TEMENOS Group AG
(incorporated in Switzerland with limited liability)

CHF 100,000,000
2.75% Bonds due July 2017

This prospectus (the **"Prospectus"**) relates to the offering (the **"Offering"**) of 2.75% bonds in the aggregate principal amount of Swiss francs (**"CHF"**) 100,000,000 due 25 July 2017 (the **"Bonds"**, and each a **"Bond"**) of TEMENOS Group AG (the **"Company"** or the **"Issuer"**, and together with its subsidiaries **"TEMENOS"** or the **"Group"**), and the listing of the Bonds on the SIX Swiss Exchange (**"SIX"**).

Issuer:	TEMENOS Group AG, 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland
Issue Price:	The Syndicate Banks have purchased the Bonds at the price of 100.97% of the aggregate principal amount of the Bonds (before commissions)
Placement Price:	According to demand
Payment Date:	25 April 2013
Maturity Date:	25 July 2017
Reopening:	The Issuer reserves the right to reopen this issue at any time before the maturity of the Bonds in accordance with the Terms of the Bonds.
Interest Rate:	2.75% per annum (calculated on a 30/360 basis), payable annually in arrears on 25 July each year, for the first time on 25 July 2013 (short first interest period (90 days)). Interest payments are subject to Swiss Federal Withholding Tax of currently 35%.
Redemption Price:	100% of principal amount.
Denominations:	CHF 5,000.
Assurances:	Pari passu clause, negative pledge clause (with exceptions), change of control provision and cross default provision, all as provided in the Terms of the Bonds.
Status:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer.
Form of the Bonds:	The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations.
Trading and Listing:	The Bonds have been provisionally admitted to trading on the SIX with effect from 24 April 2013. Application will be made for the Bonds to be listed in accordance with the Standard for Bonds on the SIX. The last day of trading is expected to be 20 July 2017.
Selling Restrictions:	United States of America and United States Persons, United Kingdom, European Economic Area, and general selling restrictions (see pages 4 et seqq. of this Prospectus).
Governing Law and Jurisdiction:	Swiss Law, Zurich 1.

Joint Lead Managers

Credit Suisse | **Barclays Bank PLC, London acting through Barclays Capital, Zurich Branch** | **The Royal Bank of Scotland**

Co-Lead Manager
BZ Bank Limited

	Swiss Security Number	ISIN	Common Code
CHF 100,000,000 2.75% bonds due 2017	21 037 119	CH0210371198	091179105

Prospectus dated 24 April 2013

IMPORTANT INFORMATION

Prospective Bondholders are expressly advised that an investment in the Bonds entails financial risks (including, without limitation, that (a) the Bond prices may be volatile, and (b) there is no prior market for the Bonds and no active trading market may develop). Prospective Bondholders should therefore carefully review the entire content of this Prospectus. For a description of certain further risks see also “Risk Factors” on pages 7 to 12.

The distribution of this Prospectus and the offering or sale of the Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Syndicate Banks (as defined hereinafter) to inform themselves about and to observe such restrictions. This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Syndicate Banks to subscribe for, any of the Bonds. This Prospectus may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

IMPORTANT INFORMATION 2
SELLING RESTRICTIONS 4
FORWARD-LOOKING STATEMENTS 6
RISK FACTORS 7
RESPONSIBILITY STATEMENT 13
SECTION 1: GENERAL INFORMATION 14
SECTION 2: TERMS OF THE BONDS 15
SECTION 3: INFORMATION ON THE ISSUER 23
SECTION 4: TAXATION 27
ANNEXES 29

SELLING RESTRICTIONS

United States of America and United States Persons

No substantial U.S. market interest: The Issuer reasonably believes that at the time the offering of the Bonds began, there was no substantial U.S. market interest in its debt securities in the meaning of Rule 902 (j) (2) of Regulation S under the Securities Act of 1933 of the United States of America.

Each Syndicate Bank understands that the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **"Securities Act"**), and may not be offered or sold within the United States or to or for the account or benefit of United States persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Each Syndicate Bank has also represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds constituting part of their allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Each Syndicate Bank has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Syndicate Bank has represented, warranted and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with their affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Syndicate Bank has represented and agreed that: (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the **"FSMA"**) with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorized person, apply to the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area, which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), each Syndicate Bank has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **"Relevant Implementation Date"**) it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) in the period beginning on the date of publication of a prospectus in relation to the Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, and ending on the date which is 12 months after the date of such publication; or

(b) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(c) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Lead Managers; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (b) to (d) above shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **"offer of Bonds to the public"** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **"Prospectus Directive"** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **"2010 PD Amending Directive"** means Directive 2010/73/EU.

General

Neither the Issuer nor any of the Syndicate Banks represent that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of the Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. The Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of the Prospectus in any jurisdiction where action for that purpose is required.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to TEMENOS that are based on the current expectations, estimates, plans, strategic aims, vision statements, and projections of its management and information currently available to TEMENOS.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results of operations, financial condition, performance or achievements of TEMENOS to be materially different from any future results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Terms and phrases such as “will”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “predict”, “estimate”, “project”, “target”, “assume”, “may” and “could”, and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These statements reflect the current views of TEMENOS’ management (the **“Management”**) with respect to future events and are not a guarantee of future performance. Various factors could cause actual results or performance to differ materially from the expectations reflected in these forward-looking statements, including those described under the heading “Risk Factors” and elsewhere in this Prospectus. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Therefore, no undue reliance should be placed on forward-looking statements and Bondholders should assess and take into account these risks as part of their investment decision. Neither the Issuer nor the Syndicate Banks undertake to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading. All subsequent written and oral forward-looking statements attributable to the Issuer or any other entity of TEMENOS are qualified in their entirety by the risk factors outlined below.

RISK FACTORS

The Group operates in a rapidly changing environment that involves a number of risks and uncertainties, some of which are beyond its control. Prospective Bondholders should carefully consider each of the risks and uncertainties described below and all other information in this Prospectus before deciding to invest in the Bonds. If any of the following events actually occur, the Group's business, operating results and financial condition would likely suffer. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our cash flows, business, results of operations and financial condition. In addition, the risks and uncertainties described below are not the only ones that the Group faces. Additional risks and uncertainties that the Group does not currently know of or that the Group currently believes to be immaterial may also adversely affect the Group's business operations.

Risks Relating to the TEMENOS Business

The Group depends on the banking and financial services industry.

The Group derives all of its license, maintenance and services revenues from banks and other financial institutions. Accordingly, the Group's future success depends upon continued demand for its products in the banking industry and continued success in marketing its products to clients and prospective clients. In recent years, TEMENOS believes there have been substantial changes in this industry, including continuing consolidation, decreasing profit margins in certain sectors, regulatory changes and technological innovation. TEMENOS believes these changes have led to increased IT spending by banks and driven replacement of legacy systems, leading to increased demand for its banking solutions. If this environment of change were to slow, the Group could experience reduced demand for its products and services. In addition, the banking industry is sensitive to changes in economic conditions and is highly susceptible to unforeseen external events, such as political instability, recession, inflation or other adverse occurrences that may result in a significant decline in the use of financial services. Any event that results in decreased consumer or corporate use of financial services, cost-cutting measures by financial services companies, or increased pressure on banks to develop, implement and maintain solutions in-house, could have a material adverse effect on the Group's business, operating results and financial condition.

Increased competition may result in price reductions and decreased demand for the Group's products and services.

The Group competes both to attract new customers and to retain its existing customers. Growing competition may force the Group to reduce the price of its products and services, may reduce its revenues and gross margins or may decrease its market share, any of which could have a material adverse effect on the Group's business, operating results and financial condition. The market for banking industry software is intensely competitive.

The Group's competitors are diverse and offer a variety of solutions directed at various segments of the banking and financial services industry software market. These competitors include large software vendors offering banking software solutions such as Fiserv, SAP and Tata Consultancy Services – Financial Services as well as focussed providers such as Fidelity Information Services, Oracles Financial Services (formerly I-Flex), Infosys and Misys; the IT departments of financial institutions that conduct internal development efforts; and smaller independent companies that provide specialized solutions generally addressing discrete needs or specific geographic regions. Some of the Group's competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, significantly greater name recognition and/or a larger installed client base than TEMENOS. In addition, several of the Group's existing and potential competitors have well established relationships with some of the Group's current and potential clients and strategic partners, have extensive knowledge of the banking software industry and have the resources to enable them to offer a single-vendor solution. As a result, some of the Group's competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and new technologies than TEMENOS. The Group also expects to face additional competition as established software companies that are significant players in other vertical industries enter the market for banking and financial industry software and as consolidation in the industry produces stronger competitors.

The Group also anticipates that it will face increasing competitive pressures as it continues to acquire additional "Tier 1" clients, thereby increasing the Group's profile, as well as its reputational exposure in the event of any product defects or customer complaints. In addition, as the industry experiences further consolidation, the Group's ability to pursue desirable acquisitions may be limited relative to that of its larger competitors.

The Group must attract and retain key management and other skilled personnel with knowledge of the banking software industry.

The economic success of TEMENOS partly depends on its ability to hire and retain highly skilled management, sales, support, service, marketing and software development personnel, particularly those with expertise in the banking software industry. In particular, the Group depends heavily on the continued services and performance of its directors, members of its Executive Board and other senior managers and technical personnel. In addition, the Group relies on hubs of its technical staff at its facilities in India, Romania and other locations for cost-effective software coding and de-bugging. The Group believes that in order to grow its business it will need to continue to hire and retain highly qualified employees with the requisite skills and expertise to support its growing client base. There is intense competition for such skilled personnel, particularly in India, and there is no guarantee that the Group will continue to be able to successfully and consistently meet its personnel recruitment goals. If the Group fails to recruit and retain the numbers and types of employees that it requires, its business, operating results and financial condition could be adversely affected.

The Group's business could be adversely affected if it fails to successfully integrate acquired businesses.

Acquisitions typically involve numerous risks, including difficulties in the assimilation of the operations, technologies and personnel of the acquired business, the diversion of management's attention from other business concerns, the risk of entering markets in which the Group has no or limited prior experience and the potential loss of the key employees of the acquired company. Failure to successfully integrate or derive the desired value of any acquired businesses or assets in the future could materially adversely affect the Group's business, results of operations and financial condition. Moreover, future acquisitions by the Group may result in the use of significant amounts of cash, potentially dilutive issuances of equity securities and the incurrence of debt or amortization expenses related to intangible assets. Likewise, the inability of the Group to proceed with acquisitions that are material to its business could adversely affect its business, operating results and financial condition. The Group may also face currently unknown liabilities from past or potential future acquisitions.

The Group's results of operations can be adversely affected by foreign exchange and/or interest rate fluctuations.

The Group's operating results and financial position are reported in U.S. dollars, and it generates the majority of its revenues in U.S. dollars. Because of the Group's multinational operations, however, a significant portion of its operating expenses is incurred in currencies other than the U.S. dollar, particularly in Euros, Swiss francs, Rupees and Pounds Sterling. In addition, the proceeds of the sale of the Bonds will be denominated in Swiss francs. The Group is exposed to the fluctuation in interest rates of each of these currencies.

Although the Group enters into forward contracts to hedge its exposure, fluctuations in the value of the U.S. dollar relative to the other currencies in which the Group incurs operating expenses and generates some of its revenues or holds assets could adversely affect its results of operations or financial condition. In some jurisdictions the Group sells its products for U.S. dollars to independent distributors who may, in turn, resell to clients in the local currency. In the event of the devaluation of the local currency against the U.S. dollar, the Group may, in the future, be forced to reduce the U.S. dollar price at which it sells its products to its local distributors. Due to constantly changing currency exposures and the volatility of currency exchange rates, the Group may experience currency losses in the future, and exchange rate fluctuations could affect the Group's future results of operations and the comparability of its results between different financial periods.

The Group relies on third parties for sales and implementation services.

The Group implements its products both directly and indirectly through distributors and strategic alliances with various IT service providers and systems integrators. The Group also, on occasion relies on strategic partners to make sales and provides implementation services through a contract with the partner rather than directly to the customer. Failure to maintain and expand relationships with IT service providers and systems integrators could adversely affect the Group's business, results of operations and financial condition.

The Group's use of professional subcontractors may negatively impact margins.

The Group currently retains, and currently intends to continue to retain in the future, professional subcontractors in order to fulfil certain of its obligations vis-à-vis customers, in particular in the context of implementing its products. The Company's use of subcontractors negatively impacts the Group's professional services gross margins. To the extent that the Company continues to use subcontractors in the future, this will continue to negatively impact the Group's services margins.

The Group's sales cycle is long and may cause its operating results to vary widely.

A bank's decision to purchase banking software products involves a significant commitment of its resources and is influenced by its budget cycles. To license its products successfully, TEMENOS generally must educate its potential clients regarding their use and benefits, which can require significant time and resources. Consequently, the period between initial contact and the purchase of products is often long and subject to delays associated with the lengthy budgeting, approval and competitive evaluation processes that typically accompany significant IT expenditures. The Group's sales cycles typically range between nine and fifteen months from initial contact with a potential customer to the signing of a license agreement. Sales delays could cause the Group's operating results to vary widely from period to period.

