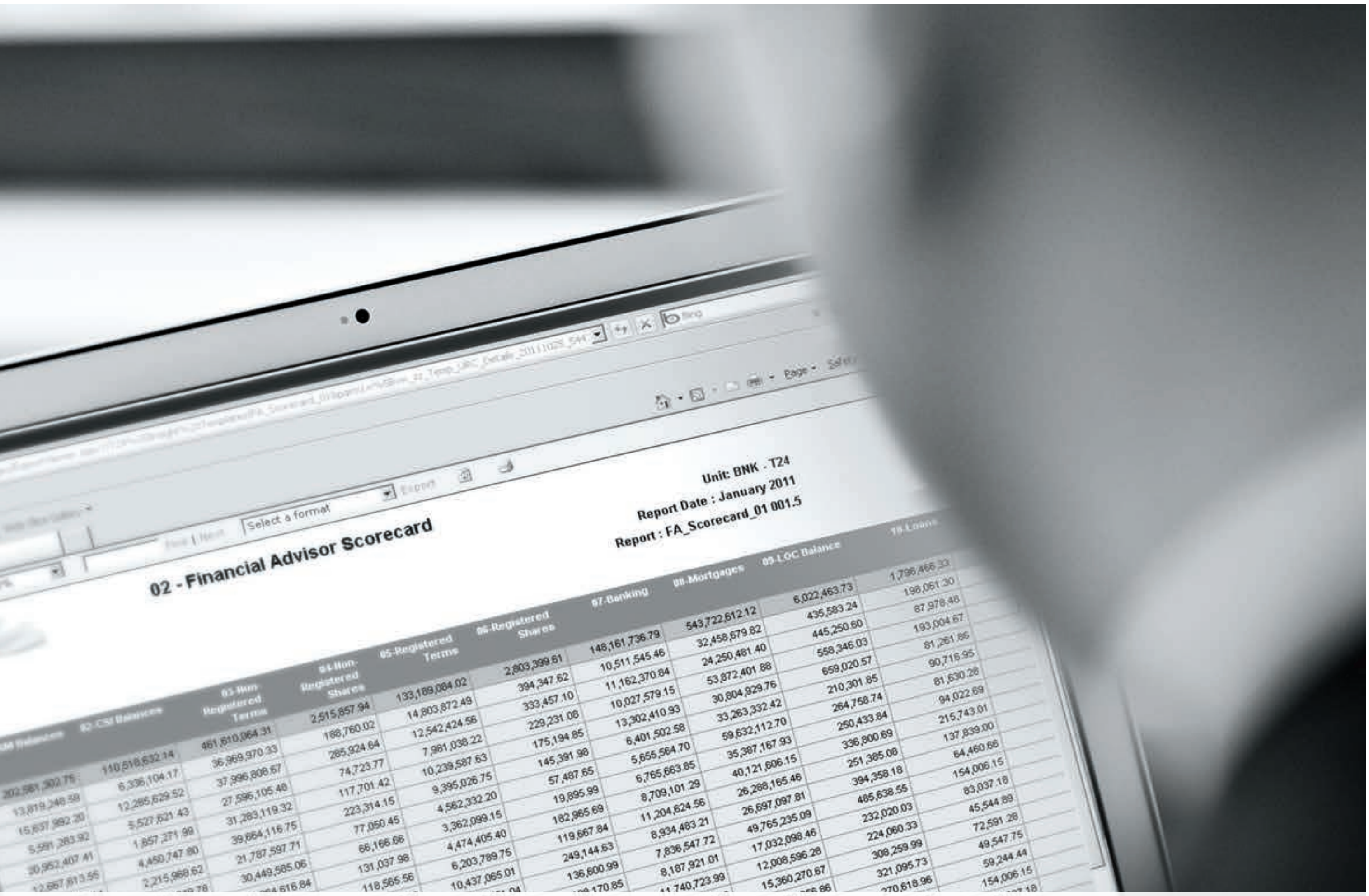
DSOs continue to reduce towards levels consistent with a mid size software company. One of the reasons why Temenos has traditionally had such an elevated level of DSOs has been our model of delivering our projects ourselves, which has resulted in a high relative share of services revenues as well as licence payment terms attached to project milestones. This, coupled with the length and complexity of core banking implementations, has tied up considerable working capital in the business relative to sales. As partners assume a greater level of services provision, we are observing a positive impact on DSOs from a decoupling of payment terms from project deliverables.

Low Gearing Will Allow Temenos To Take Advantage Of Acquisition Opportunities
Despite acquiring two sizeable businesses since December 2009 and a number of smaller businesses, and challenging conditions in parts of our organic business, our net debt at the end of 2011 remains under USD 100 million, and continues to decline. We have completed the integration of Odyssey and continue to generate significant free cashflow from our base and acquired businesses.

Our convertible bond was converted at the end of 2010 and we now have a simple capital structure, comprising on balance sheet cash and a Syndicated bank facility (comprising USD 100 million term loan and USD 250 million RCF) that runs to Q2 2014 on excellent terms. As a result, Temenos has significant headroom to undertake corporate actions to create shareholder value.

2012 Outlook
The conditions for further strong growth in revenues and profitability are in place. We will continue to focus on growth economies and managing our cost base until conditions improve, based on our value proposition of generating superior value for our customers. We are capitalising on the significant economies of scale afforded to a growing company. And, lastly, our 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.

David Arnott
Chief Financial Officer



ENABLING EFFICIENCY

Regulatory reform is driving global banking investment as more than 25 banks across Europe, Asia, Africa, the Middle East and the Americas have contracted to implement Insight Risk Intelligence, Temenos' new risk offering, since its launch in May this year.

This rapid take up shows the growing importance of strong risk management among banks globally to enable efficient capital allocation and compliance with regulatory requirements like Basel III. Insight Risk Intelligence is designed to equip banks with the advanced tools required to effectively support Basel II and III, Asset and Liability Management (ALM) and market risk management.

"To comply with the Pakistan Basel II central bank returns, we have to automate our reporting processes. In the face of tougher regulation, no one is going to be able to effectively comply under a manual reporting framework, which is high risk and low efficiency. With Temenos' regulatory capital module, we will have out of the box reports which fully support all Basel II reporting requirements."

Javed Yousuf Edhi - CIO - Silkbank

PRODUCTS: AT THE HEART OF DELIVERING UNRIVALLED VALUE

Temenos continued to invest industry-leading levels of R&D in our products in 2011, providing unrivalled value to our clients and a clear differentiation in our markets. This was invested in accordance with our longstanding principles of developing 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 this 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 annual upgrade of our main core banking system, T24 Release 11, was made available in April and included the first deliverables in our major restructuring of the system into individually deployable components – the T24 Component Framework; an offering enabling the world's largest banks to integrate the Temenos functions they require into their existing, complex IT landscape. The first two deliverables were Customer and Accounts, enabling all of our T24 components to operate with the client's existing customer and DDA accounting systems as well as to deploy T24 Customer and T24 DDA Accounts individually.

We also announced investment in three other T24 Frameworks – Platform, Integration and Interaction. The first release of the Platform Framework in 2011 now enables T24 to operate natively on the popular and powerful Java environment, allowing banks to take advantage of the flexibility, reliability, scalability and portability that this platform offers. This means T24 is now the only banking system able to deploy identical functional code in either the Java or Microsoft worlds, giving our clients choice and enabling them to migrate from one to another with minimal investment as their technology strategy evolves. Our first client went live on the Java deployment during 2011. In the Microsoft environment we ported T24 into the Microsoft Azure Cloud platform and migrated our first 5 banks onto this platform making T24 the first core banking system to operate production environments in the Public Cloud. The Cloud offers unrivalled price/performance and scale and we expect Cloud to revolutionise the provision of IT solutions in the medium term.

The first release of our Interaction Framework was also developed during 2011, enabling T24 to integrate seamlessly with external services within its processes and functions without the need to write software code.

During 2011 we also launched the latest release of Triple'A Plus, Release 11. This includes a revolutionary design platform, Temenos Design Studio, that enables the bank to design, develop, test, control and deploy all changes and improvements to their Triple'A Plus configuration including workflows, services and products. Design Studio will become the central design management environment for all our products as they converge. Triple'A Plus Release 11 also contained substantial functional enhancements to the product, including advanced performance attribution, greater support for the relationship manager through exception based portfolio management features, improved risk reporting and a new investment proposal generator. This is all delivered through a new, web based portal, consolidating Triple'A Plus' position as the leading portfolio management system. We also released the standard interface between T24 and Triple'A Plus giving private banks and wealth managers a full, front office to back office and best of breed solution to their requirements.

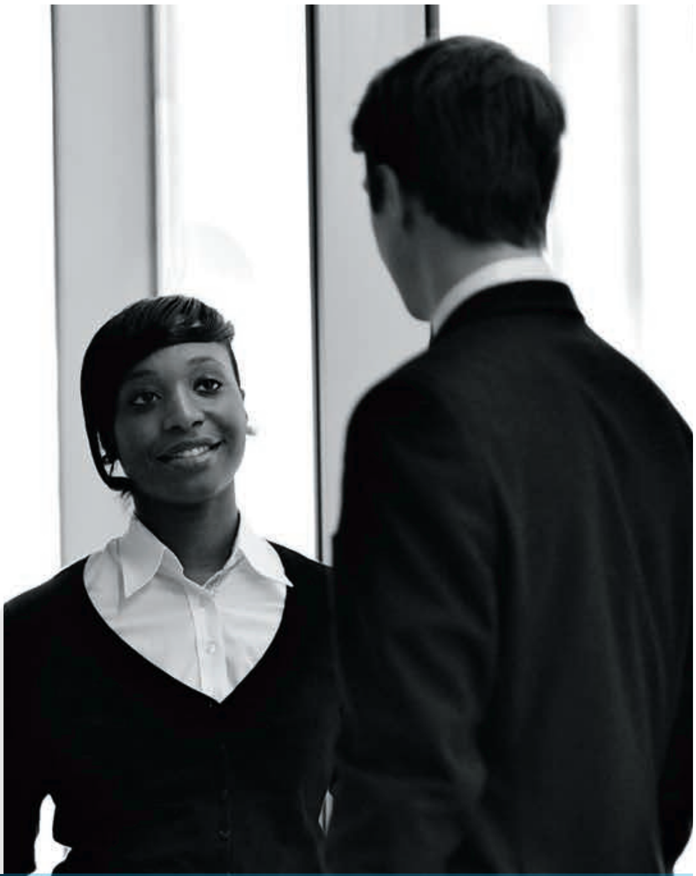
Our WealthManager product provides specialised support to wealth managers and brokers and during 2011 we completed a major extension of its authorisation model to greatly increase the ease of configuration of users' access to data as well as re-architecting the client reporting module to increase the level of control over the reports that get sent to the client.

Release 11 of our business intelligence suite, Insight, included a powerful new customer intelligence module which offers customer profitability, sales performance and relationship manager scorecards. Banks can view profitability across all customer dimensions such as company, branch, department, account officer and country of risk, as well as user defined dimensions such as salary band, age and gender etc. We also upgraded Insight Risk Intelligence to offer a flexible framework and advanced tooling to help banks prepare for Basel III compliance. Senior managers can examine and compare the performance of different business divisions, price products more accurately to represent risk factors and capital consumption and manage capital allocations to ensure long term profitability.

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 33 new clients were successfully taken live using these new methods.

Release 11 of ARC Mobile saw the introduction of our banking applications (apps) for smartphones with initial apps for Microsoft Windows Phone 7, Apple iPhone and Google Android.

OFFERING THE MARKET LEADING VALUE PROPOSITION



Our products are open, integrated, componentised and upgradable, supported by a dedicated professional services organisation & a strong partner ecosystem.

We deliver superior business value by productising the domain experience of more than 1,500 customer deployments into best practice banking models, processes and innovative software products.

DELIVERING SUPERIOR PROFITABILITY

Benefits Of Using Temenos	Impact	Evidenced
• Rapid launch of personalised products, single view of customer and risk	Greater wallet share	Techcombank has been growing profit per customer by an average of 25% since going live with T24.
	Lower asset provisions	Bank of Shanghai had NPLs of 1.12% in 2010 (70% below average*) despite an asset CAGR of 26% (7x average*).
	Market development	Credit Agricole took €2.6bn in new deposits in 12m after opening a new online private bank using T24.
• Low cost, highly automated, scalable system	Sustainably lower costs	Schroders Private Banking lowered its cost to income by 10.7 points after centralising operations with T24.
	Economies of scale	EFG has integrated 24 acquisitions onto its IT platform yet spends less than one third of industry average on IT**.

For more information on our Value Proposition and Leading Market Position, please follow the link below and select the CEO Presentation from our Investor Day December 2011.

> www.temenos.com/Investor-Relations/New-Presentations

* Average of top 1,000 banks – The Banker.
** Industry average derived from BCG research.

PIONEERING CLOUD STRATEGY FOR GLOBAL MICROFINANCE

The combination of T24 and the Windows Azure platform, including SQL Azure, allows banks to remove the high data centre costs associated with running a multi-application environment by moving these operations to a consumption based pricing model. Banks will no longer need to expend time and budget on provisioning and operating hardware resources, as running T24 natively on the Windows Azure platform enables them to scale resources effectively and increase volume according to customer demand.

"Cloud computing has the capacity to completely change the financial services landscape." said Bindia Hallauer, Chief Technology Strategist, Worldwide Financial Services, Microsoft. "We have the ability to lead the industry in opening the financial services market up to many tens of thousands of microfinance institutions and their millions of customers. With the Microsoft Windows Azure cloud infrastructure, we believe that we can lead the transformation of financial services for the more than two billion people living on less than USD 2 per day."

> "Today, IT virtualisation is gaining traction in the microfinance sector as more MFIs recognise the cost efficiencies of running their operations in this way."
>
> Murray Gardiner - Director, Microfinance and Community Banking - Temenos Group AG

PARTNERS: ENABLING NEW SERVICE OFFERINGS

During 2011 the Partner Programme continued to grow in line with the strategic plan. In spite of challenging market conditions, the demand by leading Management Consultancies and Systems Integrators to become a Temenos Partner is greater than ever, reflecting their view of the Temenos Partner Model, and the long term potential for Temenos in the market. By the end of 2011 the number of Partner resources directly working on Temenos projects had increased by 27%, to 1,782 consultants. The amount of leads that Partners brought to Temenos grew, and the amount of business that was won through Partner-brought leads more than doubled from 2010.

In addition to supporting the delivery of projects the main focus area for Partners in 2011 has been the creation of specialist packaged services such as Managed Testing, Managed Data Migration and Certified Upgrades. These are all services that have been developed by Partners to improve quality for customers and to industrialise standard processes. The aim is to combine the knowledge of System Integrators and offshore resources with the governance and expert knowledge of Temenos Services. For instance Cognizant has developed a "Cloud" based testing solution for T24 Customers for both initial projects but also incremental upgrades.

Partners enable the creation of new service offerings to the market. Application Service Provision (ASP) is one such area that allows Partners to deliver a complete solution of licence, hosting and implementation service for Banks in return for regular periodic payments that reflect the scale of use. 2011 saw not only Wipro Technologies become a Global T24 Services Partner but also buy a licence to be able offer ASP services in the Europe Union. At the lower end of the ASP scale Temenos became the first company to offer core banking solutions in the public "Cloud" to Microfinance Institutions using Microsoft Azure for five banks in Mexico.

This solution is now being rolled out to Africa as well as to Latin America. For work on this Temenos was awarded the Microsoft Global Financial Services Partner of the Year Award, 2011, at the Microsoft World Partner Congress in July.

Relationships with key technology Partners continue to be important, enabling the use of best in class technology as a platform for Temenos products. Benchmarks continue to be a way of demonstrating the ability of Temenos products to scale. By the end of 2011, Microsoft was demonstrating its ability to support banks with 11,500 transactions per second in online business testing, and averaged more than 10,000 interest accrual and capitalisations per second during close-of-business testing – processing 25 million capitalisations and account accruals in less than 42 minutes. The testing showed a near linear scalability of 95% as the number of agents was increased – all using the new version of SQL Server.

Our relationship with IBM has historically been based on their technology elements. However, with T24 running native on the z series mainframe, and with the release of T24 Enterprise, Temenos has become more attractive to Tier 1 and 2 banks as part of a component replacement strategy. This, and a major win in Japan with our Wealth Manager product, became the catalyst for the creation of a Global Partnership with the Services arm of IBM focusing on the larger international banks.

Regional coverage through Partners has also been an important focus for 2011, with the relationship with CGI, as the largest SI in Canada, being important to progression in Canada, but also well positioned to support Temenos product rollout in North America.

Traditional relationships with Deloitte and Capgemini continue to be important as do local partners such as NDC, that demonstrated the ability to deliver quickly even in challenging environments such as Iraq where they were able to take a bank live in five months.

The focus for 2012 continues to be the strengthening of these alliances, with continued expansion of the Partner Programme focused on adding those that can help to bring or close business, as well adding to specialist geographic coverage.

1,782

We saw an acceleration of our Partner Programme, whereby implementation partners take on an increasing proportion of services. Partner resources have steadily grown to 1,782 trained partner consultants. This not only allows Temenos to focus our own resources on offering more specialised services close to our products, and improves overall group margins but also removes an important constraint to growth.

MARKET: BRIDGING THE PROFITABILITY GAP[1]

After three decades of exceptional earnings, the combination of various factors – most notably tighter post-crisis regulation – has exposed a structural gap in bank profitability that requires a structural response rooted in core systems replacement.

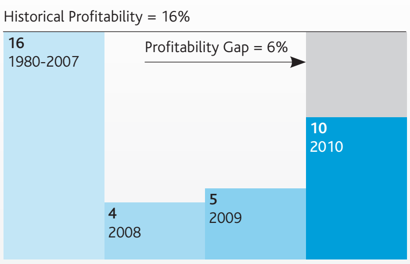
The Profitability Gap
Between 1980 and 2007, banks enjoyed high returns on equity; better, in fact, than at any other time[2]. Such high levels of return were made possible by the confluence of several factors:

- **Government deregulation –** banks were permitted to diversify outside of traditional retail and corporate banking into businesses and products that offered higher returns (albeit also higher risks);
- **Strong economic fundamentals –** during the period, world economic growth averaged 3.0%[3] compared to the pre-war average of 1.7%[4], and global inflation averaged at 2.6%; and,
- **High leverage –** during the period, global assets as a percentage of GDP rose from 94% in 1980 to over 160% in 2007[5].

Since 2008, however, the structure of the banking industry has changed such that RoE has been reset to materially lower levels.

The Financial Crisis
In 2008, the financial crisis hit triggering – in the first instance – massive write-downs on financial instruments where liquidity had evaporated, followed by a squeeze on funding and then, via the real economy, further write-downs on corporate and domestic (especially housing) loans. Consequently, global banking RoE fell precipitously, from 18% in 2006 to just 4% in 2008.

Global Banking Return On Equity (%)



Source: BCG, Thomson Datastream

Source

1 This is an extract from a white paper written jointly by Temenos and Deloitte, which can be downloaded from the Temenos website at www.temenos.com/profit.
2 Between 1920 and 1970 the return on equity of UK Banks averaged below 10% with very low volatility, the trend was similar globally. (Source: Bank for International Settlements, Andrew G Haldane: Banking on the state).
3 Thomson Datastream – average annual Global Real GDP growth from 1980-2007.
4 Angus Maddison, Monitoring the World Economy. Real GDP growth averaged 1.0% from 1820-1870, 2.1% from 1870 to 1913 and 1.9% from 1914-1950, for an overall average of 1.7%.
5 Source: WorldBank Database. Assets measured as domestic lending by banking sector.

CORE BANKING MARKET DYNAMICS

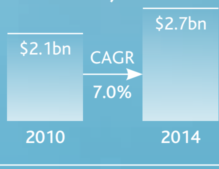
1 Core banking market is big

Spend on Core Banking vs. Selected Software Markets (2010)[1]

CB.............................$12.6bn
CRM..........................$10.5bn
BI................................$7.8bn

2 Growing

Third-Party Core Banking Spend (Licences & Maintenance)[2]



3 Underpenetrated

Penetration of packaged software in banking compared to other industries (2010)[3]

Banking	18%	Healthcare	37%
Telecom	18%	Consumer	42%
Insurance	19%	Energy	78%
Public Sector	32%	Industrial	82%

4 And highly fragmented

New Name Wins (2010)[4]

Temenos....................17%
Oracle.........................12%
TCS..............................6%
Infosys.........................4%
SAP..............................4%
Misys............................2%
Others.........................55%

CORE BANKING DRIVERS

1 The need to overcome global challenges

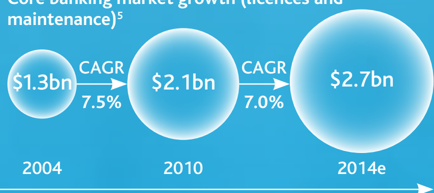
- More demanding, less loyal customers
- Higher capital requirements
- Higher funding costs
- Heightened competition.

2 And address immediate priorities

- Cut costs
- Move into more profitable areas
- Improve customer profitability
- Extract economies of scale.

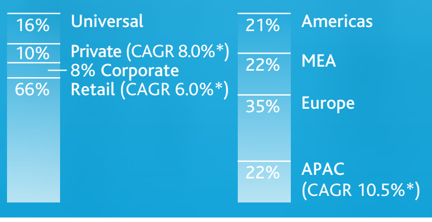
3 Is making core renewal a much more important strategic priority

Core banking market growth (licences and maintenance)[5]



4 With clear pockets of faster growth

Split of core banking spend by geography and segments (2010)[6]



Source

1 Celent, IDC – represents internal and external spend on licence & maintenance
2 Celent, IDC, Temenos
3 BCG, Forrester, Gartner
4 IBS
5 Celent, Gartner, Temenos
6 Gartner, Ovum, Temenos, *CAGR 2010-2014e

Bridging The Profitability Gap
continued

The Aftermath Of The Financial Crisis

Governments took stakes in banks where these banks could not raise new capital; they took illiquid assets onto their balance sheets[6]; and they encouraged central banks to provide cheap sources of short term funding as well as boost liquidity by printing money to buy government debt. As a result, the financial crisis was short-lived and, by 2010, global RoE levels had recovered somewhat – to around 10%.

That, notwithstanding government action and improving economic conditions, RoE levels peaked at 10% is significant. Part of the explanation lies in the fact that the global economy enjoyed a mini-bounce, rather than entering into a new, full expansionary cycle. However, the more fundamental explanation is that banking has changed and, for the following reasons, RoE is likely to remain depressed vis-à-vis pre-crisis levels:

- **New capital requirements –** To meet Basel III requirements (and often stricter local rules) banks will need either to raise significant levels of new Tier 1 capital (about EUR 1.1 trillion for European banks and USD 870 billion for US banks[7]) or they will need to shrink significantly the level of risk-weighted assets or, most likely, a combination of both.
- **Changing customer behaviour –** Customers have become more demanding, more savvy and less loyal, pushing up their cost to serve at the same time as eroding banks' pricing power – and thus, ultimately, lowering RoE.
- **Higher funding costs –** The wholesale funding market is shrinking in relative terms, pushing up funding costs as competition for deposits and other forms of funding intensifies. And, since banks are not able pass on these higher costs (see above) Net Interest Margins (NIMs) are coming under pressure – leading to lower RoE.
- **More intense competition –** The competitive landscape is changing dramatically. Firstly, there is competition from new banks, such as Metro Bank in the UK. Secondly, there is competition from existing banks setting up new operations, for example, developed world banks expanding to offer services in emerging markets. Thirdly, there is competition from non-banks offering banking services, such as Tesco in the UK. Lastly, there is the phenomenon of consumers bypassing traditional financial institutions altogether, using, for instance, a peer-to-peer intermediary to borrow from each other[8] or make payments, such as PayPal.

Whatever the form of additional competition, however, the outcome is the same. More competition in a market allows customers more choice and, in turn, causes prices to fall.

How Modern Core Banking Software Can Address The Profitability Gap

The Industry Needs A Structural Answer

Operating as usual will not bridge the profitability gap. The responses we have seen from banks so far – staff reductions, hiring freezes, tighter procurements processes – are the usual responses to a cyclical economic downturn. They will likely produce a modest improvement in cost to income (and by extension RoE), but as soon as macroeconomic conditions improve, these costs will find their way back into the business.

Instead, the industry needs a structural answer to a structural problem. Banks need to improve revenue generation per asset and lower cost to income in a systematic way to yield sustainable improvements in RoE across business cycles.

Modern Core Banking Systems Give Banks The 4 Key Levers To Raise RoE

Enabling Banks To Move Into More Profitable Markets And Segments

An important means of improving RoE is for a bank to reposition a greater part of its business in segments and markets that generate higher margins. Clearly, if all banks move into the same segments and markets in pursuit of higher returns then, all else being equal, margins will fall. So the key is to reposition the bank's operations effectively and quickly.

A modern core banking system can help on both counts. The key to entering a new market successfully is being able to differentiate products and services. Modern systems can enable this by affording the complete view of customers needed to understand what products and features will appeal, and the flexibility for banks to be able to tailor products and services accordingly.

SERVING AFRICA WITH DELOITTE

Deloitte South Africa and Temenos announced a partnership agreement in 2011 under which Deloitte will provide consulting services for Temenos core banking implementations across Africa. Temenos already has several global alliances with the consultancy.

Roger Verster, Head of the Financial Services Industry Sector at Deloitte, remarked, "We are confident that this partnership will become increasingly attractive to the financial services players on the continent." He added that Temenos and Deloitte would offer African clients the opportunity to 'bolt on' a range of specialised banking software solutions to augment their existing core systems.

"Clients will benefit from the Deloitte/Temenos alliance through the ability of both companies to bring together local market insights and regulatory understanding with a high level of service on banking IT requirements," said Keith Stonell, Regional Director, Temenos.

Enabling Banks To Raise Asset Yield Within Existing Business

In an era of higher capital requirements, raising asset yield is an important route to higher returns. This can be achieved in two main ways: managing risk better, such that a bank takes lower provisions against its assets (improving per asset profitability) and by selling more to existing customers, since the marginal cost to capture and cost to serve is lowered with every additional product taken. However, increasing asset yield is not easy. It requires a bank, amongst other things, to have complete, rich and real-time customer and risk data and, therefore, modern technology is a necessary precondition.

Enabling Banks To Cut Costs Sustainably

Cutting costs is easy. Cutting costs in a way that is both sustainable and supportive of a bank's future growth prospects is more challenging. It requires streamlining and automisation of processes, which enables the bank to optimise their operations rather than simply paring them back.

Replacing legacy banking applications with a modern third-party system is the principal means of extracting these cost reductions, while also rendering a bank more flexible and agile to exploit future growth opportunities.

In our experience, immediate cost savings typically arise from productivity increases for both IT and back office employees and from hardware and software maintenance consolidation, but more significant cost reductions should also be achievable from optimising operations overall, for example, by reducing the time it takes to introduce new products.

Enabling Banks To Extract Economies Of Scale

Modern technology is essential for banks to be able to realise the scale economies that should arise from growth – both organic and inorganic – and so deliver higher productivity and, by extension, higher RoE.

Having an integrated and scalable technology infrastructure allows a bank to add more and more customers and lines of business, increasing associated processing volume without experiencing a commensurate increase in hardware, software or labour costs, thus leveraging its mainly fixed IT and back-office processing costs.

Banks Using Modern Core Banking Systems Demonstrate Significantly Higher Returns

Banks running modern core systems have taken advantage of these properties to generate higher returns than their peers[9].

Over the last 3 years, banks using third-party banking applications have enjoyed on average a 25% higher return on assets, a 37% higher return on capital and a 7.4% lower cost to income ratio than banks running legacy applications[10]. What is more, this differential in profitability holds not just on average over the three years, but for each year and for each region.

The differential in performance between Temenos customers and all other banks is even greater. Over the last 3 years, Temenos customers have enjoyed on average a 30% higher return on assets, a 46% higher return on capital and an 8.5 point lower cost to income ratio than banks running legacy applications.

ASP JOINT DELIVERY

We have entered into a strategic agreement with Wipro Technologies, the global Information Technology, Consulting and Outsourcing business of Wipro Limited (NYSE:WIT), to deliver core banking on an Application Service Provider (ASP) model to European banks. Under this agreement, Wipro will provide banks with a solution based on Temenos' best-selling Temenos T24 (T24) core banking solution, accessed over the internet and charged based on a per use or monthly fee.

"Providing T24 on an ASP basis will allow us to offer an exciting product to a new market segment which is otherwise unaddressable."

Andreas Andreades - Chairman - Temenos Group AG

Source

6 Examples of illiquid/toxic assets taken on to government balance sheets include: The Swiss National Bank taking USD 38.7 billion of toxic assets from UBS, and the United States Treasury Department's USD 700 billion Troubled Asset Relief Program (TARP) – although this program was later changed and the funds were used to inject capital into troubled banks.

7 McKinsey "Basel III and European banking: Its impact, how banks might respond, and the challenges of implementation" November 2010.

8 Peer to peer lending is primarily a retail banking phenomenon but also exists for corporate customers. Examples include Zopa, Prosper and Kiva.

9 We use a third-party source, the IBS BOSS guide, which we acknowledge may not be completely up-to-date nor accurate, to identify banks using different vendors' solutions. For Temenos customers, we have used the Temenos customer list. We then compare the average values for these customers against all others. We have analysed the customer metrics of the following vendors, who we believe to be the biggest by value of sales and number of on-premise installations: Temenos, Oracle, Infosys, TCS, Misys, SAP and Avaloq.

10 In fact, we compare the performance of banks running systems from the top 7 vendors against all others, that is to say that the comparative population of banks is likely to be mostly banks running legacy applications but will also include a small number of banks running applications from other third-party vendors.

Bridging The Profitability Gap
continued

CUSTOMER CENTRICITY

Former SAP executive Dr. Bernd-Michael Rumpf has been appointed as Global Head of Temenos' Customer Services Group (CSG). Bernd-Michael will be responsible for consulting, implementation, custom development, support and customer education services to ensure together with its partners, Temenos delivers customer success. Under the leadership of Bernd-Michael Rumpf, the CSG forms a strategic part of the company's customer centric business model.

"Together with our partners, we will focus on maximising our customers' success by ensuring fast implementations and continuously enhancing the customer experience."

Dr. Bernd-Michael Rumpf -
Global Head of Customer Services
Group - Temenos Group AG

To What Extent Could Core Systems Replacement Bridge The Profitability Gap?

Global average RoE in 2010 for banks was 10% compared to the pre-crisis average of 16%, that is to say, the gap in RoE equates to six percentage points[11]. The level of equity held by banks at the end of 2010 was approximately USD 5.4 trillion[12]. Applying 6 percentage points to this equity figure implies that banks' net income would need to rise by USD 308 billion[13] globally for pre-crisis RoE levels to be restored.

Extrapolating the numbers above, we estimate that if all banks adopted modern core banking systems[14], this profitability gap would reduce by around 25%[15] and, if all banks adopted modern core banking software from Temenos, the gap could be reduced by 60%.

What's The Catch?

These results are so compelling it is hard to understand why any bank currently operating legacy environments would not be seriously considering, or already embarking on, a core banking systems replacement project. Part of the explanation lies in the high real and perceived risks of undertaking this kind of transformative IT project[16], but part of the explanation also lies in the fact that banks have not needed to act. In the developed world, up until very recently, the economic, competitive and regulatory environments have been sufficiently benign as not to penalise banks too seriously for inefficiency – essentially, more income could always be found to cover up for structurally high costs. In the developing world, a buoyant backdrop has allowed practically all banks to enjoy high growth, regardless of operational efficiency and agility. However, in both cases, the picture is changing and in both cases we estimate that delaying system replacement will begin to have much more profound negative consequences.

Summary

For several reasons, including tougher regulation, the profitability of the banking industry has been reset, leaving a structural profitability gap compared to the pre-crisis era.

Core system replacement could help banks to address the profitability gap in that it gives banks several levers to increase RoE, namely the ability:

- To Move Into More Profitable Markets And Segments;
- To Raise Asset Yield Within Existing Business;
- To Cut Costs Sustainably; and,
- To Extract Economies Of Scale.

In fact, banks that run modern, third-party core banking systems have been proven to enjoy significantly higher profitability. Over the last 3 years, banks using third-party banking applications have enjoyed on average a 25% higher return on assets, a 37% higher return on capital and a 7.4% lower cost to income ratio than banks running legacy applications. And Temenos customers have performed even better: over the last 3 years, Temenos customers have enjoyed on average a 30% higher return on assets, a 46% higher return on capital and an 8.5 point lower cost to income ratio.

Applying these profitability figures, we estimate that the banking profitability gap could be reduced by between 25% and 60% if there were blanket adoption of modern core banking systems.

So why haven't all banks undergone core replacement? Part of the answer lies in the perceived and real risks of changing core systems, which need careful mitigation. But, an accommodating competitive, regulatory and economic environment has allowed banks to defer action on streamlining their legacy IT infrastructure and this is what has changed now. Banks in developed countries will quickly be rendered unprofitable unless they tackle their cost base, while new competition will force emerging market banks to improve service at the same time as lowering cost to serve.

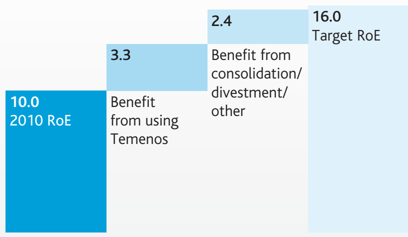
TEMENOS CUSTOMERS STILL THE MOST PROFITABLE BANKS

Points Lower Cost/Income

8.5

Temenos customers are proven to be more profitable than their peers: analysis from The Banker shows that, on average over the last 3 years, Temenos customers have enjoyed an 8.5 point lower cost to income ratio than banks running legacy systems.

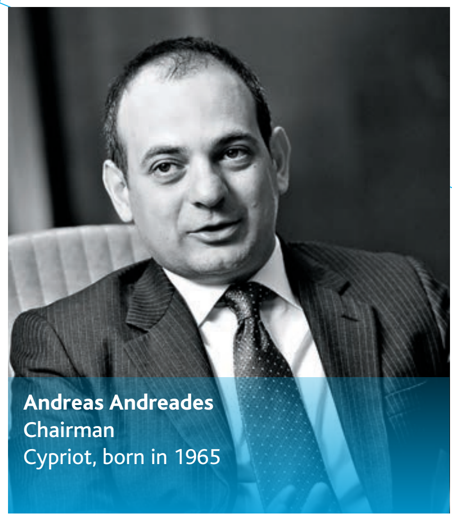
Global Banking Return On Equity (%)

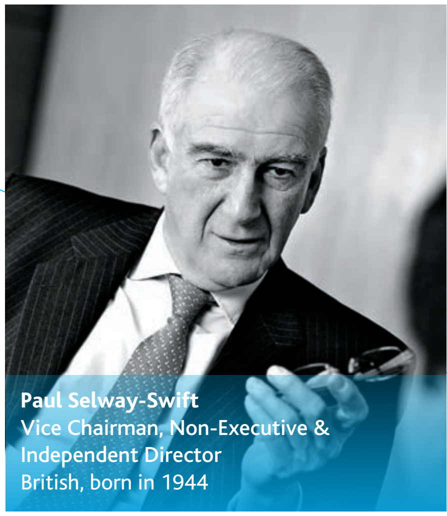


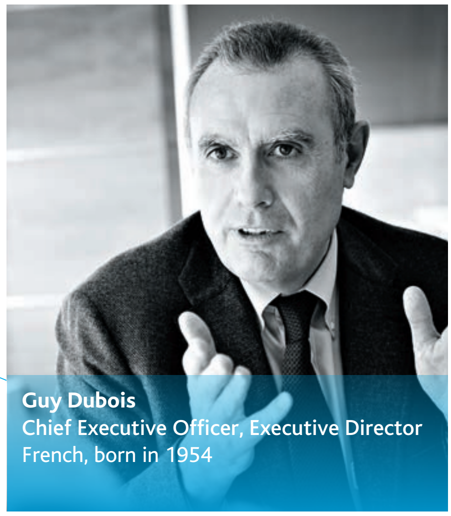
Source

11 The pre-crisis average was actually is 15.7%, so in our calculations we use 5.7%, not 6%.
12 This figure represents the total Tier 1 capital of all banks in The Banker's Top 1000 World Banks 2011 (for the year ending 31 December 2010). Even though this list captures only a small subset of banks, it captures the largest and we estimate that this equity figure constitutes approximately 90%+ of the total for all banks.
13 Calculated as: Profitability multiplied by total equity (i.e. 5.7% multiplied by USD 5.4 trillion).
14 There is a further implicit assumption here that banks adopt systems from the largest vendors in the same proportion to which they have historically.
15 Based on our analysis in 2010, banks running third-party core banking systems had a ratio of pre-tax profit to equity of 14.28%. To arrive at an RoE number, we have assumed a tax rate of 20%, giving 11.4% – i.e. 1.4 percentage points higher than all banks. Expressed as a proportion of the 5.7pp gap, this is 25%.
16 Mitigating the risks of implementation at the same time as maximising the return on investment from core replacement is a subject discussed in detail in the longer report.

Board Of Directors*
Temenos Group AG







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 from July 2003 until July 2011, when he was appointed Chairman of the Board of Directors. In the eleven years since he joined Temenos, the company has grown from less than 150 employees to more than 3,900 and to more than 1,300 clients and nearly USD 500 million in annual revenues, establishing it as the global leader in core banking software. Andreades started his career with KPMG in London in 1988 and then in Pepsico between 1994 and 1999. Andreades holds a Masters engineering degree from the University of Cambridge and is a UK chartered accountant.

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 Li & Fung Ltd which is quoted on the Hong Kong Stock Exchange and Viscount Safe Custody Services Ltd, a private company based in United Kingdom. Selway-Swift is also Chairman of Atlantis Investment Management (Ireland) Ltd and Pure Circle Ltd which is quoted on the London Stock Exchange. Selway-Swift was educated in England and subsequently attended the Massachusetts Institute of Technology Program for Senior Executives.

Since 1 July 2011, Mr. Guy Dubois holds the position of Chief Executive Officer of Temenos. He was elected as member of the Board of Directors of Temenos on 17 June 2011 and holds also positions on the board of directors of some affiliated companies. From 2009 to 2011, Dubois served as president and CEO of MACH Group, where he is now serving as a non-executive member of the board of directors. Previously, Dubois was the executive vice president and president of the product business group of Amdocs. Prior to Amdocs, he was president and CEO of Cramer Systems. Between 2001 and 2005, he was executive vice president at PeopleSoft Corporation, where he led all company activities outside North America. Previously, Dubois held senior positions with Vantive, Sybase and Digital Equipment Corporation. Dubois holds an Engineering Diploma and is a graduate of Lille Graduate School of Business Management in France.

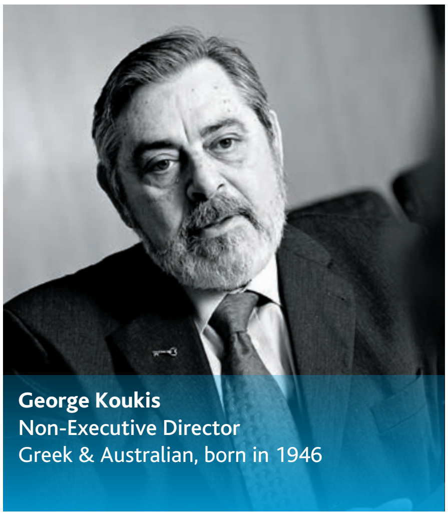
NOMINEES

New members of the Board of Directors proposed for election at the 2012 Annual General Meeting.