Seasonality may cause the Group's quarterly operating results to vary widely.

The Group's quarterly results are subject to seasonal fluctuations. In particular, license revenues are typically strongest in the fourth quarter, when the large proportion of customers with calendar year-end budgeting procedures make their purchasing decisions, and weakest in the first quarter. In addition, the third quarter includes the summer months when both sales and billable client services activity, as well as client purchase decisions, tend to be lower, particularly in Europe. As a result of these seasonal factors, the Group's quarterly operating results may fluctuate materially and could lead to volatility in the price of the Issuer's shares. In addition, the Group has on occasion had to draw on its working capital facilities to fund its cash needs during the fourth quarter.

The Group faces challenges operating in a rapidly evolving technological environment.

Future revenues will depend, in significant part, on the Group's successful development and licensing of enhanced versions of its products as well as the successful upgrading of existing clients to such enhanced versions. The market for banking software is characterized by rapid technological change, frequent new product introductions, technology enhancements, changes in customer demands and evolving industry standards. The Group's future success will depend upon its ability to continue to enhance its products to keep pace with technological developments and satisfy increasingly sophisticated customer requirements on a cost effective and timely basis, including through the annual upgrades that the Group provides as part of it standard maintenance contracts. In particular, the Group's failure to enhance its products to adapt in a timely manner to the rapid development of computer hardware and software technology could cause customers to delay or forego their purchase of the Group's products. There can be no assurance that the Group will not experience difficulties that delay or prevent the successful development, introduction, marketing and licensing of enhancements to its products.

The Group may face difficulties in the provision of its cloud services offering.

Cloud technology is relatively new to the banking and financial market sector. As such TEMENOS may be subject to changing regulatory requirements, varied customer attitudes and technical complexities in developing a new operating platform and support services. The Group may fail to achieve desired operating profit results in this new market due to regulatory changes or inability to develop a competitive product. There is also an exposure to significant litigation in an instance where cloud support services fail.

Undetected errors or defects in the Group's software could adversely affect the Group's performance and reduce the demand for its products.

The Group's products could contain errors or defects that the Group has not been able to detect and that could adversely affect the performance of the products and negatively impact the demand therefor. In the past, TEMENOS has discovered minor software defects in certain new versions and enhancements of its products after they have been introduced. Any such defects or errors could result in adverse client reactions and negative publicity, because the Group's clients and potential clients are highly sensitive to defects in the software they use. Any defects or errors in new versions or enhancements of the Group's products could result in the loss of orders or a delay in the receipt of orders and could result in reduced revenues, delays in market acceptance, diversion of development resources, product liability claims or increased service and warranty costs, any of which may have a material adverse effect on the Group's business, results of operations and financial condition. Any claim brought against the Group could be expensive to defend and require the expenditure of significant resources, regardless of the result.

The Group may be unsuccessful in completing the migration of existing clients to its T24 and other products.

Historically, the Group focused almost exclusively on the licensing and servicing of a single integrated banking software product, known as T24. Over the years, TEMENOS has acquired additional products and broadened its client base. The migration of installed systems to new products and the introduction of new products each entail implementation risks. Although the Group has successfully migrated many clients to T24, it may encounter technical difficulties, delays or unexpected expenses as it completes the migration of existing clients to this new platform. In addition, the Group has relatively more limited experience in marketing, licensing and servicing its TCB product, designed for large retail banks, and may fail to achieve significant and sustained market acceptance of this platform.

The Group's business can be adversely affected by problems associated with international operations.

TEMENOS currently provides its integrated modular core banking systems to over 1,100 financial institutions in 125 countries, directly or through distributors, and it has sales and support offices in 40 countries. In addition, more than a quarter of the Groups' workforce is currently located in India, where competition for skilled IT personnel is becoming increasingly intense.

The Group's future revenue growth depends on the successful continued expansion of its development, sales, marketing, support and service organizations, through direct or indirect channels, in the various countries around the world where its current and potential clients are located, including in many developing or newly industrialized countries. Such expansion will require the opening of new offices, hiring new personnel and managing operations in widely disparate locations with different economies, legal systems, languages and cultures, and will require significant management attention and financial resources. The Group's operations are also affected by other factors inherent in international business activities, such as:

- differing economic and business conditions, including volatility and potential instability in emerging markets;
- difficulties in staffing and managing foreign operations;
- the complexity of managing different tax structures;
- differing import and export licensing and other legal requirements;
- tariffs and other restrictions on trade;
- limited protection for intellectual property rights in some countries;
- exposure to varying legal standards;
- political and economic instability, outbreaks of hostilities, international embargos and boycotts; and
- longer accounts receivable payment cycles.

The Group's business could be adversely affected if the Group is unable to protect its proprietary technology.

TEMENOS relies upon a combination of copyright, trademark and trade secrecy laws, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and protect its proprietary rights. The Group enters into agreements with its employees, partners, distributors and clients that seek to limit the distribution of and otherwise protect its proprietary information. However, the Group cannot give any assurances that the steps taken to protect its proprietary rights will be adequate to deter misappropriation of its proprietary information. In addition, the Group may not be able to detect unauthorized use of its intellectual property, or take appropriate steps to enforce the Group's intellectual property rights. The laws of certain countries in which the Group sells its products do not protect its software and intellectual property rights to the same extent as the laws of Switzerland. Unauthorized copying or misuse of TEMENOS products or the Group's proprietary information could result in its competitors offering products that incorporate features equivalent to the Group's most technologically advanced features, which could have a material adverse effect on the Group's business, results of operations and financial condition. Moreover, litigation, which could involve significant financial and management resources, may be necessary to enforce the Group's intellectual property rights.

Others could claim that the Group infringes on their intellectual property.

Although the Group believes that its products do not infringe upon the intellectual property rights of others, and that the Group has all the rights necessary to utilize the intellectual property employed in its business, TEMENOS is subject to the risk of claims alleging infringement of third-party intellectual property rights, including in respect of intellectual property that has been developed by third parties and acquired by the Group in business or asset purchase transactions. These claims could require the Group to spend significant sums in litigation costs, pay damages, expend significant management resources, experience shipment delays, enter into royalty or licensing agreements on unfavorable terms, discontinue the use of challenged trade names or technology, or develop non-infringing intellectual property. The Group's liability insurance does not protect it against the risk that its own or licensed third-party technology infringes the intellectual property of others. Therefore, any such claims could have a material adverse effect on the Group's business, operating results and financial condition.

TEMENOS could be involved in legal proceedings or litigious actions against the Group.

TEMENOS operates in various legal jurisdictions and as such is subject to various legal requirements and commercial legislations. The possibility exists that a member of the Group may inadvertently or intentionally through its actions or inactions, causes a breach of legislation or of a commercial agreement. The cost of preparing a legal defence would have a negative impact on TEMENOS' profits and could cause reputational damage regardless of the outcome. Losing a case or agreeing a settlement could also have significant additional financial and reputational impact on the Group.

Failure to comply with the terms of the Group's credit facilities could materially adversely affect our liquidity and therefore the Group's results of operations.

The Group has credit facilities in place with a syndicate of banks including Royal Bank of Scotland, HSBC, Credit Suisse, Barclays and Banque Cantonale Vaudoise. The facilities contain financial and negative covenants, undertakings and event of default provisions. Moreover, the facilities contain cross-default provisions such that a default under another debt instrument, such as the Bonds, could result in a default under the credit facilities and acceleration of the debt thereunder. The inability of the Group to draw under the credit facilities to satisfy its working capital requirements and/or the impact on the Group of any cross-acceleration or cross-default provisions could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group relies significantly on information technology systems and any failure of such systems could have a material adverse effect on our business.

The Group is highly dependent on the proper functioning of complex software and hardware systems. The group cannot guarantee uninterrupted operation and full security of all its systems. Any failure of such systems or associated back-up facilities could lead to a business disruption, liability to clients or investors and to damage to the Group's reputation or to financial loss and could have a material adverse effect on the Group's business, results of operations and financial condition.

TEMENOS' business operations are vulnerable to interruption from fire, flood, bomb threats, explosions or other forms of terrorist activity, social unrest and other natural and man-made disasters. This risk is even increased by the fact that some of the Group's systems or facilities are based in locations with increased exposure to such natural or social risks. The occurrence of any of such events, or other events with similar effects, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's information technology and network systems may be vulnerable to cyber-security risks.

If the Group's security measures are breached and unauthorized access is obtained to the Group's IT systems, the Group's business could be disrupted and the Group may suffer financial losses as a result of the loss of confidential client information or otherwise.

The Group's information technology systems and network infrastructure may be exposed to physical damage or cyber attacks. An external information security breach, such as a hacker attack, a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, could materially interrupt the Group's or a Group client's business operations or cause disclosure or modification of sensitive or confidential information. Such a failure could result in material financial loss, breach of client contracts, reputational harm or legal liability, which, in turn, could adversely affect the Group's business, results of operations and financial condition.

Internal controls may not effectively address all material risks affecting the Group.

Although the Group considers the controls and procedures it currently has in place to minimise the financial reporting, legal, disclosure and other regulatory and compliance risks associated with its business to be adequate for its purposes, the Group recognises that the efficacy of some of these controls and procedures depends significantly on input from external legal and other advisers and all of these controls and procedures need to be kept under regular review, particularly given the pace at which the Group's business has developed and generally increasing regulatory scrutiny. There can be no assurances that the Group will be able to identify and adequately remedy all failures or weaknesses in the internal controls and procedures of the Group.

There is no assurance that the Group will not be targeted by those willing to commit fraud against TEMENOS. Such an action could come from either an internal or external source and could result in a significant adverse impact on the Group's business, results of operations and financial condition.

Risk Factors relating to the Bonds

There may be limited liquidity in the market for the Bonds.

There is no established trading market for the Bonds. There can be no assurance regarding the future development of a market for the Bonds, or the ability of Bondholders to sell their Bonds, or the price at which such holders may be able to sell their Bonds. The liquidity of any market will depend upon the number of Bondholders, the market for similar securities, the interest of securities dealers in making a market in the Bonds and other factors. A liquid trading market may not develop for the Bonds.

The price of the Bonds may be highly volatile.

The trading price of the Bonds may be subject to fluctuations as a result of numerous factors including, but not limited to, variations in the periodic operating results or financial condition of the Group or the Issuer, changes in investor perceptions of the Group and the Issuer, the depth and liquidity of the market for the Bonds and changes in actual or forecasted global or regional economic conditions or conditions in the banking or banking software industries. In addition, the global bond markets have from time to time experienced extreme price and volume fluctuations, notably in response to changes in interest rates and credit spreads. Any such broad market fluctuations may adversely affect the trading price of the Bonds. Developments and changes in securities analyst recommendations regarding the shares of the Company may also influence and bring volatility to the price of the Bonds.

The absence of a credit rating may make it more difficult for the Bondholders to benchmark their investment.

The absence of a credit rating for the Issuer may make it more difficult for the Bondholders to benchmark their investment or to become aware of any adverse change in the credit of the Group.

The Bonds will be unsecured indebtedness and will rank equally with all existing and future unsecured indebtedness.

The Bonds will be unsecured indebtedness of the Issuer, respectively, and will rank equally in right of payment with all the Issuer's respective existing and future unsecured indebtedness. In addition, the Bonds will be effectively subordinated to all of the Issuer's respective future secured indebtedness, to the extent of the value of the collateral securing such indebtedness, and other liabilities of the Issuer's respective subsidiaries. The Terms of the Bonds do not limit the amount of additional indebtedness that the Issuer's respective subsidiaries can create, incur, assume or guarantee.

The Bondholders' claims under the Bonds will be structurally subordinated to the claims of certain third-party creditors.

The Group consists of the Issuer and its direct and indirect subsidiaries. The Issuer may use a portion of the net proceeds of the Offering to finance loans to others of these Group companies, which may in turn make further loans within the Group. Group companies may agree among themselves or with third-party creditors to subordinate their claims arising from any loans among Group companies to the claims of such third-party creditors. This structure results in de facto subordination, or so-called "structural subordination", of the Bondholders' claims under the Bonds. As a result of this structure, in the event of the liquidation of a Group company, the claims of other third-party creditors may be satisfied in priority to inter-Group claims against such company, and therefore in priority to the Bondholders' claims under the Bonds.

RESPONSIBILITY STATEMENT

The Issuer, having made all reasonable enquiries, confirms to the best of its knowledge and belief that the information contained in this Prospectus is in all material respects true and accurate, and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion, in any material respect. The Issuer accepts responsibility accordingly.