Ian Cookson
Swiss, born in 1947

Mr. Ian Cookson has been active in the Financial Services sector for over 30 years and has built one of the most efficient IT operations in Private Banking worldwide. He is currently a member of a number of Boards of Directors in the EFG Group and provides consulting services to EFG notably in the area of Executive Remuneration and the implementation of the various regulatory directives concerning remuneration around the world. Chief Operating Officer of EFG International and a member of the Executive Committee until September 2007, he was previously a member of the Executive Committee of EFG Bank (since 2002). Prior to this, Cookson was the Deputy Chief Executive Officer of EFG Bank (1997-2002), Chief Operating Officer of Banque de Dépôts, Geneva (1991-1997) and the Head of Management Services of CBI-TDB Union Bancaire Privée (1986-1991).

* Shown above is the composition of the Temenos Board of Directors as of the date of this publication. The composition of the Board of Directors as of 31 December 2011 is listed in our corporate governance report on page 36.

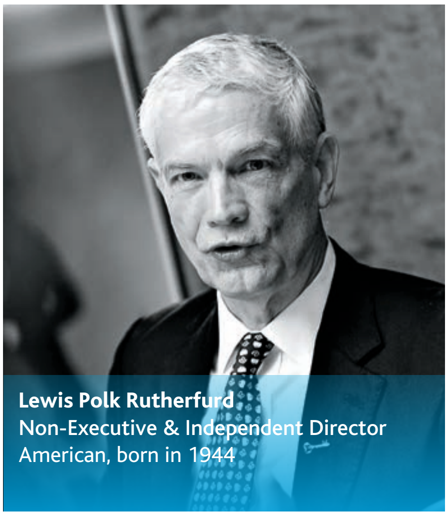


George Koukis
Non-Executive Director
Greek & Australian, born in 1946

As founder of Temenos, Mr. George Koukis was Chairman of the Board of Directors until July 2011. 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. Koukis holds a degree in commerce from the University of Technology in Sydney, Australia and is a registered CPA. Koukis is currently Chairman of the Board of Trustees of The Classical Opera Company, a non-profit organisation based in the United-Kingdom.

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, then as CEO, as deputy chairman and finally as non-executive chairman until 2011. Pavlou is a non-executive director of Marfin Laiki Bank, a company based in Cyprus. He 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. Pavlou is an honorary member of the International Foreign Exchange Association and a Freeman of the City of London.



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. 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.

FOCUS

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

Thibault de Tersant
French, born in 1957

Mr. Thibault de Tersant is a member of the Board of Dassault Systèmes and has been executive vice president and CFO of the company since 1988 and Senior EVP since 2006. During his tenure in Dassault Systèmes, de Tersant, has conducted more than 20 successful acquisitions totalling around USD 3 billion over the last ten years. He oversaw Dassault Systèmes' successful initial public offering on the Paris and Nasdaq stock exchanges in 1996, as well as a secondary offering in 1997. De Tersant has more than 23 years of experience in the software industry. Recipient of France's prestigious "Chief Financial Officer of the Year" award in 2002, de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.

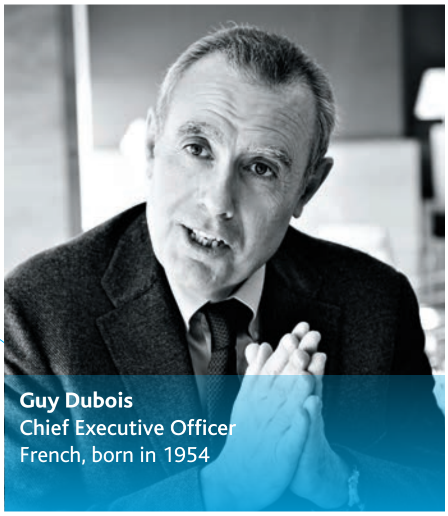
Sergio Giacoletto-Roggio
Swiss, born in 1949

Mr. Sergio Giacoletto-Roggio serves on various boards with roles including: Chairman of Telepo AB, Senior Independent Director at Logica plc, Non-Executive Director at CSR plc, Non-Executive Director at COLT SA and Operating Partner with Advent International. Giacoletto-Roggio retired from Oracle Corporation in 2008, where he had been a Company Officer and Executive Vice President for EMEA since 2000. Prior, Giacoletto-Roggio was President, Value Added Services for Europe at AT&T, and previously spent 20 years with Digital Equipment Corporation in senior management and executive roles in services, sales, marketing and information management. Giacoletto-Roggio would bring to Temenos his wide experience serving on multiple company boards and in IT industry associations. Giacoletto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy.

Executive Committee
Temenos Group AG

LEADERSHIP

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.



Guy Dubois
Chief Executive Officer
French, born in 1954

Since 1 July 2011, Mr. Guy Dubois holds the position of Chief Executive Officer of Temenos. He was elected as member of the Board of Directors of Temenos on 17 June 2011 and holds also positions on the board of directors of some affiliated companies. From 2009 to 2011, Dubois served as president and CEO of MACH Group, where he is now serving as a non-executive member of the board of directors. Previously, Dubois was the executive vice president and president of the product business group of Amdocs. Prior to Amdocs, he was president and CEO of Cramer Systems. Between 2001 and 2005, he was executive vice president at PeopleSoft Corporation, where he led all company activities outside North America. Previously, Dubois held senior positions with Vantive, Sybase and Digital Equipment Corporation. Dubois holds an Engineering Diploma and is a graduate of Lille Graduate School of Business Management in France.

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. Arnott also held a number of senior finance positions within the Anglo American group, a mining and precious metals trading company. Prior to this Arnott was a Management Consultant with Deloitte where he also qualified as a Chartered Accountant. Arnott holds a Bachelor of Sciences from the University of Southampton and a Masters Degree from the University of Freiburg.

André Loustau
Chief Technology Officer
British, born in 1958

Mr. André Loustau has been with Temenos and its predecessor companies since 1984. 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. Loustau has held various roles in development, implementation and sales within Temenos, prior to assuming the responsibilities of the Chief Technology Officer in 2001. Since November 2011 Loustau leads the Office of the CTO, responsible for defining Temenos architectural roadmap and innovation agenda.

Mark Cullinane
Chief Operating Officer &
Head of Global Field Operations
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, 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. Cullinane holds a degree in Business Studies (BA Hons.) from Greenwich University, London.

Dr. Bernd-Michael Rumpf
Head of Customer Services Group
German, born in 1964

Dr. Bernd-Michael Rumpf joined Temenos in December 2011 as Global Head of Temenos' Customer Services Group (CSG), reporting to Guy Dubois, Chief Executive Officer. Rumpf is responsible for consulting, implementation, custom development, support and customer education services to ensure together with its partners, Temenos delivers customer success. Rumpf held various executive positions during his 12 year post at SAP. He was Head of Field Services and Support, responsible for leading an 18,000 strong team across consulting, education, custom development and global support. Previously, Rumpf was CEO of SAP SI AG, a full service integration company, which was publicly listed before its integration into SAP. Before joining SAP, he was Strategic Consultant and Principal at Cap Gemini Ernst & Young and he led the Mergers & Acquisitions Practice of Gemini Consulting worldwide. Rumpf has a graduate and a doctorate degree in Business Administration from the University of St. Gallen, Switzerland and an MBA from the London Business School.

"I am encouraged by results in 2011, given our very strong comparative base and the deterioration that we witnessed in the environment. In the face of macroeconomic headwinds, the company performed across all metrics, and I am now convinced that the company has the foundations and the strengths to be the software solution of choice for the transformation of the banking industry."

Guy Dubois - Chief Executive Officer - Temenos Group AG

COMMITTED TO OUR SOCIAL RESPONSIBILITY

We are committed to a sustainable business model that makes us proud of how we interact with our people, our customers and our marketplace. We believe that this is the only way to deliver long term business success for our company.

In the past, our sustainable business model has focused on four aspects – environment, workplace, community and market. In 2011, we expanded the market aspect into three critical focus areas – our impact on our customers, our innovation agenda and our increasing support of the microfinance community.

Environment
At Temenos we hold a firm opinion that sound Corporate and Social Responsibility is best enacted by blending together all elements of responsible business practice. We aim to help to protect the environment with an overarching aim of greener practices overall.

Throughout 2011 we expanded our use of video and audio conferencing still further to cut travel, and consequently our corporate carbon footprint, to a minimum. We have upgraded our internal systems to provide a new connected user experience transforming every communication into an interaction that is more collaborative, engaging, and accessible from anywhere. We have created a single interface that unites voice communications, instant messaging, audio, video, and web conferencing into a richer, more contextual offering which will be the foundation for a globally connected and centrally supported communication environment.

Workplace
At Temenos we pride ourselves in promoting a diverse and dynamic work environment.

Today we employ some 4,000 staff across nearly 50 different countries and 62 locations, with a huge diversity of culture and ethnicity. We mandate an equal opportunity approach for all, regardless of race, colour, ethnic or national origin, sex, marital status, disability, age and religious belief.

We have developed a range of complementary programmes focused on staff welfare, engagement and satisfaction, including:

- MyVoice – the company's staff engagement and satisfaction survey and action plan;
- StepAhead – the Temenos mentoring programme designed to develop high potential staff;
- Leadership Forum – a membership of senior managers across Temenos that reviews and sets direction across a myriad of different channels.

The common aspects of all programmes can be summarised as Communication, Development, Recognition and Performance Enablement. These four pillars represent the key areas of focus that drive commitment and productivity in the Temenos staff community. Furthermore, these programmes link directly and bring life to our value system to engender:

- Innovation,
- Teamwork,
- Quality,
- Customer Success,
- Accountability,
- Passion and Commitment.

The way in which we work is vital to us and we strive to achieve professionalism, discipline, integrity and a practical, people-centric approach. We adhere diligently to the policies articulated in our Temenos Business Code of Conduct that protects the interests of our customers, partners, staff and shareholders alike. The Code of Conduct is strengthened further through the complementary rules laid out in our Anti-Corruption and Bribery Policy and our Whistleblowing Policy. Taken together, we have a comprehensive set of guidelines and procedures that help our staff to govern correctly all of our activities associated with the work environment.

In 2011, we took our first significant steps in setting up an internal Recruitment Practice to position the Temenos brand and employee proposition directly in the marketplace. We succeeded in hiring over 185 people as a result of our targeted hiring campaigns that included direct hiring and staff referral schemes. Once on-board, our training programmes serve to enhance the skills and experiences of our people to promote empowerment and a sense of achievement and contribution. Our staff recognition programmes operate at a corporate and at a divisional level to capture the success of individuals and teams.

Community
The desire to make a difference in the lives of those less fortunate by harnessing the passion of our people inspired a group of Temenos leaders to launch the Temenos Foundation. Over one hundred people have volunteered as ambassadors for 2012 to support this programme across the globe.

The Temenos Foundation is a one year programme to launch a support structure for our people to host events, raise funds and donate time in support of the non-profit community.

At Temenos, many of our people are already actively engaged in supporting our local communities and charitable organisations. Temenos is committed to helping organisations such as the Global Fund for Children and 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. We also have an employee sponsorship programme where we match employee fundraising efforts for a number of events over the year.

The Foundation has also appointed team leaders from our different geographies and from each line of business to support local management and employees in their own efforts. Examples include Wear Red for Women – a day in our New York office to help raise awareness regarding women's heart disease, a celebration of Women's Day in India – raising funds for breast cancer and local charities, and working with the Make a Wish foundation in Singapore to make a difference to the lives of children with life threatening conditions.

The Temenos Foundation will build on our existing activities to achieve the goal of not only its founders but also the greater Temenos mission – making Temenos a great place for our people to do great work.

Customers
A key aspect of our sustainable business model is to create success for our customers to drive long term loyalty. Along with our focus on innovative product development, we are implementing a number of customer focused initiatives to enhance further the experience of working with Temenos.

We have launched the Temenos Customer Loyalty Programme, using the objective and industry-leading Net Promoter methodology. The programme promotes open dialogue with customers, using direct feedback to fuel tailored improvement activities, develop additional services and provide appropriate solutions for a changing market. Activities include refining delivery structures to support developing requirements, increasing the choice of support locations and investing in technology and process enhancements that underpin services delivered to customers.

Communication with customers around initiatives and activities covers a broad spectrum, from specific updates and newsletters to discussion groups and our annual Temenos Community Forum taking place in Barcelona, 22-24 May 2012. Reporting on progress, achievements and new services keeps customers informed of the best options for ensuring their success.

Organisational adoption of the customer-centric Net Promoter approach is fundamental to our overall programme of enhancing the customer experience and increasing customer loyalty. Customers have confirmed their support of the programme and are embracing the improvements that we introduce.

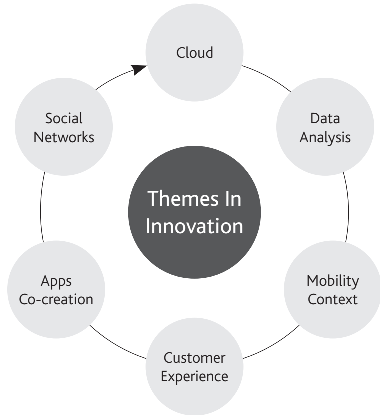
Innovation
Temenos has a long and proud tradition of innovation.

In recent years it has introduced the concept of a Model Bank and process-driven implementation to reduce the time it takes to implement a new core banking system, built a brand new component-based product definition engine which enables banks to create new products with more flexibility than ever before and been the first to launch a core banking operation in the public cloud, for microfinance. In 2011, Temenos launched and went live with our first customer running T24 in a Java Enterprise Edition application server. This runs the same source code that we supply in our C environment in Java, making T24 the only standard software core banking product that can run the same source code in both C and Java. This supports a significantly lower total cost of ownership for banks, and improves their experience of implementing, maintaining and using our products.

Commoditisation of banking products and services has increasingly shifted the competitive focus in the industry towards customer responsiveness. As such, the ability to adapt processes and launch products rapidly in line with lessons learned and in response to changes in consumer preferences, has become a fundamental requirement for banks and financial institutions. Industry players that can deliver to this increasingly demanding customer remit in a cost effective manner are differentiating themselves as leaders in their respective markets.

Innovation is integral to the way Temenos manages the lifecycle of its products. The Temenos roadmap process gives us access to a rich source of customer driven innovations that translate into generic enhancements to the product, not custom development.

Going forward we see innovation happening around the six themes represented in the diagram below:



Our strategic investment roadmap is carefully mapped against these trends and investments are already underway around:

- Cloud-based deployment,
- Easier to implement, 'democratised' business intelligence,
- Mobile banking and m-commerce,
- Extension of the existing application frameworks towards easier integration with third party 'apps', and
- Interaction with a rich variety of user agents.

Microfinance
Microfinance and community banking is an important, growing and profitable area of our business in which we continue to invest. Microfinance finds innovative ways to deliver low cost financial services to underprivileged communities. At Temenos we believe that by enabling access to finance in emerging markets, micro-entrepreneurs will find the means to finance their business aspirations and create employment for themselves but, most importantly, jobs and wealth for others in their community.

For 10 years Temenos has offered an easy to implement and managed version of our T24 core banking system to this market, T24 for Microfinance and Community Banking (T24 MCB). More than 110 microfinance institutions (MFIs) have used T24 MCB to reach a vastly wider customer base and provide essential financial services to micro-entrepreneurs and disenfranchised communities in over 50 countries. MFIs usually operate in small communities and many of the most effective remain very small and local. Over 360,000 are too small to operate an on-premise banking system in the traditional way. To reflect the demand of these smaller but growing institutions 2011 saw Temenos, in partnership with Microsoft Corporation, introduce T24 MCB delivered in the Cloud. Cloud delivery of core banking software enables a significantly lower cost of ownership, together with pre-defined banking services to reduce operational risk.

This was a landmark achievement, since T24 became the first core banking system to enable financial institutions with software in the public cloud; we believe that increasing adoption of this offering by MFIs will help millions more to lift themselves out of poverty and enjoy sustainable economic development benefiting themselves and their communities. Temenos also supports 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.

http://www.temenos.com/Sectors/Microfinance-Banking-Software-Community-Banking-Software/Temenos-Banking-in-the-Cloud/

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 2011.

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 Temenos Executive Committee.

This Committee comprises the following members:

Guy Dubois
Chief Executive Officer

David Arnott
Chief Financial Officer

Mark Cullinane
Chief Operating Officer & Head of Global Field Operations

André Loustau
Chief Technology Officer

Dr. Bernd-Michael Rumpf
Head of Customer Services Group

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	2 Rue de L'Ecole-de-Chimie 1205 Geneva, Switzerland
Listed at	SIX Swiss Exchange
First listing date	26 June 2001
Market capitalisation	CHF 1,108,814,322
Security Number	1245391
ISIN number:	CH0012453913
Symbol:	TEMN
Reuters:	TEMN.S
Bloomberg:	TEMN SW

Please refer to page 109, Information for Investors section, for statistics on Temenos shares.

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
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 Belgium SA	La Hulpe	Belgium	200,000 EUR
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	Bertrange	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	Bertrange	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
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP
584990 B.C. Limited (Primisyn)	Vancouver	Canada	40,200 shares (some with and some without per value)

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 2011.

Name	Number of shares	Percentage of the share capital[1]
Stichting Pensioenfonds Zorg en Welzijn	3,718,587	5.16%
Massachusetts Mutual Life Insurance Company	3,645,052	5.06%
Janus Capital Management LLC	3,637,804	5.05%
AXA SA	3,518,162	4.88%
Standard Life Investments	2,976,314	4.13%
BlackRock, Inc	2,423,552	3.37%
Alken Luxembourg S.à.r.l (formerly named Virmont S.à.r.l.)	2,246,419	3.12%
ODDO & Cie	2,189,949	3.04%

1 On the basis of Temenos Group AG registered capital of 72,000,930 shares.

For more recent information on Temenos major shareholders, please refer to page 109.

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 2011, the ordinary share capital amounted to CHF 360,004,650 consisting of 72,000,930 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share entitles its holder to one vote.

Temenos has an authorised capital totalling CHF 71,524,115 and a conditional capital totalling CHF 20,433,125 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 Authorised and Conditional capital

Authorised capital

Pursuant to the Articles of Association (Article 3ter), The Board of Directors is authorised to increase the share capital by no later than 17 June 2013, by an amount not exceeding CHF 71,524,115 by issuing up to 14,304,823 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

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

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

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quater (1)), the share capital may be increased by an amount not exceeding CHF 20,433,125 by issuing up to 4,086,625 new registered shares to be fully paid-in with a nominal value of CHF 5 each through the exercise of the rights that the direct or indirect subsidiaries of the Company (the "Subsidiaries") or the Company itself may grant to officers, directors and employees at all levels of the Company and the Subsidiaries. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiaries or through the Company to officers, directors and employees of the Company and the Subsidiaries, 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 Subsidiaries or to the Company for purposes of distribution to directors, officers or employees of the Company and the Subsidiaries; (ii) new shares to be issued through the Subsidiaries or through the Company to employees of the Company or the Subsidiaries shall be issued against paying-in the nominal value of CHF 5 per each share in cash.

Conditional capital for financial instruments

Pursuant to the Articles of Association (Article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 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

	31.12.11 CHF 000	31.12.10 CHF 000	31.12.09 CHF 000
Ordinary share capital	**360,005**	357,621	299,293
Conditional share capital	**53,473**	55,857	114,185
Authorised share capital	**71,524**	–	129,231
Share premium & capital reserve (incl. reserve for own shares)	**317,949**	292,053	197,930
Profit (loss) carried forward	**73,698**	99,593	3,378
Total equity	**751,652**	749,267	500,601

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 2011. 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. 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 2011 the Board of Directors comprises the following seven members, five of whom are non-executive:

Name	Position
Andreas Andreades	Chairman
Paul Selway-Swift	Vice-Chairman, Non-Executive and Independent Director
Mark Austen	Non-Executive and Independent Director (Resigned on 6 January 2012)
Guy Dubois	Executive Director
George Koukis	Non-Executive Director
Chris Pavlou	Non-Executive and Independent Director
Lewis Polk Rutherfurd	Non-Executive and Independent Director

Except George Koukis who was Executive Chairman of Temenos until July 2011, none of the non-executive members of the Board of Directors has or has had any senior management position within the Group, nor any significant business connections with the Group.

Mr. Guy Dubois was elected director of the Company on 17 June 2011.

Mr. Andreades was elected Chairman of the Board of Directors, effective on 1 July 2011.

Mr. Mark Austen resigned as director of the Company on 6 January 2012 with immediate effect.

At the forthcoming Annual General Meeting (13 June 2012), the Board of Directors proposes the election of Mr. Ian Cookson, Mr. Thibault de Tersant and Mr. Sergio Giacoletto-Roggio as non-executive and independent directors for a term of office of three years.

Please refer to pages 26-27 for their biographies.

3.2 Other activities and vested interests

Except those mentioned in the biographies section on page 26-27, no member of the Board of Directors has any:

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

3.3 Cross-involvement

(repealed)

3.4 Elections and term of office

3.4.1 Principles of the election procedure and term limits

The members of the Board of Directors are elected by the General Meeting of Shareholders for a term of three years (a year begins on the date of the General Meeting of Shareholders and continues until the next General Meeting). Upon the expiration of their terms of office the members may be re-elected immediately and without limitations. Moreover, the Board of Directors shall organise the election of its members in such a way as to ensure that at each ordinary General Meeting of Shareholders approximately one-third of the members shall complete their term of office. 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
Andreas Andreades	2001	2013
Mark Austen	2006	2012
Guy Dubois	2011	2014
George Koukis	2001	2014
Chris Pavlou	2001	2014
Lewis Polk Rutherfurd	2001	2012
Paul Selway-Swift	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
Andreas Andreades	Chairman
Mark Austen	Member
Guy Dubois	Member
George Koukis	Member
Chris Pavlou	Member
Lewis Polk Rutherfurd	Member
Paul Selway-Swift	Vice-Chairman

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
Andreas Andreades			Member
Mark Austen	Member/ Chairman		
Guy Dubois			
George Koukis			
Chris Pavlou	Member	Member	Member/ Chairman
Lewis Polk Rutherfurd	Member*		Member
Paul Selway-Swift	Member	Member/ Chairman	Member

* As from 6 January 2012, Mr. Lewis Polk Rutherfurd is the Chairman of the Audit Committee.

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 targeted at the mid-level of comparable 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 2011, the following numbers of meetings were held:

Board/ Committees	Meetings held
Board of Directors	5
Audit Committee	4
Compensation Committee	3
Nomination Committee	2

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 2011.

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

Board/ Committees	Average duration (hours)
Board of Directors	4.0
Audit Committee	4.0
Compensation Committee	2.0
Nomination Committee	1.5

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 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 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 Head of Global Field Operations, Chief Technology Officer and Head of Customer Services Group.

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 capital expenditures/investments into products, 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 Temenos Management Board with information necessary to manage and mitigate overall risk exposure.
- Temenos Management Board 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 organisational 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 2011, the Executive Committee comprises the following members:

Executive Committee

Name	Position
Guy Dubois	Chief Executive Officer
David Arnott	Chief Financial Officer
Mark Cullinane	Chief Operating Officer and Head of Global Field Operations
André Loustau	Chief Technology Officer
Dr. Bernd-Michael Rumpf	Head of Customer Services Group

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

Please refer to pages 28-29 for their biographies.

4.2 Other activities and vested interests
Except those mentioned in the biographies section on pages 28-29, 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. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the share-ownership programmes
The compensation programmes for the executive members of the Board of Directors and for the Executive Committee are set out in the Compensation Report on page 42. For further details of compensation, equity participation including equity incentives, please also refer to note 9 of the unconsolidated financial statements.

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 Articles of Association, 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 Eleventh Annual General Meeting of Shareholders of the Company will be held in Geneva on 13 June 2012. 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 with voting rights on 23 May 2012 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 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.

Corporate Governance
continued

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 17 June 2011 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. Guillaume Nayet, who was elected for the first time at the General Meeting of Shareholders of Temenos Group AG held on 17 June 2011.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,526,000 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 702,000 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	584
Transactions	25
Non Audit Fee – Audit related	**609**
Tax Advisory	63
Other Advisory	31
Non Audit related	**94**
Total Non Audit Fee	**702**

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 13 June 2012, 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 2012 is published on the Company's website and updated regularly at http://www.temenos.com/Investor-Relations/Financial-Calendar/.

Business Code of Conduct, Whistleblowing and Anti-corruption policies

It is crucial for Temenos to conduct business in an ethical way everywhere and in all circumstances. The Temenos Business Code of Conduct, the Whistleblowing policy and the Anti-Corruption and Bribery policy have been drawn up in this respect.

The Business 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 reviewed annually. It is distributed to all new employees and acknowledged. It is available on the Temenos intranet (central repository database) and on the Temenos website: http://www.temenos.com/Investor-Relations/Corporate-Governance/

The Whistleblowing Policy describes the procedures to follow when a Temenos employee feels action is required to avoid a negative and damaging impact on the Company. It is essential for Temenos success to follow and set the standard for the highest level of ethics and integrity. The Whistleblowing policy is reviewed annually and is available on Temenos website: http://www.temenos.com/Investor-Relations/Corporate-Governance/

Temenos values integrity and high ethical standards in its business dealings with customers, partners, suppliers, vendors and competitors. Bribery and corruption are illegal wherever they take place and are not tolerated practices at Temenos. As Temenos continues to broaden its global reach it is incumbent upon Temenos to have best practices in place across the organisation and Temenos is committed to observing the standards set forth under anti-bribery and corruption laws of the countries in which it does business.

Temenos carefully consider corruption-related risk whenever and wherever Temenos engage in business and it will not be a partner to corruption in any form. Temenos has a companywide Anti-Bribery and Corruption policy in place since July 2011 which has been published to all staff worldwide and is communicated and supported from the highest levels of our management. The Board of Directors examines compliance with this policy at least twice annually. Temenos has instituted controls across the company which ensure that no payments, gifts or contributions of any kind can be made or accepted by any individual by or on behalf of the company without appropriate levels of due diligence, approvals and controls. Temenos reviews this policy at least once a year and delivers related training programmes related to it at regular intervals. The Anti-Bribery and Corruption policy is complimented by the Business Code of Conduct and the Whistleblowing policy.

COMPENSATION REPORT

This section of the report describes Temenos' compensation philosophy and the compensation decisions and payments made to the members of the company's Board and Executive Committee in 2011.

The Compensation Report is integral to the Annual Report and has been designed to provide clarity and transparency on the compensation of senior executives and to comply with Swiss regulations and best corporate governance practices.

Compensation Committee members and terms of reference
The Compensation Committee compromises two independent directors, namely:

- Paul Selway-Swift, who acts as Committee Chairman, and
- Chris Pavlou, who is a Member of the Committee.

The Committee meets every November, and at other times as required, to review compensation. The Committee receives proposals on the design of compensation programmes and specific compensation recommendations from the Chief Executive Officer, the Group Human Resources Director and the Head of Compensation and Benefits. It obtains such external advice as it considers appropriate. Deloitte LLP provided independent market data comparisons in 2010 and 2011.

The Committee receives and approves recommendations from the CEO on compensation packages for members of the executive committee. In addition, the Committee is responsible for approving long-term incentive awards; specifically, who should receive equity incentive awards, when the awards should be made, the vesting conditions and schedule, and the number of shares or other rights to be granted.

The Compensation Committee's reviews and approvals are planned as follows:

November	Review of executive compensation benchmarks and recommendations. Review of performance targets and business goals. Recommendation of executive compensation framework and policy.
February	Review and approval of awards to be made based on EPS achievement.
June	Engagement with investors at the AGM.

Terms used in this Compensation Report
In this Compensation Report, we refer to our "named executive officers" in many places. This term includes the following individuals:

- Guy Dubois, Chief Executive Officer who joined on 1 July 2011
- David Arnott, Chief Financial Officer
- Mark Cullinane, Chief Operating Officer and Head of Global Field Operations
- André Loustau, Chief Technology Officer
- Dr. Bernd-Michael Rumpf, Head of Customer Services Group who joined on 1 December 2011.

Andreas Andreades served as Chief Executive Officer until his appointment as our Chairman on 1 July 2011.

Executive compensation objectives and philosophy
Temenos' executive compensation programmes have been designed to:

- Be competitive with comparable companies that operate within our sector;
- Maintain a balance between fixed and variable compensation and place a significant portion of total compensation at risk based on the Company's performance, while maintaining controls over inappropriate risk-taking;
- Align executive compensation with shareholders' interests by tying a significant portion of compensation to increasing shareholder value;
- Enforce the ethos of a performance-orientated environment that rewards superior value creation.

Temenos' executive compensation approach benchmarks executives against a comparator set of organisations, targeting the median level for total cash based compensation. Typically, half of total cash based compensation is linked directly to the achievement of profit targets. Equity based incentives, which are also benchmarked against the comparator set of companies, typically have a value in the range of 40-60% of total compensation to promote commitment to the organisation and align executive financial reward with the interests of our shareholders. There is an over-performance incentive element on both cash and equity compensation to reward performance ahead of plan that leads to further shareholder value creation. In balance to the over-performance element, our executive officers have the greatest weighting of "at-risk compensation" should results be below target.

We recognise that, while compensation is an important element in attracting, retaining and motivating the best executives and employees, it should not be the main reason for exceptional executives or employees to work hard to achieve results for Temenos' shareholders. In line with our people vision, mission and values, we aim to create the working environment and opportunities so that executives and employees can develop, achieve their individual aspirations and be recognised for their contribution.

Our people vision, mission and values are summarised as follows:

Vision
To establish Temenos as a great place to do great work, and one where our people can realise their ambitions.

Mission
To create a functional and well serviced work environment where our people can generate sustainable value and growth for the shareholders, the Company and themselves, with a commitment to recognise and reward their contribution, and invest in their development to fulfil both their current needs and future aspirations.

Values
Underpinning our people vision and mission are a set of values that help shape our behaviours, define our commitments to each other and other stakeholders, and help to embed our distinctive company culture. These values and the aspects that define them are:

- **Innovation** – ability to cope with change positively, adaptability, striving for continuous improvement, adept at identifying opportunities
- **Teamwork** – talent to build relationships within and across divisions to achieve a common goal
- **Quality** – not tolerating mediocrity, insisting on discipline, flawless execution, doing things "right first time"
- **Customer Success** – our ultimate goal, winning their trust, adding value and engendering loyalty
- **Accountability** – taking ownership and responsibility, demonstrating initiative, delivering results
- **Passion & Commitment** – exhibiting pride, advocating loyalty, being committed to people and their development.

Elements of compensation
The principal components of our executive compensation programmes are:

- Base salary
- Annual Performance-based cash bonus
- Long-term equity incentive awards
- Benefits.

The following table outlines our objectives for each of the principal components of executive compensation.

Element of compensation	Objective
Base salary	– To pay executives for their expected day-to-day contribution to the business and their leadership
Annual cash bonus	– To pay a significant portion of overall cash compensation on a variable basis, dependent on the achievement of Temenos' key performance targets – To incentivise executives to deliver above target performance
Long-term equity incentive awards	– To deliver the balance of total compensation via long-term equity incentives linked directly to shareholder value creation – To provide a direct incentive for sustainable future performance – To provide a retention incentive for the executive
Benefits	– To provide a level of security in health and retirement and, should it be required, in disability and death

Comparator Group for 2011 compensation

In setting compensation levels for the named executive officers the Committee considered Deloitte's review of the practice and remuneration levels in 14 European and US companies in the software and technology sector of similar or greater complexity to Temenos. They also considered the practices identified in other surveys to benchmark the Company's position relative to similar sized companies.

The Comparator Group

SAP	BMC Software	Logitech
Intuit	Software AG	Aveva Group
Citrix Systems	Broadridge	Misys
CA	Parametric	Micro Focus International
Fiserv	Compuware	

Base salary and benefits

Consistent with Temenos' philosophy of tying pay to performance, our executive officers receive a relatively small percentage of their overall target compensation in the form of base pay. The Committee targets executive salaries to be at or above the market median for comparable positions to attract and retain talent capable of creating shareholder value.

Our executive officers are also eligible to participate in our retirement, health and benefits plans, which are generally available to our employees. We also provide other limited benefits and allowances depending on local practice and requirements.

Performance-based cash compensation

Temenos' annual performance-based bonuses reward executives based on achievement against the key financial and business metrics.

The Bonus Plan is designed to motivate and reward executives for above-target performance. Pay-out under the incentive plan is variable, based on the achievement against the company's financial goals, and can range from 0% to 200% of the executive's base salary.

Equity based incentive awards

The Company operates a number of equity incentive schemes; the table below provides an overview of the schemes, their purpose and typical performance criteria. The level and value of awards is commensurate with contribution to the business and base salary.

Target Population: executive officers and senior managers

Equity scheme	Performance criteria	Purpose
Stock Appreciation rights (SARs) and Performance Shares	Annual and cumulative EPS targets over three years	– Attract, motivate and retain – Alignment with Shareholders' interests

Target Population: senior new hires

Equity scheme	Performance criteria	Purpose
Restricted Stock	Time vesting over two and three years	– Buy out of previous awards – Attract, motivate and retain

Target Population: high performance and high potential employees

Equity scheme	Performance criteria	Purpose
StARS	Achievement of annual individual objectives together with three year time vesting	– Reward, motivate and retain

Target Population: all staff post probationary period and not on other equity plans

Equity scheme	Performance criteria	Purpose
Loyalty Shares	Three year time vesting	– Engage, motivate and retain

Pricing of equity awards
Equity awards are never issued at a discount to market price but are priced to equal the average market price over the 30 days immediately preceding the award date to ensure pricing integrity. Grants to named executive officers and senior managers are normally made in December of each year or when they join the company.

Principal compensation actions in 2011
- Base Salary. In line with our decision to increase base salaries selectively for our employees in 2011, we reviewed the base salaries of our named executive officers and increased their base salaries in January 2011.
- Bonus Plan Payments. Our named executive officers earned no payments under the annual cash incentive bonus plan for 2011 due to the threshold earnings target (90% of the target Adjusted EBIT) not being achieved.
- Prior years' SARs lapsing. In 2011, EPS were less than target. As a result those SARs granted in 2010 have lapsed in their entirety. The performance target for that portion of the 2009 grant due to vest in 2012 was not achieved. Consequently the named executive officers will receive no shares, and therefore no actual delivered value, from these awards. Furthermore, the named executive officers will receive only 11.29% of the final tranche of SARs from the 2008 grant, due to vest in 2012, as the EPS performance exceeded the performance threshold but did not achieve the target.
- Grant of Performance Shares. The Compensation Committee has approved a new incentive scheme in 2011, where awards are subject to the achievement of EPS growth targets in years 2012 to 2014. Our named executive officers have been granted a mix of Restricted Stock, Performance Shares and Stock Appreciation Rights, in line with the equity incentive schemes and objectives tabled above.

We believe the introduction of Performance Shares will provide significant retention value to our executive team and incentivise them to build shareholder value. In deciding the quantity and terms of individual awards the Committee considered peer group practice and the retention value of the individual's existing equity awards, as well as the anticipated accounting expense. The reduced emphasis on Share Appreciation Rights is designed to be less dilutive to shareholders and to provide greater clarity of future dilution.

The table below shows the total cash compensation for our named executive officers in 2011 compared with 2010 against the movement in adjusted EPS.

Position	FY11 vs. FY10 Base salary	FY11 vs. FY10 Bonus earned	FY11 vs. FY10 Total cash compensation	FY11 vs. FY10 EPS
Chairman [1]	0%	-100%	-53%	-40%
Chief Executive Officer [1]	-12%	-100%	-57%	-40%
Other Named Executive Officers	6%	-100%	-29%	-40%

[1] The figures for the Chairman and Chief Executive Officer compares the current incumbent with the previous incumbent on an annualised basis.

Compensation Report
continued

Chief Executive Officer
Guy Dubois was awarded the following equity incentives during 2011.

Granted	Type	Quantity	Vesting	Performance criteria
On joining	Restricted Stock	50,000	March 2013	Time vesting
On joining	Restricted Stock	50,000	March 2014	Time vesting
On joining	Stock Appreciation Rights	500,000	March 2014	Adjusted diluted cumulative EPS for 2011-13 of USD 5.84
November 2011	Restricted Stock	80,000	February 2015	Time vesting
November 2011	Performance Shares	160,000	February 2015	Annual & cumulative EPS targets 2012 USD 1.14 2013 USD 1.37 2014 USD 1.80 Cumulative USD 4.31
November 2011	Stock Appreciation Rights	1,000,000	February 2015	

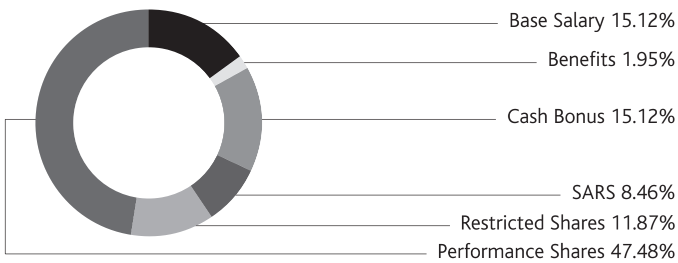
The awards in November 2011 are the total of his awards to be linked to the delivery of the three year strategic plan spanning 2012 to 2014. In line with a change in policy all new awards will vest, assuming the performance criteria are met, after a minimum of three years. The restricted stock was granted as part of the agreement for the CEO to join Temenos to compensate for the loss of incentive from previous employment and is exceptional.

These awards are in line with our pay-for-performance philosophy and align the incentives of the CEO with shareholders' interests by having a substantial amount of compensation linked to value creation through Temenos' stock performance.

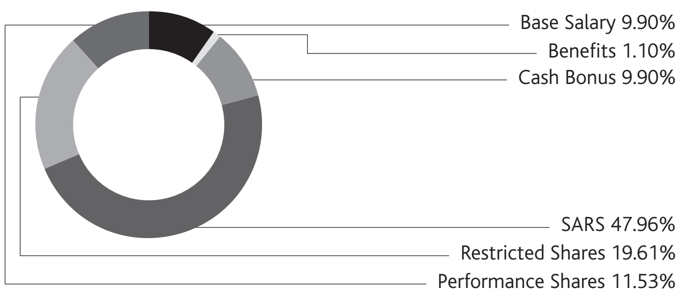
In 2011 the other named executives were granted a total of 300,000 Performance Shares and 176,523 Stock Appreciation Rights, additionally Dr. B-M Rumpf was granted 75,000 restricted shares on joining.

Pay mix
The charts below indicate the percentage of annualised on-target total compensation for 2011 represented by base salary, annual bonus, benefits and long-term equity incentive awards for Guy Dubois and all other named executive officers. SARs are valued using an Enhanced American Pricing Model. Restricted Stock and Performance shares are at their face value at time of award. Where elements are part of a multi-year award the value is amortised over the life of the award.

Other Named Executive Officers



Guy Dubois



A summary of the 2011 compensation earned by the Directors and the named executives is shown in note 9 to the Unconsolidated Financial Statements together with details of their share holdings and equity incentives.

PRINCIPAL RISKS AND UNCERTAINTIES

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our shares.

Therefore, our risk management process is continuously improving and adapted to changing risk scenarios. E.g. our business continuity programme has demonstrated in 2011 that we can cope with disastrous situations like earthquakes (e.g. Japan), flooding (e.g. Thailand), and storms (e.g. United States).

Our flow from basic risk identification through audit plan is summarised in the following flowchart. Our internal audit approach is risk based and the effectiveness of the risk management process is overseen by the audit committee.