Geneva, as of 24 April 2013 TEMENOS Group AG

SECTION 1: GENERAL INFORMATION

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer, passed on 21 February 2013, and a Bond Purchase Agreement dated 24 April 2013 among the Issuer and Credit Suisse AG, Barclays Bank PLC, London acting through Barclays Capital, Zurich Branch of Barclays Bank PLC, London, The Royal Bank of Scotland plc, Edinburgh, Zurich Branch (together the **"Joint Lead Managers"**) and BZ Bank Aktiengesellschaft (the **"Co-Lead Manager"**, and together with the Joint-Lead Managers, the **"Syndicate Banks"**), the Issuer has decided to issue and the Syndicate Banks have decided to purchase the Bonds.

Use of Proceeds

The Group intends to use the net proceeds from the Offering, expected to be approximately CHF 99,085,000 after placement commissions and expenses, for general corporate purposes (which may include acquisitions and the repayment of existing debt). None of the Syndicate Banks shall have any responsibility for or be obliged to concern itself with the application of the net proceeds of the issue of the Bonds.

Notice to Investors

The financial institutions involved in the issuance and offering of the Bonds are banks, which directly or indirectly have participated, or will participate, in financing transactions and/or banking business with the Issuer which are not disclosed herein.

Representatives

In accordance with Art. 43 of the Listing Rules of the SIX (the **"SIX Listing Rules"**) Credit Suisse AG was appointed by the Issuer as representative to lodge the listing application with SIX Exchange Regulation.

Documents Available

Copies of this Prospectus are available free of charge from Credit Suisse AG, Uetlibergstrasse 231, CH-8070 Zurich, Switzerland, or may be obtained upon request by telephone (+41 44 333 31 60), fax (+41 44 333 67 86) or e-mail to newissues.fixedincome@credit-suisse.com. This Prospectus may be downloaded from the Issuer's website under http://www.temenos.com/ investor-relations/.

SECTION 2: TERMS OF THE BONDS

The terms and conditions of the bonds (each a **Condition** and together the **Terms of the Bonds**) issued by the Issuer, are as follows:

1 Amount and Reopening, Form of the Bonds, Denomination, Custodianship and Transfer of the Bonds

(a) The initial aggregate principal amount of the Bonds of Swiss francs (**CHF**) CHF 100,000,000 (in words: one hundred million Swiss francs) (the **Aggregate Principal Amount**) is divided into bonds (each a **Bond** and collectively the **Bonds**) with denominations of CHF 5,000 (five thousand Swiss francs) per Bond.

The Issuer reserves the right to reopen (the **Reopening**) and increase the Aggregate Principal Amount at any time and without prior consultation of or permission of the holders of the bonds (the **Holders** and, individually, a Holder) through the issuance of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

(b) The Bonds and all rights in connection therewith are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations.

Such uncertificated securities (*Wertrechte*) will then be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS or any other intermediary in Switzerland recognized for such purposes by SIX Swiss Exchange (SIX SIS or any such other intermediary, the **Intermediary**). Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bonds will constitute intermediated securities (*Bucheffekten*) (Intermediated Securities) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

(c) So long as the Bonds are Intermediated Securities (*Bucheffekten*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

(d) The records of the Intermediary will determine the number of Bonds held through each participant of that Intermediary. In respect of Bonds held in the form of Intermediated Securities, the Holders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

(e) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*). No physical delivery of the Bonds shall be made.

2 Interest

The Bonds bear interest from (but excluding) 25 April 2013 (the **Closing Date**) until (and including) the Maturity Date (as defined below) at the rate of 2.75 per cent. of their Aggregate Principal Amount per annum, payable annually in arrears on 25 July of each year (the **Interest Payment Date**), for the first time on 25 July 2013 (short first interest period (90 days)). Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

3 Redemption, Purchase and Cancellation

(a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on 25 July 2017 (the **Maturity Date**).

(b) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Closing Date and prior to the Maturity Date, in whole, but not in part only, at par of their Aggregate Principal Amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) per cent. or more of the Aggregate Principal Amount have been redeemed or purchased and cancelled at the time of such notice.

(c) Redemption at the Option of the Holders upon **Change of Control**

A A Change of Control occurs when:

(a) an offer to acquire Shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (i) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with such offeror or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions, and (ii) such offer having become or been declared unconditional in all respects, the Issuer becomes aware that the right to cast more than 50% of all the voting rights (whether exercisable or not) of the Issuer has become unconditionally vested in the offeror and any persons acting in concert with the offeror; or

(b) the Issuer consolidates with or merges into any other company, provided that the shareholders of the other company immediately after the consolidation or merger as a result of the consolidation or merger hold more than 50% of all the voting rights (whether exercisable or not) of the Issuer resulting from the consolidation or merger; or

(c) the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, either directly or indirectly, are acquired by one or more other persons.

B Upon a Change of Control:

the Issuer shall forthwith, or, if it is not clear at that point in time whether the Holders are entitled to exercise their redemption rights pursuant to Condition 3 (d) C because the Issuer's rating of at least "BBB" is not yet available, immediately following the receipt of the rating decision of the relevant rating agency or after two months, whatever is earlier, give notice of that fact to the Holders (the **Change of Control Notice**) in accordance with Condition 10. The Change of Control Notice shall:

(a) inform the Holders of their right to either require redemption of the Bonds pursuant to Condition 3 (d) C;

(b) specify the date (the **Change of Control Redemption Date**), being not more than sixty (60) and not less than thirty (30) days after giving such notice, on which the Bonds may be redeemed pursuant to Condition 3 (d) C; and

(c) provide details concerning the Change of Control.

C Early Redemption at the Option of Holders upon Change of Control

Upon the occurrence of a Change of Control, the Issuer will at the option of a Holder, redeem such Bond at par on, together with interest accrued up to, the Change of Control Redemption Date unless,

(a) in the event of a merger or consolidation of the Issuer, the surviving entity has or receives a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt on a consolidated basis and assumes or keeps, as the case may be, the Issuer's obligations under the Bonds pari passu with its own senior obligations, or

(b) in the event of an offer to acquire Shares, or in the event of a transfer of the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, the acquirer has a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt or receives such a rating on a consolidated basis after giving effect to the acquisition and assumes or guarantees the Issuer's obligations under the Bonds pari passu with its own senior obligations.

It is understood that where no rating exists for the senior unsecured long term debt of the surviving entity, the acquiring entity or the Issuer, as the case may be, or a rating is not received within a period of two months since the occurrence of a Change of Control, respectively, then the Holders shall have a redemption right as described in the first sentence of this Condition 3 (d) C.

To exercise such option, a Holder must deliver a duly completed redemption notice in a form satisfactory to the Principal Paying Agent (a **Change of Control Redemption Notice**) and transfer the relevant Bonds to the Principal Paying Agent by not later than fourteen (14) days prior to the Change of Control Redemption Date. No Bond or Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

(d) Purchases

The Issuer or any Subsidiary may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(e) Cancellation

All Bonds which are redeemed or surrendered shall forthwith be cancelled. All Bonds so cancelled cannot be reissued or resold.

(f) Notice

Where the provisions of this Condition 3 provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Condition 10. Such notices shall be irrevocable.

4 Payments

The amounts required for payments with respect to the Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds will be made to the Holders in CHF without collection costs. No payments with respect to the Bonds shall be made at any office of the Issuer or any office or counter of the Principal Paying Agent or the Paying Agents outside Switzerland.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as above provided shall release the Issuer of its payment obligations under the Bonds to the extent of such payments.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

5 Statute of Limitations

In accordance with Swiss law, claims for interest payments shall become time-barred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

6 Taxation

All payments in respect of the Bonds are subject to all applicable taxes, including the deduction of the Swiss Federal Withholding Tax *(Verrechnungssteuer)*, currently levied at a rate of thirty-five (35) per cent.

7 Status of the Bonds and Negative Pledge

(a) Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, rank *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

(b) Negative Pledge

So long as any Bond remains outstanding, the Issuer will not, and the Issuer will procure that none of its Material Subsidiaries will, create or have outstanding, any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest other than a Permitted Security upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and rateably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or, (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holders' Representative.

8 Events of Default

If any of the following events (each event an **Event of Default**) shall occur, Credit Suisse in its capacity as Holders' representative (the **Holders' Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

(a) there is a failure by the Issuer to pay principal and/or interest on any of the Bonds, if and when due and such failure continues for a period of twenty (20) calendar days; or

(b) a default is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Terms of the Bonds and (except where the Holders' Representative certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such default continues for a period of twenty (20) calendar days following the service by the Holders' Representative on the Issuer, of notice requiring such default to be remedied; or

(c) any other present or future indebtedness of the Issuer or a Material Subsidiary for or in respect of monies borrowed is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer or a Material Subsidiary is not honored when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this para. (c) unless such indebtedness, either alone or when aggregated with other indebtedness subject to such events which shall have occurred and are continuing shall at any time equal or exceed the amount of at least

CHF 10,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates); or

(d) any guarantee, mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person but not the serving of a payment order *(Zahlungsbefehl)* provided that the aggregate amount of the relevant indebtedness in respect of which such guarantee, mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds CHF 10,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates), and any such steps taken are not abandoned or discontinued within twenty (20) calendar days of being taken; or

(e) the Issuer or a Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments *(Stillhaltevereinbarung)*, a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments *(Stillhaltevereinbarung)* is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer or a Material Subsidiary; or

(f) the Issuer or a Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or substantially all of its assets, change in the objects of the legal entity and/or commercial activities or merger, in so far as the relevant action, in the Holders' Representative's opinion, has a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, unless the Holders' Representative considers the situation of the Holders as adequately protected based on securities created or other steps taken by the Issuer; or

(g) a dissolution or merger involving the Issuer as result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities in respect of the Bonds.

The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (g) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at the Aggregate Principal Amount plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with art. 1157 seq. of the Swiss Code of Obligations to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9 Substitution of the Issuer

The Issuer may, without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that:

(a) the New Issuer is in the opinion of the Holders' Representative in a position to fulfill all payment obligations arising from or in connection with the Bonds, and

(b) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

In the event of a substitution of the Issuer, notice of such substitution shall be made in accordance with the provisions of Condition 10 and any reference to the Issuer shall be deemed to refer to the New Issuer.

10 Notices

All notices regarding the Bonds shall be published by Credit Suisse on behalf and at the expense of the Issuer (i) on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange.

11 Listing

Application will be made for the admission to trading and listing of the Bonds on the SIX Swiss Exchange for the whole duration of the Bonds.

12 Governing Law and Jurisdiction

The Terms of the Bonds and the Bonds shall be governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

Any dispute which might arise based on the Terms of the Bonds and the Bonds shall be settled in accordance with Swiss law and shall fall within the exclusive jurisdiction of the courts of the city of Zurich, and if permitted, the Commercial Court of the Canton of Zurich, the place of jurisdiction being Zurich 1.

The above-mentioned jurisdiction is also exclusively valid for the declaration of cancellation of Bonds.

13 Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative provided that in the sole opinion of the Holders' Representative, such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 10.

14 Role of Credit Suisse

Credit Suisse has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

15 Severability

If at any time one or more of the provisions of the Terms of Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

16 Definitions

Business Day means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich.

Credit Suisse means Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland (P.O. Box, 8070 Zurich, Switzerland).

Issuer means Temenos Group AG, 2 Rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland.

Listing Agent means Credit Suisse, appointed as recognized representative pursuant to art. 43 of the listing rules of the SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with the SIX Swiss Exchange.

Material Subsidiary means, so long as any of the Bonds are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, any operating Subsidiary whose assets, net revenues, operating profit or profit after tax at any time, represent 10 (ten) per cent. or more of the consolidated assets, the consolidated net revenues, the consolidated operating profit or profit after tax, as the case may be, of the Issuer and its consolidated Subsidiaries at any time (as the case may be), and for this purpose:

(a) the assets, net revenues, operating profit and profit after tax of any such Subsidiary shall be ascertained by reference to:

 (i) the financial statements of such Subsidiary at the date to which the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries have been prepared;

 (ii) if such body corporate becomes a Subsidiary of the Issuer after that date, the latest financial statements of such Subsidiary adjusted to take into account subsequent acquisitions and disposals or other changes in circumstances;

(b) the consolidated assets, consolidated net revenues, consolidated operating profit and profit after tax of the Issuer shall be ascertained by reference to the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries; and

(c) once a Subsidiary has become a Material Subsidiary, it shall be considered as such until it has been demonstrated to the satisfaction of the Holders' Representative that it has ceased to be a Material Subsidiary, a written report from the Issuer's auditors to this effect being sufficient for this purpose.

Paying Agents means The Royal Bank of Scotland plc, Edinburgh, Zurich Branch, Lerchenstrasse 24, 8405 Zurich, Switzerland and BZ Bank Aktiengesellschaft, Egglirain 15, 8832 Wilen, Switzerland.

If the Paying Agent resigns or becomes incapable of acting as such or shall be adjudged bankrupt or insolvent, the appointment of the Paying Agent shall terminate and the Principal Paying Agent may appoint a successor Paying Agent upon approval of the Issuer which will not be unreasonably withheld.

Notice of such replacement shall be made in accordance with the provisions of Condition 10.

Permitted Security means a security (and any security created in substitution for any such security) in the form of any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets.