Risk Identification

Risk Evaluation

Risk Prioritisation and Draft Audit Plan

Management and Board Review

Audit Plan approved by Audit Committee

The risk categories covered under our risk management programme includes strategic, financial, and operational as well as compliance risks across various levels of the Temenos group. A summary of our key risks is shown in the following table:

Key risks and impact on Temenos	Risk mitigation approach
Global recession and uncertainties in global economy Slow or uncertain recovery or economic shocks resulting could lead to cuts in IT budgets of our prospects and clients and pricing pressure. Challenging economic conditions also may impair the ability of our customers or partners to pay for purchased products and services. As a result, our provisions for write-offs of accounts receivable may increase.	• Diversification across geographies with focus of increased penetration in Asia • Diversification of product and services to address profitable market segments not yet penetrated • Launch of a cost efficiency programme to take out USD 25 million.
Customer attrition If we are unable to renew client contracts at favourable terms, we could lose clients and our results of operations and financial condition may be adversely affected.	• Appointed head of customer loyalty & maintenance business, and new head of Customer Services Group • Set-up of near-shore centres to improve delivery of customised services • Increase in customer satisfaction is among the top objectives, and as result diverse initiatives are aimed to reach our targets.
Product is not competitive The markets for our products are characterised by constant technological changes, frequent introduction of new products and evolving industry standards. Our ability to enhance our current products and to develop and introduce innovative products that address the increasingly sophisticated needs of our clients and their customers will significantly affect our future success.	• Creation of product business group to optimise processes and deliverables • Significant programmes and investments to upgrade our product (e.g. as result of benchmark with partners) • Launch of quality initiatives and enforcement of best practice methodologies and processes • Extend the portfolio of products through acquisitions.
Loss of key personnel Our business is based on successfully attracting and retaining talented employees. The market for highly skilled staff in our industry is extremely competitive. If we are unable to retain staff with specialised knowledge and skills, we may not be able to manage our operations effectively or develop new products.	• Diverse initiatives address feedback from employees (e.g. communication, compensation) • Significant enhancements of our training & development programme • Periodic benchmarking of compensation packages • Retention programmes • Succession planning.
Losing market shares or profits through more aggressive competitive behaviour The market for our products and services remains intensely competitive. Aggressive tactics by some competitors could impact our market potential and could cut off Temenos from potential revenue resources.	• Building greater brand awareness with marketing programmes • Mergers and acquisitions to bring scale • Strengthen Temenos' position through additional partnerships.

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 consolidated financial statements of Temenos Group AG, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes for the year ended 31 December 2011.

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 2011 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 article 11 AOA) 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

Guillaume Nayet
Audit expert
Auditor in charge

Yazen Jamjum

Geneva, 21 February 2012

Consolidated Income Statement
For The Year Ended 31 December

	2011 USD 000	2010 USD 000
Revenues		
Software licensing	**146,032**	160,108
Maintenance	**197,318**	154,788
Services	**130,119**	133,055
Total revenues	**473,469**	447,951
Operating expenses		
Cost of sales	**138,941**	141,039
General and administrative	**70,318**	64,544
Other operating expenses	**266,256**	168,677
Total operating expenses (note 25)	**475,515**	374,260
Operating (loss)/profit	**(2,046)**	73,691
Finance income	**475**	1,786
Finance costs	**(14,506)**	(13,669)
Finance costs – net (note 27)	**(14,031)**	(11,883)
(Loss)/profit before taxation	**(16,077)**	61,808
Taxation (note 12)	**(12,231)**	(401)
(Loss)/profit for the year	**(28,308)**	61,407
Attributable to:		
Equity holders of the Company	**(28,252)**	61,641
Non-controlling interest	**(56)**	(234)
	(28,308)	61,407
Earnings per share (in USD) (note 28):		
basic	**(0.41)**	0.98
diluted	**(0.41)**	0.93

Notes on pages 54 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income
For The Year Ended 31 December

	2011 USD 000	2010 USD 000
(Loss)/profit for the year	**(28,308)**	61,407
Other comprehensive income:		
Available-for-sale financial assets (note 20)	**(26)**	(38)
Cash flow hedges (note 20)	**(5,315)**	2,573
Currency translation differences	**(8,887)**	(26,333)
Other comprehensive income for the year, net of tax	**(14,228)**	(23,798)
Total comprehensive income for the year	**(42,536)**	37,609
Attributable to:		
Equity holders of the Company	**(42,353)**	37,764
Non-controlling interest	**(183)**	(155)
	(42,536)	37,609

Notes on pages 54 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement Of Financial Position
As At 31 December

	2011 USD 000	Re-presented 2010 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 7)	**154,950**	160,274
Trade and other receivables (note 8)	**295,532**	324,396
Other financial assets (note 9)	**4,062**	6,062
Total current assets	**454,544**	490,732
Non–current assets		
Property, plant and equipment (note 10)	**13,210**	14,797
Intangible assets (note 11)	**404,103**	408,539
Trade and other receivables (note 8)	**49,108**	33,503
Other financial assets (note 9)	**210**	–
Deferred tax assets (note 12)	**33,814**	38,429
Total non-current assets	**500,445**	495,268
Total assets	**954,989**	986,000
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	**127,418**	112,669
Other financial liabilities (note 9)	**6,005**	3,794
Deferred revenues	**180,503**	156,217
Income tax liabilities	**15,667**	12,155
Borrowings (note 14)	**11,123**	94,448
Provisions for other liabilities and charges (note 15)	**4,696**	3,971
Total current liabilities	**345,412**	383,254
Non-current liabilities		
Trade and other payables (note 13)	**1,685**	3,307
Other financial liabilities (note 9)	**758**	–
Income tax liabilities	**1,544**	1,550
Borrowings (note 14)	**242,624**	88,172
Provisions for other liabilities and charges (note 15)	**2,488**	–
Deferred tax liabilities (note 12)	**8,448**	13,334
Retirement benefit obligations (note 24)	**3,849**	3,656
Total non-current liabilities	**261,396**	110,019
Total liabilities	**606,808**	493,273
Capital and reserves attributable to the Company's equity holders		
Share capital	**239,677**	236,958
Treasury shares	**(113,473)**	(9,208)
Share premium and capital reserves (note 19)	**19,367**	19,508
Fair value and other reserves (note 20)	**(69,997)**	(55,896)
Retained earnings	**272,607**	300,859
	348,181	492,221
Non-controlling interest	**–**	506
Total equity	**348,181**	492,727
Total liabilities and equity	**954,989**	986,000

Notes on pages 54 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows
For The Year Ended 31 December

	2011 USD 000	Re-presented 2010 USD 000
Cash flows from operating activities		
(Loss)/profit before taxation	**(16,077)**	61,808
Adjustments:		
Depreciation, amortisation and impairment of financial assets	**90,585**	49,370
Impairment charge of property, plant and equipment (note 10)	**203**	–
Profit on disposal of subsidiary, business and non-current assets	**(645)**	(3,057)
Cost of share options (note 21)	**11,902**	17,040
Foreign exchange loss/(gain) on non-operating activities	**3,854**	(11,418)
Interest expenses, net (note 27)	**6,433**	9,796
Fair value loss from financial instruments (note 27)	**248**	3,872
Financial instrument related expenses (note 27)	**2,203**	3,159
Other non-cash items	**4,139**	2,788
Changes in net working capital		
Trade and other receivables	**(38,747)**	(14,756)
Trade and other payables	**9,966**	3,415
Deferred revenues	**27,937**	3,809
Cash generated from operations	**102,001**	125,826
Income taxes paid	**(3,173)**	(2,800)
Net cash generated from operating activities	**98,828**	123,026
Cash flows from investing activities		
Purchase of property, plant and equipment	**(5,450)**	(3,413)
Disposal of property, plant and equipment	**120**	623
Purchase of intangible assets	**(4,525)**	(3,171)
Capitalised development costs (note 11)	**(38,499)**	(22,249)
Acquisitions of subsidiary, net of cash acquired	**(1,467)**	(81,770)
Disposal of subsidiary or business, net of cash disposed	**378**	3,526
Settlement of financial instruments	**(396)**	(4,736)
Interest received	**164**	307
Net cash used in investing activities	**(49,675)**	(110,883)
Cash flows from financing activities		
Proceeds from issuance of shares, net of related expenses	**–**	2,751
Acquisition of treasury shares	**(113,473)**	(10,417)
Proceeds from borrowings	**150,060**	183,557
Repayments of borrowings	**(80,000)**	(171,465)
Debt refinancing	**–**	12,014
Interest payments	**(5,131)**	(6,582)
Payment of financial instrument related expenses	**(3,477)**	(4,968)
Payment of finance lease liabilities	**(701)**	(654)
Net cash (used in)/generated from financing activities	**(52,722)**	4,236
Effect of exchange rate changes	**(1,755)**	1,244
(Decrease)/increase in cash and cash equivalents in the year	**(5,324)**	17,623
Cash and cash equivalents at the beginning of the year	**160,274**	142,651
Cash and cash equivalents at the end of the year	**154,950**	160,274

Notes on pages 54 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity
For The Year Ended 31 December

	Share capital USD 000	Treasury shares 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 2010	**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**
Loss for the year	–	–	–	–	(28,252)	(56)	(28,308)
Other comprehensive income for the year, net of tax	–	–	–	(14,101)	–	(127)	(14,228)
Total comprehensive income	–	–	–	(14,101)	(28,252)	(183)	(42,536)
Decrease in ownership	–	–	–	–	–	(323)	(323)
Cost of share options (note 21)	–	–	11,902	–	–	–	11,902
Exercise of share options	2,719	9,208	(11,922)	–	–	–	5
Share issuance costs	–	–	(121)	–	–	–	(121)
Acquisition of treasury shares	–	(113,473)	–	–	–	–	(113,473)
	2,719	(104,265)	(141)	(14,101)	(28,252)	(506)	(144,546)
Balance at 31 December 2011	**239,677**	**(113,473)**	**19,367**	**(69,997)**	**272,607**	**–**	**348,181**

Notes on pages 54 to 97 are an integral part of these consolidated financial statements.

Notes To The Consolidated Financial Statements
31 December 2011

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 2 Rue de l'Ecole-de-Chimie.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 15 February 2012.

2. Accounting policies

The principal accounting policies applied 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 (including derivatives instruments) 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 re-presented to reflect the finalisation of the purchase accounting of ODYSSEY (note 6).

Standards, amendments and interpretations effective as of 1 January 2011 that have been adopted by the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2011 which were adopted by the Group:

- IFRS 7 (amendment) 'Financial Instruments: Disclosures'
- IFRIC 14 (amendment) 'Prepayments of a minimum funding requirement'
- IFRIC 19 (new interpretation) 'Extinguishing financial liabilities with equity instruments'
- IAS 24 (revised) 'Related party disclosures'
- IAS 32 (amendment) 'Financial Instruments: Presentation'
- 2010 Annual improvements.

The adoption of the above standards, amendments and interpretations have not resulted in a material impact on the Group's consolidated financial statements.

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 have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 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:

- IFRS 9 (Standard) 'Financial Instruments', effective for annual periods beginning on or after 1 January 2015. 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 2015.
- IAS 1 (amendment) 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 July 2012. This amendment requires an entity to group together items within OCI that may be reclassified to the profit or loss. It also reaffirms the existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Other than the grouping requirement, this amendment will have no impact on the Group's financial statements. The Group will apply this amendment 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 entity 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 19 (amendment) 'Employee benefits', effective for annual periods beginning on or after 1 January 2013. This amendment introduces significant modifications such as ,amongst other, removal of the corridor approach, geographic re-allocation of the interest income, change of methodology for calculation of interest on plan asset and additional disclosures requirement. Although the Group is still measuring the effect of these changes, this amendment is not expected to have a significant impact on the Group's financial statements. The Group will apply the revised standard for the financial reporting period commencing on 1 January 2013.
- IAS 27 (amendment) 'Separate financial statement', effective for annual periods beginning on or after 1 January 2013. This standard has been re-named as a result of the issuance of IFRS 10 'Consolidated financial statements'. This revised standard will not have an impact on the Group's financial statements. The Group will apply this revised standard for the financial reporting period commencing on 1 January 2013.
- IAS 28 (amendment) 'Investments in Associates and Joint Ventures', effective for annual periods beginning on or after 1 January 2013. This standard has been re-named and amended to conform with the changes based on the issuance of IFRS 11 'Joint arrangements'. This revised standard will have no impact on the Group's financial statements. The Group will apply this revised standard for the financial reporting period commencing on 1 January 2013.

- IAS 32 (amendment) 'Financial instruments: Presentation', effective for annual periods beginning on or after 1 January 2013. This amendment clarifies the offsetting rules for financial assets and financial liabilities. The Group will apply this revised standard for the financial reporting period commencing on 1 January 2013.
- IFRS 10 (Standard) 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013. This new standard provides additional guidance to assist in the determination of control when difficulties to assess exist. Although, the Group is yet to assess the impact of this new standard, it is not expected to have a material impact on the Group's financial statements. The Group will apply this new standard for the financial reporting commencing on 1 January 2013.
- IFRS 11 (Standard) 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013. This new standard introduces principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. This new standard will have no impact on the Group's financial statements as the Group does not hold any interests in arrangements jointly controlled. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013.
- IFRS 12 (Standard) 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013. This new standard introduces the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and unconsolidated structured entities. The Group is still evaluating the effect of this new standard and will apply this new standard for the financial reporting commencing on 1 January 2013.
- IFRS 13 (Standard) 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Although the Group is yet to assess the impact, this new standard is not expected to have material effect on the Group's financial statements. The Group will apply this new standard for the financial reporting commencing on 1 January 2013.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of Temenos Group AG ("the Company") 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 subsidiaries 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 acquiree 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 income statement.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

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.

Notes To The Consolidated Financial Statements
31 December 2011

2. Accounting policies continued

(b) Basis of consolidation continued

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. The Group's investment in associates includes goodwill identified on acquisition.

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

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.

(c) Foreign currency

Items included in the financial statements of each of the Group's subsidiaries 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 (i.e. quasi-equity loans).

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 complexity of the Group's operations, an extensive review of the factors that has revealed one of these indicators needs to be carried out 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 impairment 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. 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 remaining 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.

Gains or losses on disposals are determined by comparing the consideration received or receivable 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 synergies of the business combination.

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 lives.

Customer related intangible asset
Customer-related intangible assets acquired through business combinations. They are initially measured at fair value and then amortised using either the straight-line method over their estimated useful lives 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; and
- 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.

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 within "Finance costs".

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.

A provision for onerous lease is recognised when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting its obligations under the contract.

(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 facility are recognised either as transaction costs of the borrowing for the draw-down portion or as a prepayment for liquidity services that is subsequently 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 instrument 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 equipment 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 income statement 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 remaining lease term.

All other leases are classified as operating leases. 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 instruments 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 presented as a deduction 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. The related interest expense is recognised in the income statement within "Finance costs".

(p) Employee share-based payments
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 of the Group. The fair value of the employee services received in exchange for the grant of the instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument 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 instruments 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 instruments 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 instruments are exercised, the Group issues new shares or re-issues treasury shares. The consideration received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and capital reserves.

2. Accounting policies continued

(q) Employee benefits

Pension obligations

The Group operates 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 the employee's 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 and losses, past service cost and unrecognised assets. 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.

For defined contribution plans, the relevant contributions are recognised as personnel costs when they are due. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. healthcare benefit). The entitlement of those benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

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 which occurs 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.

(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 over the period of these developments.

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 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, the entire 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. When payment terms exceed 12 months from the recognition of the related revenue, the revenue recognised represents the net present value of the consideration to be received.

Fees invoiced in advance of the delivery period are reported under “deferred revenues” on the face of the statement of financial position and then subsequently recognised as revenue when the delivery occurs according to the revenue recognition policy. Fees that have been earned but not yet invoiced are reported under “trade and other receivables”.

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are computed by dividing the profit or loss attributable to equity holders of the Company, adjusted for the effect that would result from the conversion of dilutive ordinary shares, by the weighted average number of ordinary shares plus the weighted average of number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares.

(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 at initial recognition.

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.

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”.

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

Notes To The Consolidated Financial Statements
31 December 2011

2. Accounting policies continued

(v) Financial assets continued
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 (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 current portion where the recognition of interest would be immaterial.

Discounted interest income is recognised in the income statement within "Finance income".

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).

(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".

Financial liabilities at fair value through profit or loss are reported in 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 current portion where the recognition of interest would be immaterial. The resulting discounted interest charge is recognised in the income statement within "Finance costs".

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 gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates certain derivatives 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).

When hedge accounting is designated, the Group documents at the inception of the hedge the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy. 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.

While providing effective economic hedges under the Group's risk management policies, certain derivatives are not designated as hedging instruments according to 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".

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the same line as the hedged item.

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

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.

Notes To The Consolidated Financial Statements
31 December 2011

3. Financial risk management

(a) Financial risk factors

The Group is exposed 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 mitigate 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 currencies, primarily with respect to those described below. Foreign exchange risk arises from:

- Forecasted revenue and costs denominated in a currency other than the entity's functional currency;
- Monetary assets and liabilities denominated in a currency other than the entity's functional currency; 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. The Group's policy is to mitigate the next 18 months of anticipated cash flows by entering into forward foreign exchange contracts.

When cash-flow hedge accounting is designated, the Group applies requirements of IAS 39 "Financial instruments" in respect of documentation and effectiveness testing.

The Group offsets its short-term material foreign currency exposures arising from monetary assets and liabilities by entering into forwards contracts. These derivatives are not designated as a hedging instrument according to IAS 39 "Financial instruments" since the related gains or losses are already recognised within the same period and presented in the same income statement line item (i.e. Finance costs – net).

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

The table below illustrates the Group's principal foreign currency exposures:

	Net exposure	
	2011 FCY* 000	2010 FCY* 000
EURO	**(7,809)**	25,516
UK Pounds	**(9,248)**	(7,129)
Swiss Francs	**(7,848)**	(5,947)
Singapore Dollars	**na**	2,312
South African Rand	**na**	1,404
India rupee	**(223,297)**	134,272

*Foreign currency

These amounts represent the Group's exposure for monetary assets and liabilities denominated in a currency other than the functional currency of the subsidiary in which they are measured.

These amounts include the derivatives classified as held for trading but exclude the derivatives qualified for cash-flow hedge accounting.

Sensitivity analysis
The following table details the Group's hypothetical sensitivity analysis to a 10% shift in the currencies above against the US dollars with all the other variables held constant. 10% increase/decrease represents the management assessment for a reasonable short-term volatility in the foreign exchange rates.

	2011 USD 000	2010 USD 000
Currencies strengthen by 10%		
Profit or loss before tax:	**(3,926)**	1,041
EURO	**(5,647)**	(467)
UK Pounds	**(360)**	147
Swiss Francs	**2,454**	(195)
India rupee	**(373)**	1,556
Other comprehensive income: Derivatives qualified for hedge accounting (cash flow hedge)	**3,254**	2,968
Equity	**(672)**	4,009
Currencies weaken by 10%		
Profit or loss before tax:	**3,926**	(1,041)
EURO	**5,647**	467
UK Pounds	**360**	(147)
Swiss Francs	**(2,454)**	195
India rupee	**373**	(1,556)
Other comprehensive income: Derivatives qualified for hedge accounting (cash flow hedge)	**(3,254)**	(2,968)
Equity	**672**	(4,009)

(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 arising from cash and cash equivalent and borrowings at variable rates.

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 2011, 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 or loss before tax and equity.

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

The Group's policy is to determine the creditworthiness of any new prospective or existing customer at the initial phase of the negotiation. Payment terms and requirement of financial security are adapted according to the degree of the credit quality and the past experience.

The Group's policy also requires to continuously assess the quality of the credit risk over the contractual period for customers with significant balances.
At present, the Group does not hold any collateral security.

In cases when delinquency in payments arises, the Group may withhold services delivery under current implementation or the right to use its software.

The Group mitigates the credit risk for cash and cash equivalent and derivative financial instrument by conducting all the transactions with major reputable financial institutions.

As at 31 December 2011, there is no geographical concentration of credit risk as the Group's customer base is internationally dispersed and no individual customer represents more than 10% of the Group's outstanding "trade and other receivable" balances.

The Group's management believes that no impairment allowance is necessary in respect of trade and other receivables not past due other than those already provided for.