Principal Paying Agent means Credit Suisse in its function as principal paying agent.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent or as Holders' Representative as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or Swiss branch of a major foreign bank chosen by the Issuer. In the event of such a replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be made in accordance with the provisions of Condition 10.

Relevant Debt means any present of future indebtedness of the Issuer or a Material Subsidiary represented or evidenced by, notes, bonds, debentures, loan stock or other securities which for the time being are or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter market or other securities market.

Shares means the issued and fully paid registered shares of the Issuer (and all other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of such shares).

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organisation, Baslerstrasse 100, 4600 Olten, Switzerland or any successor organisation accepted by the SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Selnaustrasse 30, 8001 Zurich, Switzerland (P.O. Box 1758, 8021 Zurich, Switzerland) or any successor organisation.

Subsidiary means a legal entity of the Issuer the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer.

SECTION 3: INFORMATION ON THE ISSUER

The Company

General Information

The Issuer is TEMENOS Group AG. It was formed as a corporation *(Aktiengesellschaft)* with limited liability under the laws of Switzerland on 5 June 2001 and was registered in the Commercial Register of the Canton of Glarus on 7 June 2001. On 23 May 2006 the Issuer amended its articles of association and transferred its registered offices to Geneva. The Issuer is now registered in the Commercial Register of Geneva (Reg. No. CH-160.3.003.953-7) and it has its legal domicile at 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland. The duration of the Company is unlimited.

Business Purpose

The purpose of the Issuer pursuant to article 2 of its articles of association is to acquire, hold, manage and sell participations in other companies and businesses.

Group Structure

The Issuer is the ultimate holding company of the Group. For information on the Group structure, see page 44 et seqq. of the 2012 Consolidated Financial Statements in Annex A.

Auditors

The Issuer's auditors PricewaterhouseCoopers SA, Avenue Giuseppe Motta 50, 1211 Geneva, Switzerland, were re-elected as statutory auditors at the annual general meeting of shareholders of 13 June 2012, for a period of one year and have been the statutory auditors since their election at the June 2003 annual general meeting of shareholders.

Business

TEMENOS is a leading provider of integrated core banking software to banks and other financial institutions worldwide. TEMENOS' software enables its clients – including commercial, private and retail banks, asset managers, brokers and other financial institutions – to manage and process in real time all transactions across the business.

TEMENOS develops, markets, implements and supports its mission-critical solutions from its headquarters in Geneva and 56 additional offices in 39 countries throughout the world. Its systems are currently installed at more than 1,200 live sites in over 140 countries.

TEMENOS' products manage key front, middle and back-office activities, including treasury and investment, retail, private, corporate and commercial banking, including e-banking, asset management, trade finance and risk management. The Group's software solutions are designed for flexibility, with architectures that enable clients to purchase additional product modules as their needs evolve. Because it is fully scalable, TEMENOS' software can be deployed on a site-by-site basis or enterprise-wide. The Group's solutions provide value for customers by enabling them to grow, to control costs and to manage risks.

TEMENOS believes that high quality and long-term client implementation and support services are a critical requirement for continued growth and customer loyalty. TEMENOS supports its clients through its own services organization and through strategic alliances with IT service providers and systems integrators.

TEMENOS' clients include banks and other financial institutions of all sizes throughout the world, from 'Tier 1' global institutions to small regional banks. Current representative clients include Banco Santander, Bank of Shanghai, Commerzbank International SA Luxembourg, Credit Suisse Private Banking, Industrial Bank of Korea, Nordea and Rabobank.

The ordinary shares of TEMENOS Group AG have been listed on the main segment of the SIX Swiss Exchange since June 2001 under the symbol TEMN.

Legal Proceedings

The Group is not a party to any court, arbitral or administrative proceedings, the adverse outcome of which the Group expects would, individually or in the aggregate, have a material adverse effect on the Group's business, operating results or financial condition, nor is the Group aware of any such proceedings pending or threatened.

Corporate Information

Board of Directors

- Andreas Andreades, Executive Chairman
- Chris Pavlou, Non-executive and independent Director, Vice-chairman
- George Koukis, Non-executive Director
- Ian Cookson, Non-executive and independent Director
- Thibault de Tersant, Non-executive and independent Director
- Sergio Giacoletto-Roggio, Non-executive and independent Director

Members of the Executive Committee

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director
- Mike Davis, Global Head of Services

Business Address

The business address of the members of the Board of Directors and the Executive Committee of the Issuer is at 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland

Capital Structure

Capital

On 23 April 2013 the ordinary capital amounted to CHF 360,115,740.00, consisting of 72,023,148 registered shares, each with a par value of CHF 5.00. All the shares are fully paid-in. Each recorded share entitles its holder to one vote.

Authorised and conditional capital

Authorised capital

Pursuant to Article 3^{ter} of the Articles of Association, the Board of Directors is authorised to increase the share capital by a maximum aggregate amount of CHF 71,524,115.00 through the issuance of a maximum of 14,304,823 fully paid-in registered shares with a par value of CHF 5.00 per share. An increase in partial amounts is permitted. This power expires on 17 June 2013.

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 authorized to restrict or withdraw the pre-emptive and the advance subscription rights of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, 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 Article 3^{quater} para. 1 of the Articles of Association, the Company's share capital shall be increased by a maximum aggregate amount of CHF 35,888,910.00, through the issuance of a maximum of 7,177,782 registered shares, which shall be fully paid-in, with a par value of CHF 5.00 each, through the exercise of rights that the direct or indirect subsidiaries of the Company (the **"Subsidiaries"** and each, a **"Subsidiary"**) or the Company itself may grant to officers, directors and employees at all levels of the Company and 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 Subsidiary 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 payment of the par value of CHF 5.00 per each share in cash.

Conditional capital for financial instruments

Pursuant to Article 3^{quater} para. 2 of the Articles of Association, the share capital may be increased by an amount not exceeding CHF 33,039,520.00, by issuing up to 6,607,904.00 new registered shares to be fully paid-in with a nominal value of CHF 5.00 each, to be divided as follows: first, in the amount of CHF 8,386,120.00, 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 Subsidiaries, and second, in the amount of CHF 24,653,400.00, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its Subsidiaries to existing shareholders or third parties. In the case of the issue 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 right of shareholders is 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 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 authorized to restrict or exclude the advance subscription rights of shareholders (i) 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 of the acquisition of an enterprise, parts of an enterprise, or participations or new investments, or (ii) 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 (iii) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such case, 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.

Shares

All equity securities of TEMENOS Group AG are in the form of registered shares, each with a par value of CHF 5.00. Each share confers the right to one vote at the annual general meeting of shareholders and all shares are fully and equally entitled to receive dividends.

Treasury Shares

As of 31 March 2013, the Issuer held 2,450,500 Shares.

Convertible bonds and options outstanding

The Issuer has no outstanding convertible bonds. For information on the Issuer's outstanding options, please see page 101 et seqq. of the 2012 Consolidated Financial Statements of the Issuer in Annex A.

Publications and Notices

The publication instrument of the Issuer is the Swiss Official Gazette of Commerce.

Notices to the Bondholders will be made in accordance with the Terms of the Bonds.

Dividends

In 2009, for the business year 2008, no dividend was paid.

In 2010, for the business year 2009, no dividend was paid.

In 2011, for the business year 2010, no dividend was paid.

In 2012, for the business year 2011, no dividend was paid.

In 2013, for the business year 2012, the Board of Directors of the Issuer proposes that a dividend of CHF 0.28 per share shall be paid.

Developments since the End of the Financial Year

Other than as described in this Prospectus, since 31 March 2013, there were no significant changes in the business activities and prospects of the Company or of the Group, including in their assets, liabilities, financial position, or profits and losses.

SECTION 4 TAXATION

Swiss Taxation

The following discussion is a summary of certain material Swiss tax considerations relating to (i) Bonds issued by the Issuer where the Holder is tax resident in Switzerland or has a tax presence in Switzerland or (ii) Bonds where the Paying Agent, custodian or securities dealer is located in Switzerland. The discussion bases on legislation as of the date of this Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Bonds. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Bonds (or options embedded therein) in light of their particular circumstances.

Swiss Federal Withholding Tax

Payments of interest on the Bonds are subject to Swiss withholding tax at a rate of currently 35 per cent. Neither the Issuer nor any paying agent nor any other person will pursuant to the Terms of the Bonds be obliged to pay additional amounts with respect to Bonds as a result of the deduction or imposition of such withholding tax.

The holder of a Bond residing in Switzerland who, at the time the payment of interest is due, is the beneficial owner of the payment of interest and duly reports the gross payment of interest in his or her tax return and, as the case may be, income statement, is entitled to a full refund or a full tax credit for the Swiss Federal Withholding Tax.

A Bondholder who is not resident in Switzerland may be able to claim a full or partial refund of the Swiss Federal Withholding Tax by virtue of the provisions of an applicable double taxation treaty.

On 24 August 2011 the Swiss Federal Council proposed draft legislation, which, if enacted, may in the future require a paying agent in Switzerland to deduct Swiss Federal Withholding Tax at a rate of 35 per cent. on any payment of interest in respect of a Bond to an individual resident in Switzerland or to a person resident outside of Switzerland. Such tax would be imposed or deducted in lieu of the current Swiss Federal Withholding Tax deductible by the Issuer.

Swiss Federal Stamp Taxes

A transfer or sale of Bonds will be subject to Swiss Transfer Stamp Tax, currently at a rate of up to 0.15% of the consideration paid if such transfer or sale is made by or through a bank or securities dealer (as defined in the Swiss Federal Stamp Tax Act) resident in Switzerland or Liechtenstein, unless an exemption from Swiss Transfer Stamp Tax applies.

Income Taxation on Principal or Interest

(a) Bonds held by non-Swiss holders

Payments by the Issuer of interest and repayment of principal to, and gain realized on the sale or redemption of Bonds by, a Bondholder who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Bonds are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

(b) Bonds held by Swiss holders as private assets

An individual who resides in Switzerland and holds a Bond as a private asset is required to include all payments of interest received on such Bond in his or her personal income tax return for the relevant tax period and is taxable on the net taxable income (including the payment of interest on the Bond) for such tax period at the then prevailing tax rates. Conversely, a capital loss realized by him or her on the sale or other disposition of a Bond will constitute a non-tax-deductible loss. See "Bonds held as Swiss business assets" below for a summary on the tax treatment of individuals classified as "professional securities dealers".

(c) Bonds held as Swiss business assets

Individuals who hold Bonds as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Bonds as part of a permanent establishment or fixed place of business in Switzerland are required to recognize the payments of interest and any capital gain or loss realized on the sale or other disposition of such Bonds in their income statement for the respective tax period and will be taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Foreign Final Withholding Tax

The Swiss Federal Council recently signed treaties with the United Kingdom and Austria providing, inter alia, for a final withholding tax. The treaties entered into force on 1 January 2013 and might be followed by similar treaties with other European countries.

According to the treaties, a Swiss paying agent may levy a final withholding tax on capital gains and on certain income items deriving, inter alia, from Bonds. The final withholding tax will substitute the ordinary income tax due by an individual resident of a contracting state on such gains and income items. In lieu of the final withholding, individuals may opt for a voluntary disclosure of the relevant capital gains and income items to the tax authorities of their state of residency.

As regards the regularization of specific assets defined in the treaties and held by individuals of a contracting state with a Swiss paying agent prior to the entry into force of the treaties, such individuals may opt either for a one-off payment substituting the tax liability in the state of residency with regard to such assets or for the voluntary disclosure of such assets to the tax authority of the state of residency.

Bondholders who might be in the scope of the abovementioned treaties should consult their own tax adviser as to the tax consequences relating to their particular circumstances.

ANNEXES

Annex A: TEMENOS Group AG 2012 Annual Report including the Audited Consolidated Financial Statements as of 31 December 2012 (compared to 2011) and the Audited Statutory (Non-consolidated) Financial Statements as of 31 December 2012 (compared to 2011)

Annex B: TEMENOS Group AG Full Q1 2013 Results (compared to 2012) Press Release

TEMENOS Group AG 2012 Annual Report including the Audited Consolidated Financial Statements as of 31 December 2012 (compared to 2011) and the Audited Statutory (Non-consolidated) Financial Statements as of 31 December 2012 (compared to 2011)

ANNUAL REPORT AND ACCOUNTS
2012

WINNING WITH PRODUCTS IN A MULTI-SPEED WORLD

TEMENOS
The Banking Software Company

About us
At a glance

Founded in 1993, Temenos is the market leading provider of mission critical software to financial institutions globally with more than 1,500 installations in over 140 countries worldwide. Temenos software provides financial institutions with a single, real-time view across the enterprise, enabling them to maximise returns while streamlining costs.

Our Vision is to provide the software solution of choice for the transformation of the financial services industry – for all providers, 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.