Notes To The Consolidated Financial Statements
31 December 2011

3. Financial risk management continued

(a) Financial risk factors continued

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); and 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 2011					
Trade and other payables	114,209	13,209	–	–	–
Borrowings	1,007	10,158	288	242,352	–
Other long term payables	–	–	1,639	70	–
Total non-derivatives financial liabilities	**115,216**	**23,367**	**1,927**	**242,422**	**–**

	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**	**–**

The following table details the Groups' liquidity analysis for its derivative financial liabilities. These amounts represents 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 2011					
Outflow foreign exchange derivatives	61,783	15,882	18,112	7,378	–
Inflow foreign exchange derivatives	(60,193)	(15,207)	(17,159)	(7,143)	–
Net settled foreign exchange derivatives	726	771	1,290	523	–
Total derivatives	**2,316**	**1,446**	**2,243**	**758**	**–**

	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**	**–**	**–**	**–**

(b) Capital risk management

The Group's principal objective when managing capital is to safeguard the Group'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 borrowings (note 14), cash and cash equivalents (note 7) and equity attributable to equity holders of the parent.

Notes To The Consolidated Financial Statements
31 December 2011

3. Financial risk management continued

(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 non-current borrowings 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 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 2011

	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	–	874	–	874
Derivatives instruments used for hedging	–	3,364	–	3,364
Available-for-sale financial assets	34	–	–	34
Total	**34**	**4,238**	**–**	**4,272**

	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	–	1,091	–	1,091
Derivatives instruments used for hedging	–	5,672	–	5,672
Total	**–**	**6,763**	**–**	**6,763**

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**

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 and pervasive, it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2011 the carrying amount of the goodwill amounts to USD 294 million.

Income taxes

The Group recognises deferred tax assets on carried forward losses and other temporary differences. The amount recognised is based on management's estimates and assumptions with regards to the availability of future taxable profits at the subsidiaries where the carried forward losses or temporary differences exist. Where the actual outcomes are to differ by 10% from management's estimates, the Group would:

- Increase the deferred tax asset by USD 971 thousand, if favourable; or
- Decrease the deferred tax asset by USD 971 thousand if unfavourable.

At 31 December 2011 the carrying amount of the deferred tax asset amounts to USD 33.8 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. The Group also exercises judgement in assessing uncertainties surrounding the probability of collection when extended payment terms or other various contingencies exist. These assessments are made at the outset of the contract.

In respect of service revenue, the Group's 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.

Notes To The Consolidated Financial Statements
31 December 2011

5. Group companies

The consolidated financial statements include the accounts of Temenos Group AG and the following entities as of 31 December 2011:

Company name	Country of incorporation	Ownership interest
VIVEO EL DJAZAÏR SARL	Algeria	100%
ODYSSEY FINANCIAL TECHNOLOGIES AUSTRALIA PTY LTD	Australia	100%
TEMENOS AUSTRALIA PTY LIMITED	Australia	100%
TEMENOS ÖSTERREICH GMBH	Austria	100%
TEMENOS BELGIUM SA	Belgium	100%
ODYSSEY FINANCIAL TECHNOLOGIES S.A.	Belgium	100%
TEMENOS HOLDINGS LIMITED	British Virgin Islands	100%
TEMENOS BULGARIA EOOD	Bulgaria	100%
ODYSSEY FINANCIAL TECHNOLOGIES Inc.	Canada	100%
TEMENOS SOFTWARE CANADA LIMITED	Canada	100%
584990 B.C. LIMITED (known as PRIMISYN)	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%
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%

Company name	Country of incorporation	Ownership interest
TEMENOS POLSKA SP.ZOO	Poland	100%
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); Santo Domingo (Dominican Republic); Tunis (Tunisia); Montpellier (France); Nantes (France); Toulouse (France); Hong Kong (Hong Kong); Lausanne (Switzerland) and Geneva (Switzerland).

Notes To The Consolidated Financial Statements
31 December 2011

6. Business combinations

Prior years acquisitions

Included in outflow from acquisition, is USD 487 thousand for settlement of deferred consideration in respect of the acquisition of FE-MOBILE LIMITED.

ODYSSEY
The below table discloses the financial effects and the movement in the Goodwill as a result of the finalisation of the provisional values recognised in 2010.

	2010 USD 000	2011 adjustment USD 000	**Total** **USD 000**
Purchase consideration:			
– Cash paid	86,348	–	**86,348**
Total purchase consideration	86,348	–	**86,348**
Fair value of net assets acquired	26,685	1,859	**28,544**
Goodwill	113,033	1,859	**114,892**

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

Subsequent adjustments by category

	2010 USD 000	2011 adjustment USD 000	**Total** **USD 000**
Cash and cash equivalents	8,235	–	**8,235**
Trade and other receivables	38,099	(105)	**37,994**
Other financial assets	4,993	–	**4,993**
Property, plant and equipment (note 10)	2,066	–	**2,066**
Intangible assets (note 11)	19,845	–	**19,845**
Trade and other payables	(23,763)	–	**(23,763)**
Deferred revenue	(34,973)	(809)	**(35,782)**
Provision for other liabilities and charges	(479)	–	**(479)**
Borrowings	(33,378)	–	**(33,378)**
Retirement benefit obligations	–	(945)	**(945)**
Income tax liability	(1,646)	–	**(1,646)**
Deferred tax liability	(5,684)	–	**(5,684)**
Total	(26,685)	(1,859)	**(28,544)**

Current year acquisitions

PRIMISYN

On 27 July 2011 the Group acquired 100% of the share capital of PRIMISYN, a Canadian based provider of business intelligence("BI") software for the financial service sector.

As a result of this acquisition the Group is expected to broaden its product offering to include customer analytics and operational intelligence that would enable the Group to address a larger market and sustain a double-digit compound growth rates in BI.

The goodwill arising from the acquisition is mainly attributable to the enhancement of the solutions panel offered by the Group and to the penetration into the Canadian market.

Fair value of the consideration transferred at acquisition date:

	USD 000
– Cash paid	1,255
Total purchase consideration	1,255

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	275
Trade and other receivables	324
Property, plant and equipment	14
Intangible assets (note 11)	1,034
Trade and other payables	(93)
Income tax	(41)
Deferred tax liability (note 12)	(274)
Total identifiable net assets	1,239
Goodwill	16
Acquisition-related costs included in "General and administrative" line in the income statement	155
Consideration paid in cash	1,255
Cash and cash equivalents acquired	(275)
Cash outflow on acquisition	980

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

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 2011, the estimated contribution by the acquiree to the Group's revenues and profit or loss would not have been significant.

7. Cash and cash equivalents

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

	2011 USD 000	2010 USD 000
Cash at bank and in hand	**86,270**	101,326
Short term deposits with banks	**68,680**	58,948
	154,950	160,274

Included in the above amount, is USD 4.1 million (2010: USD 6.4 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

	2011 USD 000	Re-presented 2010 USD 000
Trade receivables	**327,253**	338,466
Less: provision for impairment of trade receivables	**(12,503)**	(12,076)
Trade receivables – net	**314,750**	326,390
VAT and other taxation recoverable	**12,115**	7,730
Other receivables	**4,427**	6,731
Prepayments	**13,348**	17,048
	344,640	357,899
Less non-current portion	**(49,108)**	(33,503)
Total current portion of trade and other receivables	**295,532**	324,396

Included in "Trade receivables" line, are USD 146.6 million of unbilled receivables (2010: USD 149.3 million).

The carrying amount of the current financial assets included in the trade and other receivables approximates 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	
	2011 USD 000	2010 USD 000	2011 USD 000	2010 USD 000
Between 1 and 2 years	**49,108**	33,503	**48,559**	33,243
	49,108	33,503	**48,559**	33,243

The fair value measurement is based on the discounted cash flow method using a rate of 1.13% (2010: 0.78%).

Ageing of the trade and other receivables past due but not impaired:

	2011 USD 000	Re-presented 2010 USD 000
Current (less than 30 days)	**40,997**	37,997
Past due 31-90 days	**31,088**	27,736
Past due 91-180 days	**12,135**	9,198
Past due 181-360 days	**18,515**	10,713
More than 360 days	**6,928**	16,706
	109,663	102,350

The Group believes that the past due and not impaired receivables are fully recoverable as there has been no history of defaults or no indicators of potential future litigation.

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

	2011 USD 000	Re-presented 2010 USD 000
At 1 January	**12,076**	6,819
Provision for receivables impairment	**4,221**	2,295
Acquisition of subsidiary	**–**	5,706
Used amounts	**(2,357)**	(3,494)
Unused amounts	**(285)**	(161)
Disposals	**–**	(66)
Exchange gain or loss	**(1,152)**	977
At 31 December	**12,503**	12,076

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 acknowledges that although collection risk is remote given the profile of the Group's customer base, there is an inherent risk linked to the Group's trade receivables in respect of the complexity of the Group's business and the existence of mid to long projects.

Included in "Other operating expenses", is USD 43 million (2010: USD 9.5 million) for impairment loss related to financial assets. Continuously worsening economic climate combined with increased funding needs in the banking sector have resulted in certain clients taking increasingly aggressive attitude towards project delays and an increased willingness to initiate litigation. The Group has provided for the adverse probable outcome on a very limited number of projects.

9. Other financial assets and liabilities

	2011		2010	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cash flow hedges	**3,364**	**5,672**	3,602	1,029
Forward foreign exchange contracts – held for trading	**874**	**1,091**	2,400	2,765
Available-for-sale investment	**34**	**–**	60	–
At 31 December	**4,272**	**6,763**	6,062	3,794
Reported as follows:				
Current	**4,062**	**6,005**	6,062	3,794
Non-current	**210**	**758**	–	–
At 31 December	**4,272**	**6,763**	6,062	3,794

The ineffective portion recognised in the profit or loss in respect of cash flow hedges was USD nil (2010: USD nil).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur each month during the next 18 months. Related gains or losses recognised in the fair value and other reserves (note 20) as of 31 December 2011 will be recycled 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.

Notes To The Consolidated Financial Statements
31 December 2011

10. Property, plant and equipment

Year ended 31 December 2011	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 2011	10,912	402	26,131	3,026	40,471
Foreign currency exchange differences	(333)	(30)	(1,870)	(508)	(2,741)
Acquisition of subsidiary (note 6)	–	–	14	–	14
Additions	1,309	–	4,528	–	5,837
Retirements/disposals	(992)	(185)	(1,158)	(14)	(2,349)
31 December 2011	**10,896**	**187**	**27,645**	**2,504**	**41,232**
Depreciation and impairment					
At 1 January 2011	8,562	351	16,579	182	25,674
Foreign currency exchange differences	(136)	(28)	(1,131)	(32)	(1,327)
Charge for the year	1,028	31	4,489	56	5,604
Impairment loss	106	–	97	–	203
Retirements/disposals	(828)	(185)	(1,105)	(14)	(2,132)
31 December 2011	**8,732**	**169**	**18,929**	**192**	**28,022**
Net book value					
31 December 2011	**2,164**	**18**	**8,716**	**2,312**	**13,210**

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	290	–	1,776	–	2,066
Additions	766	–	3,597	–	4,363
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
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

Leased assets, where the Group is a lessee, mainly comprise of IT hardware and some office equipment.

	Vehicles USD 000	Fixtures fittings & equipment USD 000	Total USD 000
Net book value at 31 December 2011	**–**	**681**	**681**
Net book value at 31 December 2010	1	1,085	1,086

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

11. Intangible assets

Year ended 31 December 2011	Internally generated software development costs USD 000	Goodwill USD 000	Others USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost						
At 1 January 2011	131,887	300,369	–	45,079	45,977	523,312
Foreign currency exchange differences	(665)	(6,472)	–	(1,693)	(927)	(9,757)
Acquisition of subsidiary (note 6)	–	16	–	1,034	–	1,050
Additions	38,499	–	–	4,340	–	42,839
Retirements, disposals and transfers	–	–	–	298	(298)	–
31 December 2011	**169,721**	**293,913**	**–**	**49,058**	**44,752**	**557,444**
Amortisation						
At 1 January 2011	74,677	–	–	20,767	19,329	114,773
Foreign currency exchange differences	(1)	–	–	(1,484)	(1,116)	(2,601)
Charge for year	19,245	–	–	9,488	12,436	41,169
Retirements, disposals and transfers	–	–	–	116	(116)	–
31 December 2011	**93,921**	**–**	**–**	**28,887**	**30,533**	**153,341**
Net book value						
31 December 2011	**75,800**	**293,913**	**–**	**20,171**	**14,219**	**404,103**

11. Intangible assets continued

Year ended 31 December 2010	Internally generated software development costs USD 000	Goodwill USD 000	Others 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	–	119,282	–	7,645	13,058	139,985
Additions/adjustments	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 (re-presented)	131,887	300,369	–	45,079	45,977	523,312
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 (re-presented)	57,210	300,369	–	24,312	26,648	408,539

Amortisation charge of USD 37 million (2010: USD 31.6 million) is included in the "Cost of sales" line; USD 1.4 million (2010: USD 1.1 million) in "Other expenses" line and USD 2.8 million (2010: USD 2.4 million) in "General and administrative" line.

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

	2011			2010		
	Amount USD 000	**Growth rate %**	**Discount rate %**	Amount USD 000	Growth rate %	Discount rate %
Product	**293,913**	**1**	**11.02**	300,369	1	12.73
	293,913			300,369		

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 pre-tax 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 pre-tax rate as required by IFRS.

12. Taxation

Tax expense	2011 USD 000	2010 USD 000
Current tax on profits for the year	**11,811**	13,782
Adjustments in respect of prior years	**1,065**	(436)
Total current tax	**12,876**	13,346
Deferred tax – origination and reversal of temporary differences	**(645)**	(12,945)
Total tax expense	**12,231**	401

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:

	2011 USD 000	2010 USD 000
Profit before tax	**(16,077)**	61,808
Tax at the domestic rate of 25%	**(4,019)**	15,452
Non-taxable income and expenses	**829**	966
Utilisation of previously unrecognised losses	**(7,768)**	(6,010)
Tax losses for which no deferred income tax asset was recognised	**24,368**	10,996
Tax adjustments related to prior periods	**1,065**	(436)
Reversal (recognition) of deferred tax assets on intellectual property	**4,360**	949
Non-taxable consolidation adjustment on intellectual property amortisation	**(12,693)**	–
Other movement on deferred tax assets and liabilities, including rate changes	**(505)**	(9,708)
Effects of different tax rates	**(179)**	(19,612)
Overseas withholding tax	**4,881**	6,330
Other tax and credits	**1,892**	1,474
Total tax expense	**12,231**	401

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2011: 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:

	2011 USD 000	2010 USD 000
Deferred tax assets – to be recovered after more than 12 months	**7,654**	29,737
Deferred tax assets – to be recovered within 12 months	**26,160**	8,692
Deferred tax assets	**33,814**	38,429
Deferred tax liabilities – to be recovered after more than 12 months	**(4,188)**	(9,234)
Deferred tax liabilities – to be recovered within 12 months	**(4,260)**	(4,100)
Deferred tax liabilities	**(8,448)**	(13,334)
Net deferred tax assets	**25,366**	25,095

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 79,668 thousand (2010: USD 65,598 thousand) in respect of losses amounting to USD 268,018 thousand (2010: USD 281,842 thousand) that can be carried forward against future taxable income. Losses amounting to USD 74,019 thousand (2010: USD 54,375 thousand) will expire within the next 5 years, USD 18,071 thousand (2010: USD 18,579 thousand) will expire within 5 to 10 years and USD 17,973 thousand (2010: USD 31,817 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 24,108 thousand (2010: USD 28,468 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 (2010: nil).

As part of the acquisition of Primisyn, the Group acquired deferred tax assets of USD nil and deferred tax liabilities of USD 274 thousand.

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

	2011 USD 000	2010 USD 000
At 1 January	**25,095**	17,074
Income statement credit	**645**	12,945
Foreign exchange movement on deferred tax assets and liabilities held in local currencies	**36**	651
Acquisition of subsidiaries	**(274)**	(5,924)
Reclassification	**(136)**	349
At 31 December	**25,366**	25,095

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 2010	1,320	29,417	1,842	235	32,814
Credited/(charged) to the income statement	7,256	(949)	(435)	22	5,894
Exchange differences	2	–	(124)	37	(85)
Reclassification	(270)	–	–	76	(194)
At 31 December 2010	8,308	28,468	1,283	370	38,429
Charged to the income statement	(672)	(4,360)	(442)	(62)	(5,536)
Exchange differences	(10)	–	(12)	2	(20)
Reclassification	44	–	–	897	941
At 31 December 2011	**7,670**	**24,108**	**829**	**1,207**	**33,814**

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 2010	(11,461)	(3,660)	(619)	(15,740)
Credited to the income statement	4,409	2,600	42	7,051
Acquisition of subsidiary	(5,924)	–	–	(5,924)
Exchange differences	736	–	–	736
Reclassification	549	–	(6)	543
At 31 December 2010	(11,691)	(1,060)	(583)	(13,334)
Credited/(charged) to the income statement	5,260	1,060	(139)	6,181
Acquisition of subsidiary (note 6)	(274)	–	–	(274)
Exchange differences	6	–	50	56
Reclassification	(1,077)	–	–	(1,077)
At 31 December 2011	**(7,776)**	**–**	**(672)**	**(8,448)**

13. Trade and other payables

	2011 USD 000	2010 USD 000
Trade payables	**39,477**	28,662
Accrued expenses	**61,050**	57,445
Other payables	**26,891**	26,562
Current trade and other payables	**127,418**	112,669
Non-current other payables	**1,685**	3,307
Total trade and other payables	**129,103**	115,976

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

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

	Carrying amount		Fair value	
	2011 USD 000	2010 USD 000	**2011 USD 000**	2010 USD 000
Between 1-2 years	**1,615**	3,237	**1,597**	3,212
Between 3-5 years	**70**	70	**69**	69
	1,685	3,307	**1,666**	3,281

The fair value measurement is based on the discounted cash flow method using a rate of 1.13% (2010: 0.78%).

14. Borrowings

	2011 USD 000	2010 USD 000
Current		
Obligations under finance leases (note 16)	**321**	568
Other loans	**3**	16
Bank borrowings	**10,799**	93,864
	11,123	94,448
Non-current		
Obligations under finance leases (note 16)	**303**	617
Other loans	**43**	4
Bank borrowings	**242,278**	87,551
	242,624	88,172
Total borrowings	**253,747**	182,620

The fair value of current borrowings approximates 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	
	2011 USD 000	2010 USD 000	2011 USD 000	2010 USD 000
Obligations under finance leases (note 16)	**303**	617	**300**	612
Other loans	**43**	4	**43**	3
Bank borrowings	**242,278**	87,551	**239,571**	86,873
	242,624	88,172	**239,914**	87,488

The fair value measurement is based on the discounted cash flow method using a rate of 1.13% (2010: 0.78%).

Bank borrowings are at variable rates and mature until 2014. The carrying amounts are all denominated in USD.

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.

As at 31 December 2011, USD 90 million (2010: USD 100 million) is drawn under the refinancing 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 2011, a total of USD 163.6 million (2010: USD 83.6 million) is drawn as cash loans under the RCF and guarantees totalling USD 19.8 million (2010: USD 16.3 million) were in issue.

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

The facilities granted are subject to various financial covenants which have been adhered to during the year 2011.

15. Provisions for other liabilities and charges

	Legal claims USD 000	Property provisions USD 000	Termination benefits USD 000	Restructuring USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2011	663	407	–	2,768	133	3,971
Foreign currency exchange differences	(85)	12	4	28	4	(37)
Increase in provisions recognised in the income statement	1,010	3,696	2,374	–	–	7,080
Used during the year	(408)	(348)	–	–	(137)	(893)
Unused during the year	(141)	–	–	(2,796)	–	(2,937)
31 December 2011	**1,039**	**3,767**	**2,378**	**–**	**–**	**7,184**

Reported as follows:						
2011						
Current	1,039	1,279	2,378	–	–	4,696
Non-current	–	2,488	–	–	–	2,488
31 December 2011	**1,039**	**3,767**	**2,378**	**–**	**–**	**7,184**
2010						
Current	663	407	–	2,768	133	3,971
Non-current	–	–	–	–	–	–
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 balance at 31 December 2011 is expected to be utilised in 2012. The management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2011.