3,700 professionals

3,700

Over 1,500 installations

1,500+

Serving clients in over 140 countries

140+

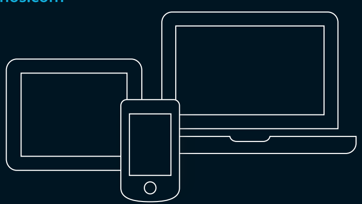
1,500+ certified partner consultants

1,500+

THE LATEST FROM TEMENOS

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

> www.temenos.com



Americas

Canada
Toronto
Vancouver

Costa Rica
San Jose

Ecuador
Quito

Mexico
Mexico City

USA
Birmingham
Houston
Lubbock
Miami
New York
Orlando

11 Offices

11

5 Countries

5

REGIONAL STRENGTH

Headquartered in Geneva, the company has 59 offices in 39 countries and had revenues of USD 450.2m for the year ending 31 December 2012. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001.

Asia Pacific

Australia
Sydney

Bangladesh
Dhaka

China
Shanghai
Hong Kong

India
Bangalore
Chennai
Delhi
Mumbai

Indonesia
Jakarta

Japan
Tokyo

Malaysia
Kuala Lumpur

Pakistan
Karachi

Philippines
Manila

Singapore
Singapore

Taiwan
Taipei

Thailand
Bangkok

Vietnam
Hanoi

18 Offices
18

13 Countries
13

Europe

Belgium
La Hulpe

Czech Republic
Prague

France
Montpellier
Nantes
Paris

Germany
Frankfurt
Grosswallstadt

Greece
Athens

Kazakhstan
Almaty

Luxembourg
Luxembourg

Netherlands
Amsterdam

Romania
Bucharest

Russia
Moscow

Spain
Madrid

Switzerland
Geneva
Lausanne

Turkey
Istanbul

United Kingdom
Berkshire
Birmingham
Hemel Hempstead
London
Newcastle Upon Tyne

23 Offices
23

14 Countries
14

Middle East and Africa

Egypt
Cairo

Kenya
Nairobi

Lebanon
Beirut

Morocco
Casablanca

Saudi Arabia
Riyadh

South Africa
Johannesburg

United Arab Emirates
Dubai

7 Offices
7

7 Countries
7

Business Review

At a glance	01
Financial and operating highlights	04
Our markets	06
What makes us different	08
Our products	10
Our strategy	18
Chairman's statement	22
Business review	24
Financial review	32
Board of Directors	36
Executive Committee	38

Governance

Corporate social responsibility	40
Corporate governance	44
Compensation report	54
Principal risks and uncertainties	58

Financial Statements

Report of the Group Auditors on the consolidated financial statements	62
Consolidated income statement	63
Consolidated statement of comprehensive income	64
Consolidated statement of financial position	65
Consolidated statement of cash flows	66
Consolidated statement of changes in equity	67
Notes to the consolidated financial statements	68
Report of the Statutory Auditors on the unconsolidated financial statements	111
Unconsolidated balance sheet	112
Unconsolidated income statement	113
Notes to the unconsolidated financial statements	114
Summary compensation report	117
Financial highlights	122
Information for Investors	123
Temenos worldwide offices	124

A PRODUCT LED COMPANY

First and foremost, Temenos is a product company. The sales of software licences of our award winning products drive growth in both maintenance and services.

When we engage with our clients and prospects, we do so as a provider with deep expertise in financial services globally, and with the best products in the market today. Having this relationship allows us to showcase the capabilities of our products and the inherent value they bring.

OUR PRODUCT OFFERING

Core Banking:
Temenos T24
TCB

Channel Products Suite:
Temenos Connect Internet
Temenos Connect Mobile
edgeConnect
ARC Branch
ARC CRM
ARC Origination

Payments:
STeP Payments Repair

Private Wealth Management Front and Middle Office:
Temenos Triple'A Plus
Temenos WealthManager

Enterprise Data Management:
Temenos DataSource
(formerly ProDB)

Business Intelligence, Risk Management and Compliance:
Insight Financial Intelligence
Insight Customer Intelligence
Insight Operational Intelligence
Insight Risk
AML Screen
AML Profile

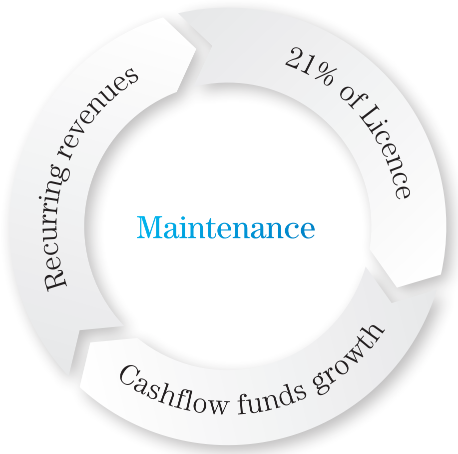
Temenos' 6 Architectural Frameworks:
Integration Framework
Interaction Framework
Platform Framework
Component Framework
Design Framework
Data Framework

See page 10 for further details.

MAINTENANCE

Maintenance is charged on our licence sales and provides our customers with access to the full ongoing support of Temenos together with product upgrades.

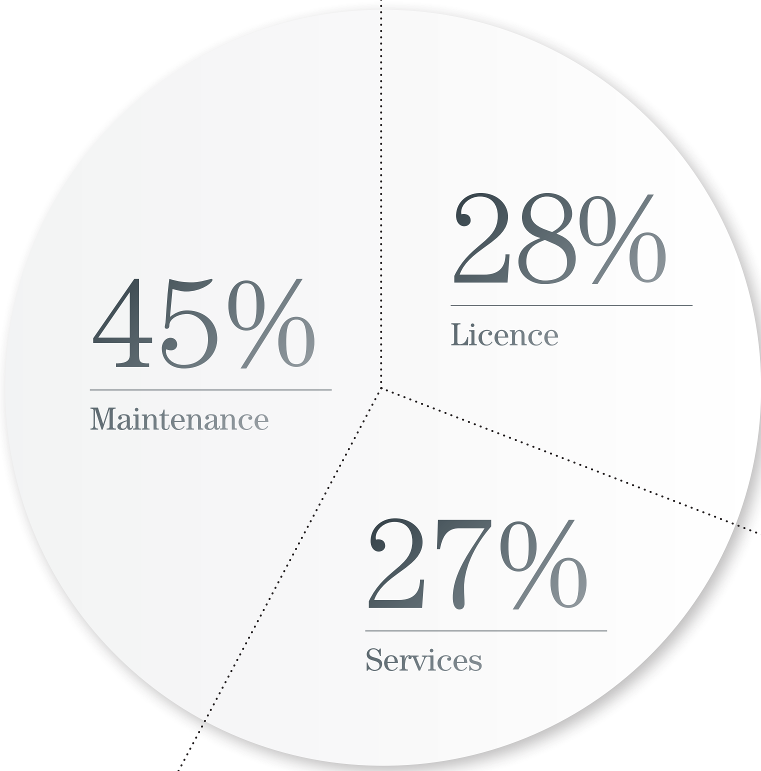
- Revenue stream grows with licence sales
- 5 year contracts, then renewable annually
- Paid annually in advance
- CPI indexed



LICENCES

A licence fee is payable for use of our award-winning products spanning core banking, channels, private wealth management, AML and business intelligence.

- Rich product suite
- Regularly upgraded
- New and existing clients
- Geographic spread
- Referencability



SERVICES

Software is only part of the Temenos equation. Implementation, performance optimisation, integration, administration, maintenance, upgrades, training and support are all part of the comprehensive service package when our customers invest in a Temenos software solution.

- High level consultancy
- Direct client feedback for benefit of wider business
- Process led implementations

Financial and operating highlights
For the year ending 31 December 2012

MOMENTUM INTO 2013

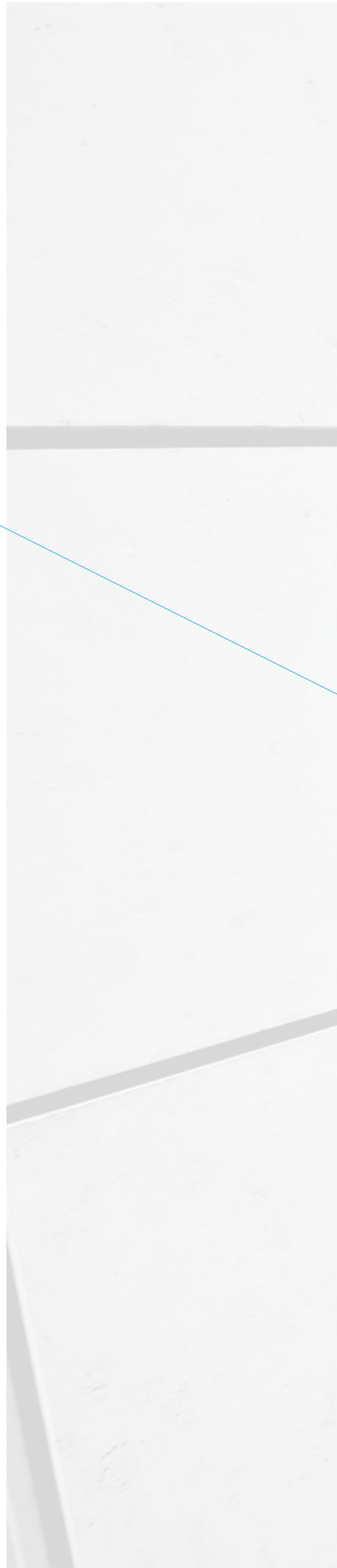
In 2012 we laid the foundations for sustained growth. Having seen a weaker first half of the year and following the change in management, the second half saw a better performance with a strong Q4 giving us momentum into 2013. We were also proud to announce our first ever dividend, a sign of the growing maturity of the company.

Following the strong Q4 we are optimistic about our prospects for 2013. Our confidence is further increased by our profitability being underpinned by maintenance, which now stands at over USD 200m for the first time, and our lower cost base of USD 368m which is already locked-in. Temenos is a highly cash generative company with a strong balance sheet which enables investment in the business, including industry leading R&D spend, and funding for targeted acquisitions whilst still providing for returns to shareholders.

2012 financial highlights
- Q4 strong across all KPIs and full year results delivered within revised outlook range
- Adjusted EBIT margin up 8.0% pts in Q4 and up 0.5% pts for the full year
- Adjusted EPS growth of 103% in Q4 and 1% for the full year
- Cost target achieved
- Operating cash inflow of USD 114m in Q4 underpinned full year cash conversion of 102%
- Net Debt / EBITDA of 1.0x at year end
- 2012 dividend of CHF 0.28

2012 operational highlights
- Organisation aligned to market opportunity with a multi-product focus
- Product organisation unified
- 10 new customer wins in Q4 taking the total to 37 for the full year
- 43 implementation go-lives in 2012 with 89 go-lives in total

2013 outlook
- Total non-IFRS revenue growth of 4.5% to 7.5% (implying non-IFRS revenue of USD 470m to USD 483m)
- Licence growth of 5% to 10% (implying Licence revenue of USD 131m to USD 138m)
- Non-IFRS cost base of USD 368m with non-IFRS EBIT margin of 21.7% to 23.2% (implying non-IFRS EBIT of USD 102m to USD 112m)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%



The definition of non-IFRS can be found on page 35.
At constant currency.

Revenue (USD)

450.2m

(2011: USD 473.5m)

Maintenance (USD)

201.7m

(2011: USD 197.3m)

Adjusted EBIT margin

19.0%

(2011: 18.5% pts)

Earnings per share

+1%

Earnings per share +1% to USD 0.88
(2011: USD 0.87)

Cash conversion

102%

(2011: 228%)

Dividend (CHF)

0.28

(2011: CHF 0.00)

SUPPORTING GROWTH IN ISLAMIC BANKING

Meezan Bank is the leading Islamic bank in Pakistan, and the fastest growing amongst both conventional and Islamic financial institutions. Established in 2002 with four branches, Meezan Bank now has 291 branches, and plans to have more than 700 by 2017.

Temenos T24 supports Meezan Bank's branch trading, from retail to trade finance, treasury, and all kinds of alternative distribution channels by integrating with the bank's middleware. Meezan Bank first ran T24 Release 5 in 2006 to acquire the treasury functionality, with the bank proceeding on to implement T24 Release 8 for core banking. "We conducted a business review and produced documentation and began working with the local implementation partner NDC," explains Iqbal Ahmad, Executive Vice President, IT. "We utilised the model bank approach. We did our best to use as much as we could and then got into vigorous testing."

The initial procuring of T24 as its core banking system was in response to their management setting an ambitious branch opening target in its five-year plan. "Before T24, we had a decentralised service in all branches. The expansion policy of 2004/5 forced us to rethink and we decided to adopt a centralised integrated application," explains Ahmad. The Banks' next IT project is an upgrade to T24 Release 12.

Meezan Bank offers its branch customers a wide range of financial products, all of which go through a no-compromise Shariah-compliance audit. A similar process takes place on the opening of a branch. A Shariah Supervisory Board – which is completely separate from the bank's operations – oversees compliance and the bank meets with its business customers and reviews their processes in order to offer Shariah-compliant financing solutions.

The bank has two types of branches. The first offers a full range of services, including trade finance, treasury, financing and retail. The second services the deposit product alone. A new concept, the smart branch, is also being trialled. "The smart branch will have a lean staff team in the front office and will be equipped with very smart technology solutions such as interactive kiosks," explains Ahmad.

Meezan Bank's dedication to Islamic banking has made it a leader and it is being called upon to provide consulting services internationally. It is also entering into partnerships with banks in other countries that share the same vision of establishing a viable Islamic banking system.

> "The implementation of Temenos T24 is a major milestone for Meezan Bank. We are confident that this will enable us to meet the demands of our rapidly growing branch network and also provide a stable and efficient technology platform to meet the challenges of a very competitive banking industry in Pakistan.
>
> Mr. Ariful Islam - COO - Meezan Bank

THE CHANGING BANKING LANDSCAPE

In Europe and the US, the future of the financial services industry has been shaped by the consequences of the banking crisis. Balance sheets have shrunk enormously[1]; banks have disappeared[2]; wholesale and credit market funding has become more tightly rationed; and liquidity in certain financial markets such as securitised mortgages has all but dried up. But there are still more results to come, especially in the form of greater government regulation over capital adequacy levels, governance and remuneration.

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

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

THE PRODUCTIVITY PARADOX

For most industries, it is a recognised truism that higher IT spending leads to higher productivity. The exception is banking where, for protracted periods of time, growth in IT spending has failed to translate into correspondingly higher levels of productivity growth; a phenomenon known as the "productivity paradox".

Our contention is that this paradox exists in banking because banks concentrate so much of their IT spending on internal resources and internally developed systems. To support this contention, we point to several pieces of quantitative evidence, including the almost perfect inverse relationship between industries' levels of IT spending and their relative spend on packaged software applications.

As the largest area of banking IT spending, core banking systems should be first in line for modernising and there are a number of ways in which modern applications can enable banks to raise efficiency and, by extension, Return on Equity (RoE); a matter made more pressing by the numerous structural challenges facing the industry today.

However, taking a modern packaged system is unlikely in itself to yield the desired improvements in productivity: key also is the way the system is implemented.

Temenos customers are significantly more profitable than banks that run either other third party systems or legacy applications; a correlation that holds over multiple time periods and across all regions and banking segments.

Source

1 Boston Consulting Group "BCG's sixth annual IT cost benchmarking study", June 2009.
2 Techcombank annual report, Banker database, Thomson Reuters and various broker notes.

THE PROFITABILITY GAP

For a period spanning almost 3 decades, the banking sector enjoyed extremely high profitability. In the period 1980-2007, banks earned an average annual Return on Equity (RoE) of 16% – high both in comparison to historical levels and relative to other industries. This elevated level of RoE was facilitated and sustained by three main factors: deregulation, strong global macro-economic conditions and high leverage.

However, owing to a number of structural changes in the industry, global banking RoE has now been reset to materially lower levels; essentially, a profitability gap has opened up. There are four main structural changes that have driven down RoE: tougher regulation, especially in the form of higher capital requirements; changing customer behaviour, putting pressure on pricing at the same time as raising cost to serve; increased funding costs, stemming in particular from a relative shrinkage in the wholesale lending market; and, more intense competition arising chiefly from new market entrants.

Core banking renewal could provide the levers for banks to grow RoE. Since modern core banking systems are integrated, flexible and scalable, they can help banks to improve RoE in four key ways:

1. by providing complete and real-time information, they can help banks to improve the level of cross-selling and lower the level of non-performing loans;
2. by improving the level of automation and straight-through-processing, they can help banks to reduce operational and IT costs;
3. the inherent scalability of the systems allows banks to extract economies of scale from organic growth and acquisitions, particularly in operations, processing and IT;
4. the flexibility of the systems allows banks to adapt very quickly to changing market conditions such as launching new products.

We have conducted analysis on the relative profitability of banks running core banking systems compared to banks running legacy applications. This analysis, based on a large data sample across multiple years, illustrates that banks running modern, third party core systems enjoy significantly better profitability metrics. And if we extrapolate this differential in profitability, we estimate that core replacement could reduce the profitability gap by between 25% and 60%.

WHY OUR CUSTOMERS CHOOSE TEMENOS

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

Focus on financial institutions
We are the only one of the top five vendors in our market to have a single domain focus. All of our management time, our research and development (R&D) effort and our expertise is focused on the financial services sector – making us true specialists. Moreover, this ensures that our success is inextricably bound to the success of our customers – if we can't improve their businesses, we can't improve our own.

THE MARKET LEADING VALUE PROPOSITION

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

Product superiority
Our products are highly acclaimed. We work in partnership with our customers all over the world, to direct the innovation and substantial investment we make in our software. We consistently devote around 20% of revenues to R&D – significantly more than our peers and greater than twice the industry average. This investment in new technology, functionality and in meeting new regulatory requirements allows us to deliver products that are consistently 'state of the art', which are made available to all customers through an annual release programme. We provide a single, consistent, service oriented architecture (SOA) that is componentised, easy to integrate into complex environments and for larger banks provides low risk progressive renovation options.

Outperforming customer base
Implementing Temenos software significantly lowers banks' total cost of ownership (TCO) and provides a scalable infrastructure that allows them to extract economies of scale as they grow and at the same time, giving them greater flexibility to innovate and adapt quickly to capitalise on changes in the market. A single view over client and other data enables more effective management of both risk and client relationships. This is why Temenos customers are the most profitable banks in the world.

A partnership approach
We work in close and active partnership with our customers, their preferred partners and the expanding community of Temenos partners, that already encompasses some of the best names in the industry. This partnership approach helps us give choice to our customers – over what technology platform they want to run and who they want to work with to implement and support the solution.

Predictable low risk implementations
In an average year, 50 new financial institutions go live on T24. This very high number of successful projects is enabled by our predictable, process-led and low risk approach to implementations, which starts with our highly configured, best market practice model banks.

Global but local presence
Our consultants operate from 59 international offices in 39 countries ensuring that they understand local banking needs, as well as the local language – our 3,700 employees encompass some 75 nationalities and speak over 65 different languages. We have delivered products to more than 1,000 clients in 140 countries and have country models with packaged functionality to support local banking practice in each of the markets in which our customers operate.

Unique business model
Our success has proven that packaged software with the highest levels of flexibility can meet the exacting requirements of the world's largest financial institutions, without source code modification and an ongoing or significant investment in customisation services. With enhancements rolled into an annual upgrade programme, banks can now focus on their true differentiators, whilst we focus on delivering commodity best-in-class systems.

Temenos customers are more profitable

Higher Return On Assets

30%

Higher Return On Capital

46%

Lower Cost To Income Ratio

8.5

Percentage points

Source
The Banker – 'Top 1000 Banks 2008 – 2010'. Average values for Temenos customers compared with average values for non Temenos customers.

Business Review
Governance
Financial Statements

A RICH MULTI-PRODUCT SUITE

Temenos is a financial services software specialist, with its award winning Temenos T24 core banking platform at the heart of its solution portfolio.

Our consistently high annual investment in research and development enables us to constantly invest in new technology and functionality, allowing us to deliver products that consistently lead the market and enable our clients to address the issues facing them with the lowest cost of ownership. Our clients benefit from this investment because we only offer fully packaged software with a clear and straightforward release programme, enabling our clients to upgrade to the latest software in a simple, low cost and low risk manner.

CORE BANKING

Temenos T24

T24 is the world's most widely used core banking system and provides a technically advanced packaged software product for banks in over 120 countries, from the smallest community banks to the largest retail banks.

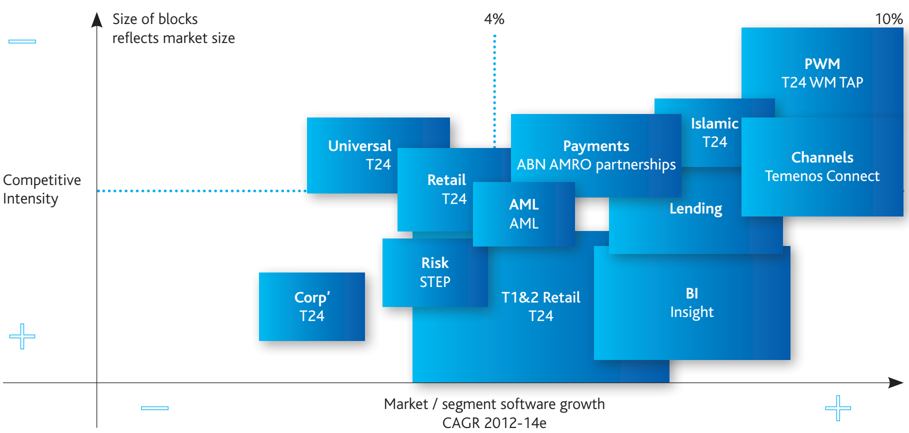
T24 is a functionally rich and flexible real-time banking application that has revolutionised the core banking system industry by removing the need for end-of-day processing and enabling 24/7/365 online operation across countries and time-zones when needed.

T24 is available as a model bank implementation, with pre-configured services and best practice banking processes built in; or a highly tailored approach for customers preferring differentiation.

T24 is technically advanced, based upon Temenos' 6 architectural frameworks, enabling it to be the only core banking system that can be deployed identically on either Java or Microsoft technology as well as on public or private clouds or on-premise.

WELL-POSITIONED IN KEY MARKETS AND SEGMENTS

Banking Software Market Landscape



Source: Gartner, Ovum, Temenos estimates

SPECIALIST SOLUTIONS FOR EACH BANKING INDUSTRY SECTOR

Our single domain focus and expertise allows us to provide specialist solutions for the following banking vertical sectors:

T24 For Retail Banking
T24 is used to support more than 250 retail banking operations ranging from the largest international banking groups to community banks and start-ups. T24 offers full retail functionality, from the front through to the back office, including CRM and product lifecycle management. Unparalleled scalability and resilience is combined with total customer centricity.

T24 For Corporate Banking
T24 provides integrated support on a single global platform to corporate and wholesale banks offering services to professional and corporate clients. T24 enables banks to introduce new business models quickly and add value to their client relationships. Support includes coverage of corporate credit, correspondent banking and cash management, payments, treasury services and trade finance.

T24 For Private Wealth Management
T24 supports banking for affluent to high net worth individuals by providing excellent middle and back office support for the widest range of financial products from the simplest fund and equity instruments through to structured products, complicated options and hedge funds. Dealing is electronic and real-time and settlement is efficient and electronic. A wide range of actions are supported out of the box and further actions can be constructed using flexible, parameter based tooling.

T24 for Private Wealth Management also contains some discretionary and advisory asset management support, including performance measurement, plus the ability to maintain and use traditional and market tracking investment models. This is for those customers who prefer a simpler, integrated solution rather than using our specialist front office products.

T24 For Islamic Banking
T24 is a best-of-breed Islamic banking system, which is both Shariah-compliant and commercially flexible. T24 supports organisations which operate solely on Islamic principles, as well as allowing conventional banking to operate alongside Islamic in the same system. T24 is rich with best practice processes and pre-configured products that support Murabaha, Mudaraba, Bei Salam, Musharaka, Istisnaa & Parallel Istisnaa, Bei Bithaman Ajil, Wakala, Operational & Financial Ijara, Tawarruq, Commodity Trading, Reverse Murabaha, Sukuk and a Profit Management System.

T24 For Microfinance And Community Banking
T24 also supports smaller financial institutions with a version that is highly pre-configured for the features, products and reporting specific to microfinance and community banking (MCB). T24 MCB supports the specific operational and processing requirements of organisations engaged in retail, community and microfinance banking in emerging markets: micro lending institutions, smaller retail banks, large commercial microfinance institutions (MFIs) and global networks of financial intermediaries and credit unions. T24 MCB is used by more than 100 clients, many with multiple sites, in over 35 countries.

T24 For Universal Banking
T24 supports banks which deliver a wide range of products and services across retail and corporate banking. T24 offers an extraordinary breadth and depth of functionality across all channels, giving the universal bank the ability to offer products and services which compete with more specialised banks, together with the agility and flexibility required to compete with large international banks which may be entering the market. T24's inherent scalability allows banks with many overseas branches to enjoy the benefits of a centralised production facility and product factory, whilst maintaining local front office functionality. Treasury Trader supports treasury dealing rooms with a seamless and transparent flow of information to synchronise the front, middle and back offices of an international treasury operation, delivering real-time links to the market for instant and accurate data, together with an impressive range of risk, planning and analysis tools.

TCB
Temenos CoreBanking (TCB) is a functionally-rich core banking framework, deployed on IBM mainframe technology and designed around IBM's Information Framework (IFW) industry banking model. TCB is used by the some of the world's largest mass market retail banks and is a model framework that can greatly accelerate the bank's time to build their own core banking solution and provides a model that ensures maximise re-use, eliminates duplication and minimises redundancy. It is designed to enable application components to be implemented independently, allowing banks to transition from their evolved, fragmented and highly complex legacy processing environments on a step-by-step incremental basis.