Property provisions
The amounts represent the net present value of the estimated future costs associated with onerous leases and dilapidations. Provision for onerous lease represents the lowest cost to exit the lease contract. Provisions for dilapidations represents the estimated costs to be incurred at the date of exit.

USD 1,279 is expected to be utilised during 2012 and USD 2,488 for the period from 2013 till 2017.

Termination benefits
The amounts represent the benefits payable for the period with no future economic benefit to the Group. The carrying amount is expected to be fully utilised in 2012.

Restructuring
The restructuring plan recognised in 2010 in respect of the acquisition of VIVEO was rejected by the French court in 2011. The balance of the provision at 31 December 2010 has been consequently reversed to the income statement.

Notes To The Consolidated Financial Statements
31 December 2011

16. Obligations under finance leases

Finance leases liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2011 USD 000	2010 USD 000	**2011 USD 000**	2010 USD 000
Obligations under finance leases:				
repayable within one year	**362**	660	**321**	568
repayable between one and five years	**320**	671	**303**	617
	682	1,331	**624**	1,185

Included in the financial statement as:		
Current borrowings (note 14)	**321**	568
Non-current borrowings (note 14)	**303**	617
	624	1,185

The interest charge on obligations under finance leases is recognised in the income statement within "Finance costs".

17. Financial instrument by category

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

	2011 USD 000	Re-presented 2010 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held for trading	**874**	2,400
Derivatives instruments used for hedging	**3,364**	3,602
Available-for-sale financial assets	**34**	60
Loans and receivables (including cash and cash equivalent)	**486,242**	501,125
Total	**490,514**	507,187
Financial liabilities		
Fair value through profit or loss (FVTPL)		
– Held for trading	**1,091**	2,765
Derivatives instruments used for hedging	**5,672**	1,029
Financial liabilities measured at amortised cost	**382,850**	298,596
Total	**389,613**	302,390

18. Share capital

As at 31 December 2011, the issued shares of Temenos Group AG comprised 72,000,930 ordinary 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 2011 are summarised below:

	Number
Total number of shares issued, as at 31 December 2010	71,524,117
Treasury shares	(464,982)
Total number of shares outstanding, as at 31 December 2010	71,059,135
Shares issued on exercise of employee share options	476,813
Movement in treasury shares	(2,658,713)
Total number of shares outstanding, as at 31 December 2011	**68,877,235**

As at 31 December 2011 the number of treasury shares held by the Group amounted to 3,123,695 (2010: 464,982).

Temenos Group AG also has conditional capital, comprising:

Authorised shares available until 17 June 2013	14,304,823
conditional shares that may be issued on the exercise of employee share options	4,086,625
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 2010	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 (note 21)	–	–	–	(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
Cost of share options (note 21)	–	–	11,902	–	–	11,902
Exercise of share options (note 21)	–	–	–	(11,922)	–	(11,922)
Share issuance costs	–	(121)	–	–	–	(121)
Balance at 31 December 2011	–	**138,511**	**87,320**	**(138,008)**	**(68,456)**	**19,367**

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, was 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 includes the following transactions:

- The premium on issuance of new shares at a price above their par value;
- The equity component recognised at inception of the convertible bond and the premium resulting from the early redemption occurred in 2010; and
- The expenses incurred in issuing new shares or acquiring own shares.

Share options reserve
As detailed in note 21, the Group has issued instruments to employees. The fair value of these instruments 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 instruments to employees. When the instruments are exercised, the Group fulfils its obligations by issuing newly created shares out of conditional capital or by reissuing treasury shares purchased by the Group. To the extent that the consideration received by the group in respect of these shares issued or reissued 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 NV were exchanged shortly before the initial public offering for Temenos Group AG shares, thus rendering Temenos Holdings NV 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, totalling 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

	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 2010	(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)
Currency translation differences	(8,450)	–	–	(8,450)
Disposal of subsidiary	(310)	–	–	(310)
Transfers to income statement within "Personnel costs"	–	–	(3,524)	(3,524)
Net fair value loss	–	(26)	(1,791)	(1,817)
Balance at 31 December 2011	**(67,198)**	**(57)**	**(2,742)**	**(69,997)**

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:

	2011		2010	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**1,516,439**	**$15.03**	3,708,607	$11.89
Granted during the year	**135,963**	**$23.54**	96,788	$20.63
Forfeited during the year	**(85,661)**	**$8.93**	(52,056)	$11.20
Exercised during the year	**(181,571)**	**$10.88**	(2,236,900)	$10.24
Outstanding at the end of the year	**1,385,170**	**$16.79**	1,516,439	$15.03

1,029,054 of the outstanding options (2010: 1,083,067) were exercisable at the balance sheet date with a weighted average exercise price of USD 13.77 (2010: USD 12.65). The options exercised during the year had a weighted average share price at the time of exercise of USD 29.24 (2010: USD 29.77).

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 in certain cases 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:

	2011		2010	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**7,037,490**	**$22.05**	7,913,543	$16.37
Granted during the year	**2,539,780**	**$21.79**	3,430,285	$25.71
Forfeited during the year	**(2,448,269)**	**$27.01**	(279,034)	$16.41
Exercised during the year	**(805,345)**	**$18.56**	(4,027,304)	$14.40
Outstanding at the end of the year	**6,323,656**	**$20.50**	7,037,490	$22.05

1,670,793 of the outstanding share appreciation rights (2010: 690,972) were exercisable at the balance sheet date with a weighted average exercise price of USD 16.36 (2010: USD 13.73). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 36.54 (2010: USD 28.52).

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 in certain cases to individual performance criteria. There were no share appreciation rights granted during the year as a result of the application of the overachievement provisions from grants in prior years (2010: 728,575 at USD 15.57). As at 31 December 2011 there were 2,621,296 remaining share appreciation rights (2010: 5,518,426) that may be subject to the overachievement provisions with a weighted average exercise price of USD 24.08 (2010: USD 22.45).

Notes To The Consolidated Financial Statements
31 December 2011

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:

2011 **Exercise price**	**Number**	**Remaining contractual life (years)**
$1.39-$1.92	**80,300**	**1.04**
$5.97-$7.96	**216,401**	**1.93**
$8.52-$9.96	**571,660**	**5.14**
$10.03-$12.86	**736,727**	**6.54**
$14.98-$17.05	**508,762**	**4.53**
$17.32-$17.45	**1,855,455**	**9.90**
$18.59-$23.51	**262,686**	**5.43**
$24.00-$25.67	**2,499,748**	**7.91**
$26.55-$27.79	**361,157**	**7.12**
$30.80-$32.13	**42,000**	**9.01**
$33.51-$34.82	**537,930**	**9.15**
$34.82-$38.60	**36,000**	**9.11**
	7,708,826	

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	

Fair value of stock options and share appreciation rights
The fair value of options and share appreciation rights granted during the period 2011 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 9.93 (2010: USD 8.50). The significant inputs into the model were weighted average share price at grant date of USD 21.44 (2010: USD 26.44), weighted average exercise price of USD 22.06 (2010: USD 25.57), standard deviation of expected share price returns of 40.97% (2010: 40.60%), weighted average option lives of 5.76 years (2010: 4.77 years) and weighted average annual risk-free interest rate of 1.67% (2010: 2.64%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period.

Performance, loyalty and restricted shares

	2011 **Number of shares**	2010 Number of shares
Outstanding at the beginning of the year	**533,947**	1,175,000
Granted during the year	**1,154,197**	108,947
Forfeited during the year	**(23,850)**	–
Exercised during the year	**(425,000)**	(750,000)
Outstanding at the end of the year	**1,239,294**	533,947

Loyalty shares
A grant of 27,667 (2010: 108,947) Loyalty shares was made to certain employees. 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 Loyalty shares in cash. The weighted average fair value of Loyalty shares granted during the period determined by the share price on the date of grant was USD 14.66 (2010: USD 35.94). None of the Loyalty shares were exercisable at the balance sheet date (2010: nil).

Performance shares
A grant of 855,000 (2010: nil) Performance shares was made to certain employees. Performance shares 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, the performance share grants may be increased by a maximum of 40% of the original grant. The vesting period is three and a quarter years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the performance shares in cash. The weighted average fair value of performance shares granted during the period determined by the share price on the date of grant was USD 15.98 (2010: USD n/a). None of the Performance shares were exercisable at the balance sheet date.

Restricted shares
A grant of 255,000 (2010: nil) Restricted shares was made to certain employees. Restricted shares are conditional on the employee completing a specified period of service. The vesting period is between two and three and a quarter years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the restricted shares in cash. The weighted average fair value of restricted shares granted during the period determined by the share price on the date of grant was USD 24.75 (2010: USD n/a). None of the restricted shares were exercisable at the balance sheet date.

Other shares
A grant of 16,530 (2010: nil) other restricted shares was made to certain employees. These other restricted shares are conditional on the employee completing a specified period of service. The vesting period is one and a quarter years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the restricted shares in cash. The weighted average fair value of restricted shares granted during the period determined by the share price on the date of grant was USD 32.62 (2010: USD n/a). None of these other restricted 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, performance, loyalty and other shares is USD 11,902 thousand (2010: USD 17,040 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 segments in order to assess performance and to allocate resources.

The "Product" segment is primarily engaged in marketing and licensing the Group's solutions, including software development fees for requested functionality and the "Services" segment comprises of other various activities such as product implementation, training.

Other representation of the Group's activity such as regional information is also 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 includes the operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated costs mainly comprise of restructuring and integration costs, share-based payment expenses, depreciation and amortisation, offices-related expenses, net finance costs and any other administration or corporate expenses that cannot be directly attributable to the operating segments.

The product segment derives its revenue primarily from the licensing and maintenance of the Group's solutions. The service segment derives its revenue from providing a wide range of supporting activities relating to the implementation of the Group's solutions.

The table below summarises the primary information provided to the Group's Chief Executive Officer:

	Product		Services		Total	
	2011	2010	**2011**	2010	**2011**	2010
	USD 000	USD 000	**USD 000**	USD 000	**USD 000**	USD 000
Revenue	**343,350**	310,949	**130,119**	137,002	**473,469**	447,951
Operating contribution	**93,122**	155,484	**7,450**	15,936	**100,572**	171,420
Total assets	**151,192**	166,700	**119,207**	95,700	**270,399**	262,400

All revenue is derived from external customers. No individual customer contributed more than 10% of total Group's revenue in the current and prior year.

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	**2011 USD 000**	2010 USD 000
Total operating contribution from the reportable segments	**100,572**	171,420
Depreciation and amortisation	**(46,773)**	(39,901)
Unallocated expenses	**(55,845)**	(57,828)
Finance costs – net	**(14,031)**	(11,883)
(Loss)/profit before taxation	**(16,077)**	61,808

Total assets	**2011 USD 000**	Re-presented 2010 USD 000
Total assets allocated to the reportable segments	**270,399**	262,400
Unallocated items:		
Trade and other receivables	**74,241**	95,499
Cash and cash equivalents	**154,950**	160,274
Other financial assets	**4,272**	6,062
Property, plant and equipment	**13,210**	14,797
Intangible assets	**404,103**	408,539
Deferred tax assets	**33,814**	38,429
Total assets per the balance sheet	**954,989**	986,000

Geographical Information

Revenue from external customers	2011 USD 000
Switzerland (country of the Group's domiciliation)	**23,542**
United Kingdom	**55,058**
France	**32,529**
Germany	**28,559**
Other countries	**333,781**
Total	**473,469**

	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

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

Non-current assets other than financial instruments and deferred tax assets	2011 USD 000	Re-presented 2010 USD 000
Switzerland (country of the Group's domiciliation)	**90,203**	60,063
Other countries	**327,110**	363,273
Total	**417,313**	423,336

23. Personnel costs

	2011 USD 000	2010 USD 000
Wages and salaries	**208,640**	173,673
Termination benefits	**5,312**	6,546
Social charges	**30,412**	28,330
Defined contribution pension costs	**5,097**	5,303
Defined benefit pension costs (note 24)	**3,612**	1,053
Cost of employee share option scheme	**11,902**	17,040
	264,975	231,945

Included in the personnel costs, is the remuneration of the key management personnel as illustrated below:

	2011 USD 000	2010 USD 000
Key management personnel of Temenos Group AG		
– short-term cash compensation and benefits	**2,939**	5,030
– post-employment benefits	**215**	172
– share-based payment	**7,288**	8,853
	10,442	14,055
Non-executive directors		
– short-term benefits	**340**	320

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

24. Retirement benefit obligations

The Group maintains defined contribution plans for its employees of which many are state-sponsored. The relevant contributions are charged to the income statement when incurred.

In certain countries, the Group has a legal obligation to make one-time payments to employees reaching retirement age or to 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.

The Group also maintains funded defined benefit pension plans in Switzerland, France and India:

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

	2011 USD 000	Re-presented 2010 USD 000
Present value of funded obligations	**(20,237)**	(25,814)
Fair value of plan assets	**18,505**	24,783
Deficit of funded plans	**(1,732)**	(1,031)
Present value of unfunded obligations	**(1,144)**	(1,025)
less:		
Unrecognised actuarial loss/(gain)	**244**	(487)
Unrecognised asset	**(766)**	(416)
Net liability in the balance sheet	**(3,398)**	(2,959)
Represented by:		
Accrued liabilities	**(3,849)**	(3,656)
Prepaid asset	**451**	697
Net liability in the balance sheet	**(3,398)**	(2,959)

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

	2011 USD 000	Re-presented 2010 USD 000
As at 1 January	**26,839**	11,845
Current service cost	**2,720**	1,201
Interest cost	**814**	479
Contributions by plan participants	**1,341**	628
Actuarial losses	**443**	400
Acquisitions	**–**	12,300
Curtailments	**529**	(552)
Exchange differences	**(1)**	899
Benefits paid	**(11,304)**	(361)
As at 31 December	**21,381**	26,839

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

	2011 USD 000	Re-presented 2010 USD 000
As at 1 January	**24,783**	10,517
Expected return on plan assets	**768**	415
Acquisitions	**–**	11,355
Exchange differences	**179**	1,150
Employer contributions	**3,020**	1,041
Employee contributions	**1,341**	628
Benefits paid	**(11,304)**	(361)
Actuarial (losses)/gains	**(282)**	38
As at 31 December	**18,505**	24,783

The actual return on plan assets was positive USD 486 thousand (2010: positive USD 453 thousand).

The amounts recognised in the income statement are as follows:

	2011 USD 000	2010 USD 000
Current service cost	**2,720**	1,201
Interest cost	**814**	479
Expected return on plan assets	**(768)**	(415)
Amortisation of net gain	**(17)**	(7)
Loss/(gain) arising from curtailments	**488**	(552)
Assets not recognised	**375**	347
Total costs included in personnel costs	**3,612**	1,053

Principal weighted average actuarial assumptions at the balance sheet date:

	2011	Re-presented 2010
Discount rate at 31 December	**3.24%**	3.56%
Expected rate of return on plan assets at 31 December	**2.86%**	3.36%

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

	2011	Re-presented 2010
Equity securities	**13%**	14%
Fixed income securities	**19%**	19%
Real estate	**17%**	10%
Insurance contracts	**50%**	51%
Other	**1%**	6%
	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 2012 are USD 2,301 thousand.

24. Retirement benefit obligations continued

The following table shows a five-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	2011 USD 000	Re-presented 2010 USD 000	2009 USD 000	2008 USD 000	2007 USD 000
Present value of defined benefit obligation	**21,381**	26,839	11,845	8,634	8,117
Present value of plan assets	**18,505**	24,783	10,517	8,554	9,523
Deficit/(surplus)	**2,876**	2,056	1,328	80	(1,406)
Experience adjustments on plan liabilities	**122**	352	(12)	(71)	83
Experience adjustments on plan assets	**(282)**	38	467	(1,294)	(251)

25. Expenses by nature

	2011 USD 000	2010 USD 000
Third party licences and commissions	**10,857**	9,854
Personnel costs and external consultants	**309,376**	262,929
Depreciation and amortisation (note 10 and 11)	**46,773**	39,901
Travel expenses	**38,158**	28,725
Rent and other occupancy costs	**28,762**	18,513
Marketing and other professional costs	**15,651**	12,689
Other costs	**64,437**	23,898
Capitalised expenditure (note 11)	**(38,499)**	(22,249)
	475,515	374,260

Included in "Other costs", is USD 742 thousand representing a gain on disposals of minor subsidiary and business. The net consideration received is amounting to USD 378 thousand, including USD 35 thousand of cash disposed of. The net assets disposed of less non-controlling interest is immaterial.

26. Expenses by function

	2011 USD 000	2010 USD 000
Sales and marketing	**133,480**	83,358
Services	**152,425**	137,469
Software development and maintenance	**119,292**	88,889
General and administrative	**70,318**	64,544
Total operating expenses	**475,515**	374,260

27. Finance costs – net

	2011 USD 000	Re-presented 2010 USD 000
Finance income:		
– Interest income on short-term bank deposits	**158**	255
– Interest income on short-term investments	**4**	52
– Interest income on non-current trade and other trade receivables	**313**	407
– Fair value loss from financial instruments, net	**–**	(3,872)
– Foreign exchange gain, net	**–**	4,944
Total finance income	**475**	1,786
Finance costs:		
– Interest expense on convertible bond	**–**	(6,037)
– Interest expense on obligations under finance leases	**(116)**	(118)
– Interest expense on non-current trade and other payables	**(31)**	(116)
– Interest expense on bank borrowings	**(6,403)**	(3,909)
– Other interest expense	**(358)**	(330)
– Fees related to the undrawn portion of the borrowing facility	**(1,062)**	(2,702)
– Other finance costs	**(1,141)**	(457)
– Fair value loss from financial instruments, net	**(248)**	–
– Foreign exchange loss, net	**(5,147)**	–
Total finance costs	**(14,506)**	(13,669)
Finance costs – net	**(14,031)**	(11,883)

28. Earnings per share calculations

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2011 USD 000	2010 USD 000
(Loss)/profit attributable to equity holders of the Company	**(28,252)**	61,641
Weighted average of ordinary shares outstanding during the year (in thousands)	**69,290**	62,909
Basic earnings per share (USD per share)	**(0.41)**	0.98

28. Earnings per share calculations continued

Diluted
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 31 December 2010, the Group had two categories of dilutive potential ordinary shares: convertible debt and share options. For the period ended 31 December 2010, the convertible debt was assumed to have been converted into ordinary shares and the net profit was adjusted to eliminate the interest expense. For the share options, a calculation was 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.

For the period ended 31 December 2011, the Group has only one category with a potential dilutive effect : share options. However, given that the Group has recognised a net loss for the year 2011, the impact of this category is anti-dilutive. Therefore, diluted EPS equals the basic EPS.

	2011 USD 000	2010 USD 000
(Loss)/profit attributable to equity holders of the Company	**(28,252)**	61,641
Interest expense on convertible debt (net of tax)	–	6,037
(Loss)/profit used to determine diluted earnings per share	**(28,252)**	67,678
Weighted average of ordinary shares outstanding during the year (in thousands)	**69,290**	62,909
Adjustments for:		
– Assumed conversion of convertible debt (in thousands)	–	6,860
– Share options (in thousands)	–	3,394
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**69,290**	73,163
Diluted earnings per share (USD per share)	**(0.41)**	0.93

29. Commitments and contingencies

The Group has obligations under operating leases relating to office premises and leased equipment. The leases have varying terms, escalation clauses and renewal rights. At 31 December 2011, operating lease payments recognised in the income statement relating to office premises amounted to USD 16.8 million (2010: USD 14.3 million) and operating lease payments recognised in the income statement relating to leased equipment were USD 2 million (2010: USD 2.1 million).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 USD 000	2010 USD 000
No later than 1 year	**17,124**	14,853
Later than 1 year and no later than 5 years	**33,298**	35,190
Later than 5 years	**13,018**	8,038
Total	**63,440**	58,081

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business (note 14). The Group 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.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for 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 options, SARSs and shares is described in note 21.

The office lease agreement between Temenos Headquarters SA and one of the directors of the Group was terminated in May 2011. The related rent paid for the five-month period was CHF 220 thousand, and the terms and conditions of the lease agreement conformed to the standard market prices.