CHANNEL PRODUCTS SUITE

Temenos Connect
Temenos Connect is a suite of front end channel products that fully interact with the T24 core banking system coupled with the ability to integrate to multiple host back end systems. Temenos Connect enables financial institutions to provide front end banking solutions with a superior user experience across multiple distribution channels, for any user (internal and external), in any language and optimised for any device. Temenos Connect is underpinned by edgeConnect, a market leading User Experience Platform recognised by leading industry analysts including Gartner.

Temenos Connect Internet – is an online banking solution enabling financial institutions to offer a full range of products and services, across all business lines, to customers via browsers on desktop PC's, mobiles and tablet devices. Cost effective, highly secure and efficient with proven enterprise scalability and performance the solution comes with a flexible user interface that can be designed to provide end users with an intuitive and compelling customer experience as well as acting as a targeted marketing tool driven by Temenos or other CRM products.

Channel Products Suite continued

Temenos Connect Mobile – is fully integrated with Temenos Connect Internet, providing seamless mobile banking to your clients across a wide range of mobile channels including smartphone apps, browser and SMS. Temenos Connect Mobile is underpinned by a unique device specific security layer providing the ultimate solution for protection from mobile fraud. The solution's mCommerce capability integrates retail and other payment channels to transform your customer's device into a mobile point of sale.

edgeConnect

edgeConnect is the core UXP product that underpins the Temenos Connect product suite sharing full functionality and capabilities. edgeConnect UXP is also available independently of the Temenos Connect solutions, enabling financial institutions to rapidly create and manage browser enabled applications with sophisticated user experiences. edgeConnect provides a zero-code, powerful development environment coupled with a runtime environment providing security, cross browser compatibility, enterprise scalability and performance. edgeConnect is used by clients to web enable existing legacy core applications integrated to, and de-coupled from, the constraints of their back end system and can be integrated to ANY third party platform or solution.

Other Customer Interaction Channels

ARC Branch – offers specialised teller functionality and device support that includes off-line processing for reliable customer service, branch staff access to a single view of all customer information and branch manager business intelligence services.

ARC CRM – enables you to build and personalize your digital banking services around each customer – improving your service, transforming their experience and enhancing their loyalty. Providing fully integrated support for identifying opportunities and managing prospects, ARC CRM combines operational and analytical customer relationship management processes with rich marketing campaign management capabilities.

ARC Origination – enables you to originate customers, loans and deposits ready to be serviced by T24.

Country Model Banks

With our extensive experience of customer implementations in more than 140 countries, we have packaged all country specific localisations, including compliance with regulations and local payments systems, into reusable country platforms, to provide our customers with software that fully supports local requirements.

We currently offer country model platforms for over 30 major countries.

PAYMENTS

STeP Payments Repair

STeP Payments Repair (STeP) markedly improves straight through processing (STP) rates by automatically repairing and enriching messages, enabling payment transactions to be conducted electronically without the need for re-keying or manual intervention. STeP is based on artificial intelligence type technology combined with a unique Temenos banking community-generated knowledge base, which integrates seamlessly into payment platforms and operational systems.

PRIVATE WEALTH FRONT OFFICE

Temenos Triple'A Plus

Temenos Triple'A Plus is a proven, world-class front and middle office portfolio management system that offers sophisticated investment management functionality across modelling, performance attribution and risk. It provides powerful support for servicing the needs of today's high net worth and ultra-high net worth clients.

It provides the most comprehensive portfolios and positions analytics available specifically for high value advisors and portfolio managers. Triple'A Plus improves your productivity by automating investment, order generation, compliance and client profiling processes. By building central and efficient investment processes across multiple business segments, Triple'A Plus increases your agility, autonomy and service performance with easy-to-use, real-time business configuration tools.

Triple'A Plus operates across multiple back office systems including T24 from Temenos.

Temenos WealthManager

Temenos WealthManager is an integrated wealth management software platform designed specifically for private financial advisors. Whether serving mass affluent investors or high net worth individuals, WealthManager personalises, simplifies and integrates investment activity for precise control. A suite of proven wealth management software tools, it provides a 360-degree view of clients that combines flexible day-to-day management with elegant graphical dashboard reporting, accurate data aggregation and agile portfolio management.

WealthManager is proven at investment and financial services institutions worldwide to improve client servicing, enhance compliance monitoring, increase advisor productivity and reduce operational cost. It offers superior features for all types and styles of investor and supports discretionary, advisory and brokerage businesses on a single wealth management software platform.

WealthManager operates across multiple back offices systems including T24 from Temenos.

ENTERPRISE DATA MANAGEMENT

Temenos DataSource (formerly ProDB)

Temenos DataSource is an enterprise data management (EDM) solution that automatically optimises the quality of master data (e.g. statics, corporate actions, pricing data) to reduce the costs and risk associated with managing increasing volumes of data required to comply with regulatory change. Based on a highly sophisticated rules engine Temenos DataSource validates and consolidates data from international and local data providers and dispatches consistent data ("a golden copy") to user-defined systems across the organisation.

INTELLIGENCE, RISK AND COMPLIANCE

Insight
Our Insight business intelligence products provide the bank's management with a deep and balanced understanding of its business and customers. Based on our data warehouse model, it minimises data redundancy and provides a single version of the truth optimised for analysis. Insight connects to multiple source systems including those from Temenos, consolidates multiple entities and delivers analytical information on a variety of technologies including tablets and mobile. Insight is built on Microsoft technology.

Insight Financial Intelligence
Insight Financial Intelligence provides a deep understanding of the financial position and health of the bank. It contains a balanced scorecard that monitors key performance indicators such as cost/income ratio, liquidity, capital adequacy and average margins. It also produces the key financial reports including income statement and balance sheet but enables these to be analysed by a huge variety of other dimensions, turning them into powerful bank management tools. Insight Financial Intelligence includes budgets, cost allocations and transfer pricing to ensure that the profitability of the organisation can be understood and controlled at all levels.

Insight Customer Intelligence
Customer intelligence provides analysis of the bank's customers including positions, segmentation and profitability. It can highlight the most and the least profitable. Segmentation based on this and other criteria can be used by other T24 systems to control processes and pricing enabling you to differentiate your offerings automatically. Sophisticated data mining tools enable you to spot trends such as customer attrition risk.

Insight Operational Intelligence
Insight Operational Intelligence provides operational analysis across your organisation including understanding use of channels and performance of branches.

Insight Risk
Insight Risk provides comprehensive analysis of the bank's risk position to support regulatory and internal requirements. Using an extensive regulatory capital engine and comprehensive liquidity and interest rate risk analysis tooling Basel II and III as well as ALCO reporting. It enables financial institutions to fine-tune capital requirements to maximise economic and financial returns. Insight Risk is fully integrated with Insight Financial Analysis, supporting risk return reporting such as RAROC as well as risk based pricing.

Anti-Money Laundering
AML Screen – provides an integrated watch list screening solution enabling banks to manipulate and manage watch lists, and define screening rules. These enhanced tools help maximise the chances of identifying true positives whilst minimising instances of false positives, to achieve a more efficient and effective AML operation.

AML Profile – is our behavioural profiling solution that understands clients' activity enabling the analysis of trends and behaviours both at sector level and with individual clients to identify money laundering risk. AML Profile is fully configurable and can be adjusted to meet banks' own risk profile requirements.

6 ARCHITECTURAL FRAMEWORKS

Temenos is a software product company. We recognise the value of excellent software engineering both to us and to our clients and consequently we invest heavily in software product architecture. We organise around six architectural frameworks and we have a proud tradition of having constantly and consistently invested in these, ensuring our application products remain fully up to date, flexible and productive.

Integration Framework
The integration framework enables our products to easily exchange business events with other systems and so integrate what we do into an overall information system. It reduces the time for interfacing by up to 90% by making the integration code free. Based on business events, this approach makes the bank more agile and able to absorb change more quickly. We support middleware from our partners, IBM, Oracle and Microsoft, as well as independent products such as Fiorano and WebMethods.

Interaction Framework
We recognise that user interaction changes very rapidly, from client server, to browser to tablets. The Interaction Framework decouples user interaction from our back end systems (and those of others) using the OData standard to allow rapid implementation of new user experiences enabling our clients to respond to their customer's needs more quickly and efficiently.

Platform Framework
Our clients need technology choice, now and in the future. Our Platform Framework enables our products to run on a variety of underlying technology, enabling, for example, T24 is the only core system to run as a pure Java application or pure Microsoft application. Further we run on the latest implementations such as IBM's PureApplication, Oracle's ExaLogic and Microsoft Azure. It also gives our clients choice from a traditional on-premise deployment to public cloud with the cost benefits that this provides.

Component Framework
Fully componentised software has major advantages both for the vendor and the client. It enhances quality by simplifying the implementation and testing process, it lowers risk by enabling progressive and phased renovation and it increases agility by enabling incremental upgrading and updating of software. Our products benefit from this technology and we are investing further as more capable componentisation technology becomes available.

Design Framework
Temenos software products are engineered to provide the highest levels of flexibility enabling our clients to adapt to change without returning to us. Our Design Framework is our development environment for the 'change the bank' team, enabling them to develop, test, deploy and maintain the local customisations of their Temenos products easily, efficiently and safely. Design Framework uses the industry standard Eclipse integrated development environment.

Data Framework
The Data Framework is the architecture by which our software products interact with the underlying database management systems. Our products benefit from the flexibility, resilience and scalability that this affords. We are further investing in this to fully separate the transaction processing data from the 'read-only' reporting data. This will enable our products to take advantage of the latest database technology such as 'in-memory' providing performance improvements of up to 10X for transaction processing and up to 100X for reporting and analytics.

WINNING THE USER EXPERIENCE WAR IN A 'MAD' WORLD

Financial institutions must take an entirely new approach to customer channels to remain competitive in a market driven by MADs (Multiple Access Devices).

2012 saw the launch of a suite of front office products, Temenos Connect. The launch capitalises on Temenos' recent acquisition of edge IPK, market leader in User Experience Platform (UXP) technology. Temenos Connect allows banks to escape the limitations of their existing technology infrastructure to offer a rich, consistent and interactive customer experience across all channels. The urgency to improve customer experience is underpinned by the rapid growth in the adoption of 'MADs', such as smartphones and tablets, and is key to enhancing brand equity, defending share against new retail banking entrants and to attracting and retaining the most lucrative customers.

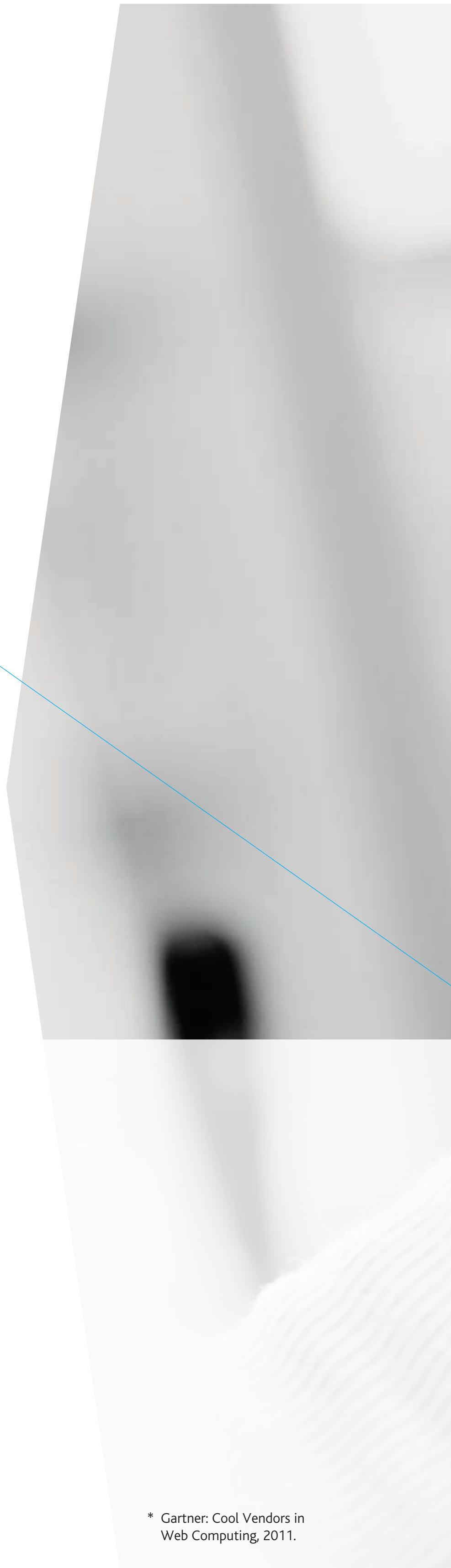
Adoption of MADs is rising at an extraordinary pace – especially high among the young and the most affluent – and as with any retailer, customers are demanding an exciting user experience from their provider of financial services. Nonetheless, the current approach by financial institutions to meeting this generational shift is to essentially maintain proprietary technology and existing applications. This approach is costly and time to market for new products and services is too slow – damaging customer goodwill and the brand perception of banks, reducing the opportunity to grow wallet share and raising the competitive threat from new banking entrants.