There were no other large or significant transactions with related parties during the year ended 31 December 2011.

31. Events after the reporting period

On 7 February 2012, the Group announced that it has reached an agreement in principle on certain key terms for a possible all share merger with Misys plc. At the date of approving these financial statements, this transaction was still subject to satisfactory mutual due diligence, agreement on definitive legal documentation and obtaining necessary shareholder and regulatory approvals. Given the circumstances described, there can be no certainty that the transaction will ultimately take place.

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. Additional details about financial risk management are presented in note 3 and a more comprehensive statement of the Group's risk mitigation is presented on page 47 of the annual report.

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 2011.

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 2011 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 article 11 AOA) 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

Guillaume Nayet Audit expert Auditor in charge	Pierre-André Bovey Audit expert

Geneva, 21 February 2012

Unconsolidated Balance Sheet
As At 31 December 2011

	2011 CHF 000	2010 CHF 000
Assets		
Current assets		
Prepayments and other assets	**165**	169
Liquid funds	**108**	68
Total current assets	**273**	237
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	**753,331**	616,331
Receivable from other Group entities	**42,544**	144,161
Total non-current assets	**795,875**	760,492
Total assets	**796,148**	760,729
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**686**	550
Other liabilities	**558**	5,058
Tax payable	**293**	125
Total current liabilities	**1,537**	5,733
Non-current liabilities		
Payable to other Group entities	**42,959**	5,729
Total non-current liabilities	**42,959**	5,729
Shareholders' equity		
Share capital (note 3)	**360,005**	357,621
General legal reserve (note 4)	**5,164**	345
General reserve from capital contributions (note 4)	**208,594**	291,708
Reserve for Treasury shares from capital contributions (note 4)	**104,191**	–
Retained earnings (note 4)	**73,698**	99,593
Total shareholders' equity	**751,652**	749,267
Total shareholders' equity and liabilities	**796,148**	760,729

Unconsolidated Income Statement
For The Year Ended 31 December

	2011 CHF 000	2010 CHF 000
Income from investments in subsidiaries	**726**	100,165
Financial income	**2,711**	–
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(2,938)**	(3,391)
Net profit before taxation	**499**	96,774
Taxation	**(498)**	(390)
Net profit after taxation	**1**	96,384

Notes To The Unconsolidated Financial Statements
31 December 2011

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 nominal 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)	
2 shares of a nominal value of EGP 100 each.	50%
Temenos Luxembourg SA, Luxembourg (servicing company)	
47,250 shares of a nominal value of EUR 25 each.	100%
Temenos Finance Luxembourg SARL, Luxemburg (financing company)	
12,500 shares of a nominal value of EUR 1 each.	100%
Temenos UK Limited, United Kingdom (holding company)	
10,994,218 shares of a nominal value of Pounds 20 each.	100%
Temenos Holdings France SAS, France (holding company)	
28,010,000 shares of a nominal value of EUR 10 each.	100%

Notes To The Unconsolidated Financial Statements
31 December 2011

3. Share capital

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

	2011 number	2010 number
Total number of Temenos Group AG shares issued, as at 1 January	**71,524,117**	59,858,526
Shares issued and allotted in relation to the conversion of the bond	**–**	7,322,776
Shares issued and allotted on exercising of employee share options	**476,813**	4,342,815
Total number of Temenos Group AG shares issued, as at 31 December	**72,000,930**	71,524,117

Temenos Group AG also has conditional capital, comprising:

Authorised shares that may be issued in the context of acquisition or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchange (available to the Board until 17 June 2013)	14,304,823
Conditional shares that may be issued on the exercise of employee share options	4,086,625
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 December 31, 2011 are as follows:

Stichting Pensioenfonds Zorg en Welzijn	5.16%
Massachusetts Mutual Life Insurance Company	5.06%
Janus Capital Management LLC	5.05%
AXA SA	4.88%
Standard Life Investments	4.37%
BlackRock, Inc	3.37%
Alken Luxembourg S.à.r.l (formerly named Virmont S.à.r.l.)	3.12%
ODDO & Cie	3.04%

4. Share premium and capital reserves

	General legal reserve CHF 000	General reserve from capital contributions CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Total CHF 000
Balance at 1 January 2010	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
Appropriation of available earnings:					
– to General legal reserve	4,819	–	–	(4,819)	–
Reserve for Treasury shares from capital contributions	–	(104,191)	104,191	–	–
Transfer from "Retained Earning" to "General Reserve from Capital Contribution" as per 2011 Annual General Meeting ("AGM") resolution	–	21,077	–	(21,077)	–
Net profit of the year	–	–	–	1	1
Balance at 31 December 2011	**5,164**	**208,594**	**104,191**	**73,698**	**391,647**

5. Treasury Shares

Temenos Group AG holds through one of it subsidiary 3,123,695 shares at 31 December 2011 intended for resale or for allotting to members of the Temenos Employee Share Option Scheme at the time that they exercise their options (2010: 464,982).

6. Contingent liabilities

Temenos Group AG has provided certain guarantees to third parties, primarily in favour of Temenos Finance Luxemburg 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.

7. Proposal for the appropriation of available earnings

	2011 CHF 000	2010 CHF 000
Profit for the year	**1**	96,384
Transfer to General reserve from capital contributions	**(21,077)**	–
Balance brought forward from previous year	**94,774**	3,209
Total available earnings	**73,698**	99,593
Proposal of the board of directors:		
Appropriation to general reserves	**–**	4,819
To be carried forward	**73,698**	94,774
	73,698	99,593

8. Risk assessment

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

9. Disclosure of compensation and equity participation as per articles 663b^{bis} and 663c of the Swiss Code of Obligations

This note provides summary compensation information which is in addition to the Compensation Report on page 42.

The total of all compensation, in US dollars, earned in 2011 and 2010 by each member of the Board of Directors is shown below.

Summary Compensation Tables

Name Board Function	Fiscal year	Cash Base salary	Cash Annual bonus	All other compensation[1]	**Total cash compensation**	LTIP value[2]	Total compensation
A. Andreades							
CEO from 01.01.2011 and Chairman from 01.07.2011	2011	814,713	–	113,462	**928,175**	2,455,000	3,383,175
CEO	2010	908,854	978,468	95,560	**1,982,882**	2,455,000	4,437,882
P. Selway-Swift							
Vice-Chairman	2011	85,000	–	–	**85,000**	–	85,000
Vice-Chairman	2010	80,000	–	–	**80,000**	–	80,000
G. Dubois							
CEO from 01.07.2011	2011	383,788	–	68,456	**452,244**	3,348,700	3,800,944
	2010	–	–	–	**–**	–	–
G. Koukis							
Chairman from 01.01.2011 and Member from 01.07.2011	2011	345,224	–	70,186	**415,410**	–	415,410
Chairman	2010	571,917	668,048	86,431	**1,326,396**	174,963	1,501,359
M. Austen							
Member	2011	85,000	–	–	**85,000**	–	85,000
Member	2010	80,000	–	–	**80,000**	–	80,000
C. Pavlou						–	
Member	2011	85,000	–	–	**85,000**	–	85,000
Member	2010	80,000	–	–	**80,000**	–	80,000
L.P. Rutherfurd							
Member	2011	85,000	–	–	**85,000**	–	85,000
Member	2010	80,000	–	–	**80,000**	–	80,000

(1) This includes life, medical, disability, accident insurances, pension and car allowance.
(2) This corresponds to the IFRS2 expense related to any SARs, Restricted Stock & Performance Shares awarded in 2011 or 2010 respectively. The valuation method, conditions and grant details are explained in note 21 in the consolidated financial statements. In the case of Andreas Andreades this represents one third of the cost of his 2010 three year plan and for Guy Dubois, who also has a three year plan, one third of the cost apportioned for his period of employment.

The emoluments of the non-executive members of the Board of Directors are set by reference to market practice and the anticipated time required to prepare for and attend the Board and Committee meetings and related matters.

The total of all compensation, in US dollars, earned in 2011 and 2010 by the Executive Committee is shown below.

Function	Fiscal year	Cash Base salary	Cash Annual Bonus	All other compensation[1]	**Total cash compensation**	LTIP value[2]	Total compensation
All other members of the	2011	1,213,494	–	216,910	**1,430,404**	6,854,472	8,284,876
Executive Committee	2010	1,123,220	566,141	203,679	**1,893,040**	4,061,696	5,954,736

(1) This includes life, medical, disability, accident insurances, accommodation, pension and car allowance.
(2) This corresponds to the IFRS2 expense related to any SARs, Restricted Stock & Performance Shares awarded in 2011 or 2010 respectively. The valuation method, conditions and grant details are explained in note 21 in the consolidated financial statements.

In the table above the named executive officers are Mark Cullinane, David Arnott, André Loustau and Bernd-Michael Rumpf; Andreas Andreades and Guy Dubois are excluded as their compensation is shown in the Board of Directors' table above. As individuals are paid in currencies other than US dollars some of the variation from year to year is due to foreign exchange fluctuations. All amounts, including the "fair value" of benefits, are shown on an accrual basis and before taxation.

Shareholdings and Equity Incentives
Independent Directors, shares

Name	Position	**31 December 2011 shares**	31 December 2010 shares
P. Selway-Swift	Vice-Chairman	**11,400**	11,400
M. Austen	Member	**17,900**	17,900
C. Pavlou	Member	**50**	50
L.P. Rutherfurd	Member	**1**	1

Executive Committee and Executive Directors, shares and outstanding equity awards

31 December 2011

Name	Position	Shares	Options/ SARS grant year	Options/ SARS Performance Shares price USD	Number of Options/ SARS outstanding	Number of Options/ SARS unvested	Number of unvested Restricted Stock and Performance Shares
A. Andreades	Chairman	929,982	2010	24.00	750,000	750,000	–
G. Koukis	Member	115,111	2007 to 2010	12.48 to 24.55	118,943	10,672	–
G. Dubois	CEO	5,000	2011	17.45 to 33.51	1,500,000	1,500,000	340,000
M. Cullinane	COO	–	2008 to 2011	12.48 to 24.55	430,188	430,188	100,000
D. Arnott	CFO	–	2008 to 2011	12.48 to 24.55	364,395	364,395	100,000
A. Loustau	CTO	24,373	2007 to 2011	12.48 to 27.79	377,688	40,229	100,000
B-M. Rumpf	HCSG	–	2011	17.45	108,029	108,029	75,000

31 December 2010

Name	Position	Shares	Options/ SARs grant year	Options/ SARs Performance Shares price USD	Number of Options/ SARs outstanding	Number of unvested equity awards
A. Andreades	Chairman	929,982	2010	24.00	750,000	750,000
G. Koukis	Member	111	2007 to 2010	12.48 to 34.82	157,443	69,456
G. Dubois	CEO	–	–	–	–	–
M. Cullinane	COO	75,000	2008 to 2009	12.48 to 34.82	684,785	684,785
D. Arnott	CFO	75,000	2007 to 2010	12.48 to 34.82	557,965	537,965
A. Loustau	CTO	75,000	2001 to 2010	12.48 to 34.82	491,370	199,034
B-M. Rumpf	HCSG	–	–	–	–	–

No options and/or shares were held on 31 December 2011 and 2010 by related persons.

Notes To The Unconsolidated Financial Statements
31 December 2011

9. Disclosure of compensation and equity participation as per articles 663b^{bis} and 663c of the Swiss Code of Obligations continued

Terms of outstanding Equity Incentives

The above tables include all the outstanding equity incentives for the named individuals at the respective dates; the make-up and terms of the grants are explained in the following notes.

1. 2012 SARs plan have a grant price of USD 17.45, vesting is subject to active employment from 1 January 2012 to the end of the vesting period in February 2015 and achievement of annual and cumulative EPS targets for the years 2012 to 2014 inclusive. If the cumulative diluted EPS is below 80% of target (90% for the CEO), the respective SARs grant will be forfeited. For achievement between 80% target (90% for the CEO) and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant. A total of 1,176,523 SARs have been granted to the named executive officers (as identified in the Compensation Report).

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or	February 2015	Annual & cumulative EPS targets
cumulative target		2012 USD 1.14
50% on achievement of cumulative target		2013 USD 1.37
		2014 USD 1.80
		Cumulative USD 4.31

2. 460,000 2012 Performance Shares, the vesting of which is subject to active employment from 1 January 2012 to the end of the vesting period in February 2015 and achievement of annual and cumulative EPS targets for the years 2012 to 2014 inclusive. If the cumulative diluted EPS is below 80% of target (90% for the CEO), the respective Performance Shares will be forfeited. For achievement between 80% of target (90% for the CEO) and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative EPS target, an additional 2% of Performance Shares may be granted up to a maximum of 140% of the total grant.

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or	February 2015	Annual & cumulative EPS targets
cumulative target		2012 USD 1.14
50% on achievement of cumulative target		2013 USD 1.37
		2014 USD 1.80
		Cumulative USD 4.31

3. On joining Temenos Guy Dubois was granted 50,000 Restricted Stock vesting on 15 February 2013 and 50,000 Restricted Stock vesting on 15 February 2014 subject to continued employment to the vesting date. If Temenos is subject to a change of control or Guy Dubois's employment is terminated without cause by the Company before the vesting date the stock will vest immediately. On joining Temenos Bernd-Michael Rumpf was granted 37,500 Restricted Stock vesting on 15 December 2013 and 37,500 vesting on 30 November 2014.
4. Additionally 500,000 SARs with a grant price of USD 33.51 were granted to Guy Dubois on joining Temenos. These are subject to continued employment to the vesting date in February 2014 and achievement of a cumulative Adjusted Diluted EPS target of USD 5.84 for the years 2011 to 2013 inclusive. In the event a cumulative Adjusted Diluted EPS of at least USD 7.3 is achieved then an additional 375,000 SARs will be granted.
5. There are 17,266 2009 SARs remaining which have a grant price of USD 12.48 and were conditional on achieving 2009 Adjusted Diluted EPS (referred below as "EPS") target and on achieving personal objectives. Once those conditions were achieved, the vesting was subject to active employment from 1 January 2010 to the end of the vesting period as well as 2009-2011 EPS targets set in February 2009 as follows:

Proportion due to vest	Vesting Date	Performance Criteria
30% (vested)	1 March 2010	2010 EPS is USD 1.19
30% (vested)	1 March 2011	Cumulative 2009-10 EPS is USD 2.62
11.29% (balance has lapsed)	1 March 2012	Cumulative 2009-11 EPS is USD 4.34

6. There are 77,796 2010 SARs remaining which have a grant price of USD 24.55 and were 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 targets as follows:

Proportion due to vest	Vesting Date	Performance Criteria
30% (vested)	1 March 2011	2010 EPS is USD 1.41
30% (lapsed)	1 March 2012	Cumulative 2010-11 EPS is USD 2.94
40%	1 March 2013	Cumulative 2010-12 EPS is USD 4.92

In both 2009 and 2010 SAR Plans if the 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 vest. 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 in these plans which are 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.

7. The 2010-2012 CEO plan for Mr. Andreades. There are 750,000 SARs with a grant price of USD 24.00 and are subject to continued employment to 31 December 2012. If the Company terminates, other than for cause, Mr. Andreades' contract before that date the SARs will vest immediately.
8. The 2010-2012 COO plan for Mr. Cullinane. These SARs had a grant price of USD 24.55 and vesting is conditional on employment until the vesting date and achievement of the following performance criteria:

Proportion due to vest	Vesting Date	Performance Criteria
100,000 (vested)	28 February 2011	2010 EPS is USD 1.19
100,000 (lapsed)	28 February 2012	2011 EPS is USD 1.19
100,000	28 February 2013	2012 EPS is USD 1.19
300,000	28 February 2013	Cumulative 2010-12 EPS is USD 4.92
300,000 (overachievement)	28 February 2013	Cumulative 2010-12 EPS is USD 6.14

9. The 2010-2012 CFO SAR Plan for Mr. Arnott. These have a grant price of USD 24.08 and vesting is conditional on employment until the vesting date and achievement of the following performance criteria:

Proportion due to vest	Vesting Date	Performance Criteria
300,000	28 February 2013	Cumulative 2010-12 EPS is USD 4.92
300,000 (overachievement)	28 February 2013	Cumulative 2010-12 EPS is USD 6.14

10. 170,000 Options granted in 2007, these had all vested by 31 December 2010.
11. 164,750 2007 SARs which were granted in 2006, these had all vested by 31 December 2010.

The 2010 figures include:

- 148,762 2011 SARs. 2011 SARs had a grant price of USD 34.82 and were conditional on achieving 2011 Adjusted Diluted EPS target and on achieving personal objectives. The EPS target was not achieved and so these SARs have lapsed.
- 975,000 Performance Shares. These performance shares were granted on 1 December 2008 as an incentive for 2009 and 2010. They were conditional on achieving an internal 2009 EPS target and on employment with Temenos until 30 June 2011. The shares could be sold after 1 January 2011.

Loans granted to members of governing bodies

As of 31 December 2011, the Company has no outstanding loans to members of the Board of Directors and Executive Committee. No loans were granted to related persons.

Financial Highlights
In Millions Of US Dollars Except Earnings Per Share

	2011	2010	2009	2008	2007
Revenues	**473.5**	448.0	370.3	406.9	329.8
Operating expenses	**475.5**	374.3	290.1	343.0	267.3
Operating (loss)/profit	**(2.0)**	73.7	80.2	63.9	62.5
(Loss)/profit before taxation	**(16.1)**	61.8	68.8	63.3	64.4
Net (loss)/profit after tax	**(28.3)**	61.4	68.5	65.2	64.7
EBITDA	**44.7**	113.6	110.3	87.8	78.5
Diluted earnings per share (in USD)	**(0.41)**	0.93	1.07	1.02	1.00
Cash generated from operations	**102.0**	125.8	117.9	56.2	64.8
Current assets	**454.5**	490.7	444.4	365.1	294.5
Non-current assets	**500.5**	495.3	364.7	254.9	163.1
Total assets	**955.0**	986.0	809.1	620.0	457.6
Current liabilities (excluding deferred revenues)	**164.9**	227.1	130.3	134.6	101.3
Deferred revenues	**180.5**	156.2	118.6	84.6	57.6
Total current liabilities	**345.4**	383.3	248.9	219.2	158.9
Non-current liabilities	**261.4**	110.0	259.2	196.2	121.3
Total liabilities	**606.8**	493.3	508.1	415.4	280.2
Total equity	**348.2**	492.7	301.0	204.6	177.4
Total equity and liabilities	**955.0**	986.0	809.1	620.0	457.6

Information For Investors

Capital structure

The registered share capital is divided into 72,000,930 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

13 June 2012

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2011
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 31.12.2011	72,000,930
Number of registered shares at 31.12.2011	71,524,117
Market price high/low	39.00/11.55
Market Price 31.12.2010	38.90
Market Price 31.12.2011	15.40
Market Capitalisation high/low (CHF m)*	2,469/826
Share capital nominal value at 31.12.2011 (CHF m)	360

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

Key figures per share	2011
Basic earnings per share (USD)	(0.41)
Diluted earnings per share (USD)	(0.41)
Consolidated shareholders' equity (USD m)	348.2
Consolidated shareholders' equity per share (USD)	4.84

Major shareholders of Temenos Group AG*	(at 12.03.2012)
Oppenheimer Funds, Inc. (Massachusetts Mutual Life Insurance Co)	9.01%
Alliance Bernstein (AXA SA)	5.80%
PGGM Vermogensbeheer B.V. (Stichting Pensioensfonds Zorg en Welzijn)	5.74%
Alken Asset Management LLP (Alken Luxembourg S.a.r.l)	3.81%
Oddo Asset Management (Oddo & Cie.)	3.74%
Janus Capital Management LLC	3.30%

(Note: names in brackets are the corresponding names used by the shareholders in the disclosure notifications made in accordance with art. 20 of the SIX Swiss Stock Exchange and Securities Trading Act. Please refer to page 34 for the status as of 31.12.2011)

* By holding Temenos Group AG registered shares and on the basis of Temenos Group AG registered capital of 72,000,930.

Development of the Temenos share price

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