Temenos Connect solves this challenge by combining edgeConnect, the market-leading UXP technology, with Temenos' unrivalled financial services knowledge – providing providers of financial services with a consolidated channel management and delivery solution, enabling them to deploy a secure, consistent and interactive user experience across all devices and in all languages. This synergy of solutions creates a single instance of the customer, complete data integrity and a cutting-edge user interface supported by advanced workflow, all in packaged upgradeable software.

edgeConnect is already benchmarked at 17 million transactions per hour, with users documenting a five-fold improvement in productivity as a result of using the platform.* Financial institutions can build applications once and deploy across different channels, including MADs, which vastly enhances efficiency levels. In tandem, Temenos Connect allows banks to profile prospective customers applying for products online – facilitating a usable design process to maximise straight-through processing, preventing the amount of people that stop midway, which greatly increases successful new customer applications and positive user experiences.

> "The Temenos Connect products can be implemented independently of any other systems changes, making them quick to deploy and giving customers time to value in as little as 3 months.

David Arnott - Chief Executive Officer - Temenos Group AG



* Gartner: Cool Vendors in Web Computing, 2011.

A STRATEGIC ACQUISITION

In September 2012, Temenos signed a definitive agreement to purchase edge IPK, a provider of user experience platform (UXP) software to the financial services industry.

edge IPK, headquartered in the UK and with operations in the US and India, provides financial institutions with the ability to launch and easily maintain a cutting-edge and consistent user experience across multiple channels, products and geographies.

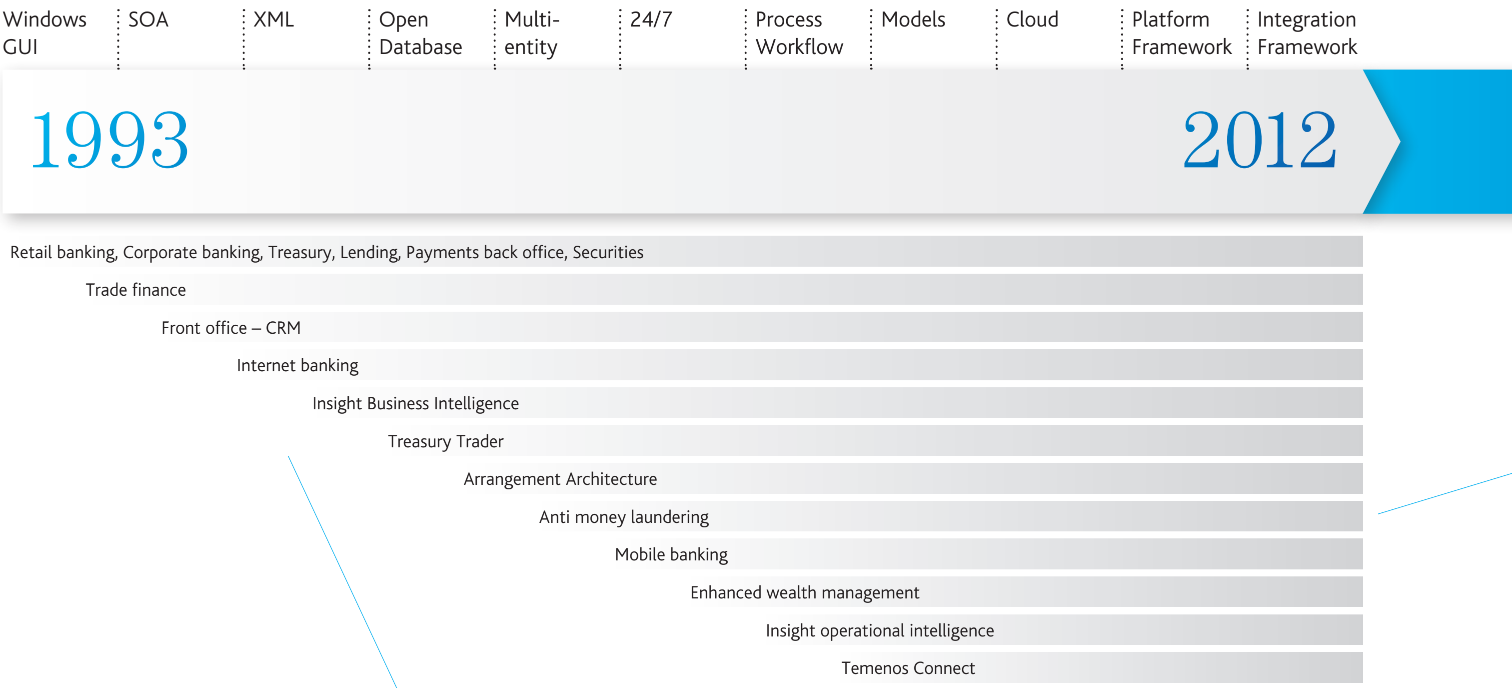
The company has been recognised as a 'cool' vendor by Gartner for its highly innovative UXP product edgeConnect, stating 'some customers report delivering applications up to five times as quickly, with a fraction of the resources.'*

edgeConnect includes a runtime and integrated development environment (IDE) for the creation and management of multi-channel business applications, built once and deployed many times across different channels and devices – internet, mobile, tablet, branch, call centre etc. Another key feature is the capability for web designers to design and test user experience pages, forms and workflows, independently from developers or architects, greatly speeding up time to market.

edgeConnect is used by a number of financial services companies, including Deutsche Bank, ABN Amro, Zurich and Allianz, and will soon be deployed at Metro Bank as part of the internet banking portal for Temenos T24.

Our products
No standing still

TRACK RECORD OF INNOVATION EXTENDING INTO THE FUTURE

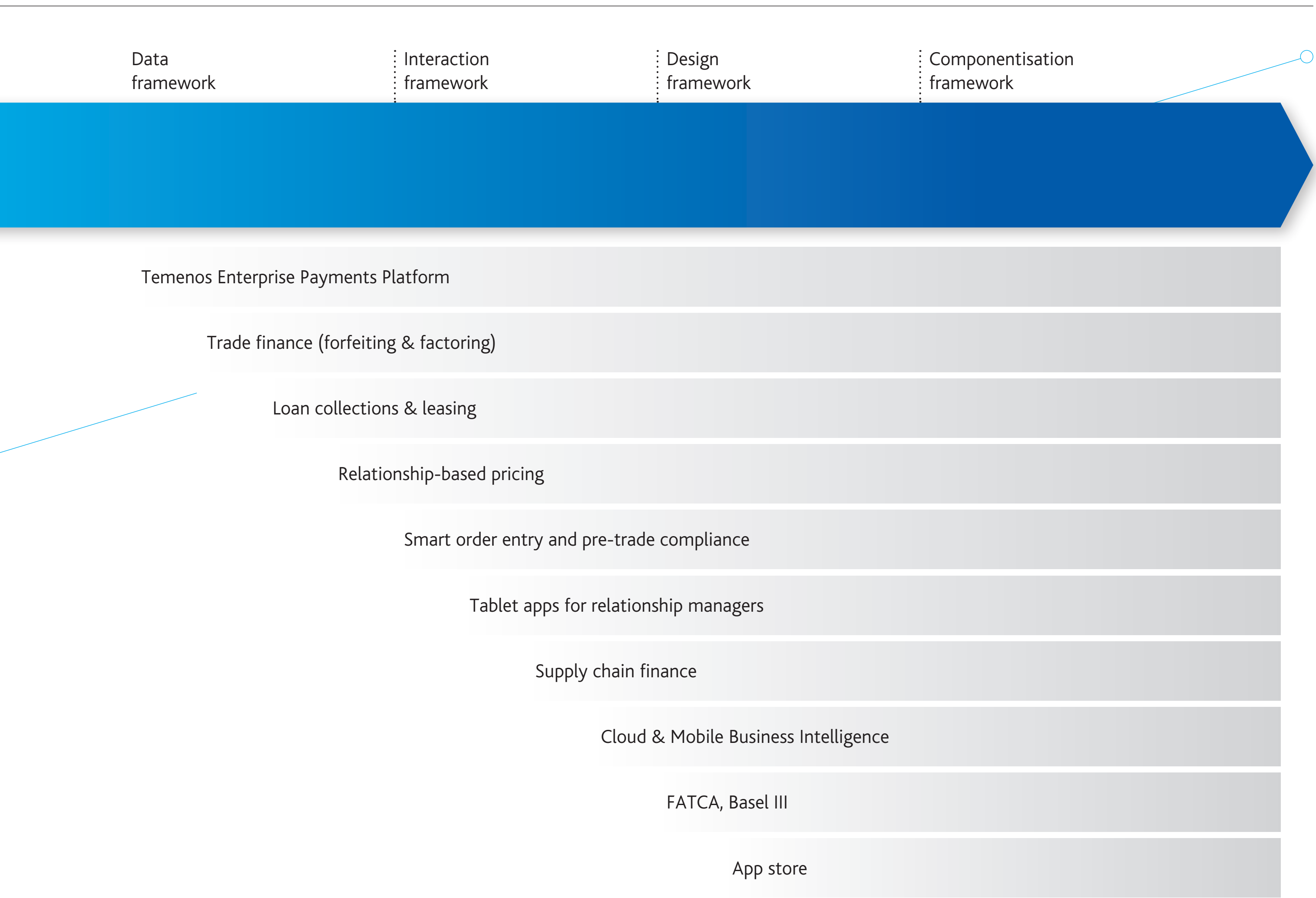


Innovation is at the heart of what we do at Temenos. Our clients rely on us not only to provide the highest quality software product but to enhance it continuously. This innovation is increasingly important given the rapid change in the banking world: increased customer expectations; pressures on costs and capital; growing, complex and costly regulation; rapid change in technology. Innovation is in our DNA but our clients are financial institutions and we understand their need for change but also for the highest levels of reliability. Therefore whilst our innovation is bold and aggressive it must be easy and simple for our clients to install and use – revolution in innovation, evolution in implementation.

We are proud of our tradition of innovation stretching back 20 years. We were the first international banking solution on the open and efficient Unix operating system, the first to offer a service orientated architecture (SOA), the first to adopt the XML messaging standard, the first to offer the same product across the Java and Microsoft platforms and the first core banking system in the public cloud. And our innovation tradition is not just technology and architecture. Our Arrangement Architecture is the leading platform for developing and implementing innovative banking products; our systems were the first to be 24/7; and the first to be both cross-border and multi-timezone.

For the future, our investments in componentisation, in open business process, the use of big data to streamline our applications and allow them to run in-memory, all show that our tradition of innovation continues.

A proven track record of innovation is critical to our clients but also to the many new clients to adopt our solutions each year. They understand that they are joining us for a partnership that will last years and often decades and they need to be assured that their partner is a company that understands not only how to innovate but, critically, how to deliver those innovations to its clients in a reliable and efficient manner. That company is Temenos.


Data framework
Interaction framework
Design framework
Componentisation framework
Temenos Enterprise Payments Platform
Trade finance (forfeiting & factoring)
Loan collections & leasing
Relationship-based pricing
Smart order entry and pre-trade compliance
Tablet apps for relationship managers
Supply chain finance
Cloud & Mobile Business Intelligence
FATCA, Basel III
App store

EMPOWERING OUR PARTNERS

In 2012 Temenos reaffirmed its commitment to its partner programme and is taking it to the next level.

Temenos has remained committed to the partner programme, but we believe its status and importance became subjugated to the improvement in the Temenos services business. The two go hand in hand. Temenos is never going to have the scale to run multiple projects in every corner of the world. Nor is it our core competence. It is critically important that we make a clear demarcation between our role, which we see as increasingly around governance and expert services, and the role of partners, who should do all the other work, including writing customer specific extensions where applicable.

Since the summers of 2012, Temenos has been reconfirming its collaboration with partners. Temenos' own services division continues to invest in services resources, but is increasingly shifting the mix towards higher end consultants. All key partners have corroborated Temenos' strategy, budgets, methodology and recruitment targets. The stance is such that partners allow scale for growth but they are also bringing sales leads.

TAKING THE PROGRAMME TO THE NEXT LEVEL

1bn

The value of services opportunity around Temenos applications (USD)

> “In return for being given a lot of services work by us, our partners are expected to bring us a pipeline of licence deals and contribute an increasing percentage to our licensing over the next few years.
>
> David Arnott - Chief Executive Officer - Temenos Group AG

PRESENT PROJECT INVOLVEMENT

70+

The knowledge of our partner consultants continues to improve. We measure this to the level of certification of the consultants, but more anecdotally, we recognise that knowledge improves as partners take on more and more projects. At present, partners are involved in over 80 projects in more than 50 countries. In many instances, it's the partner running the whole project, with Temenos acting in an oversight capacity.

THE MOST COMPREHENSIVE PARTNER PROGRAMME

Accenture
Actividentity
Anabatic Technologies
AutoFORM LaserNet
Capgemini
CGI
Cognizant Technology Solutions
CUPlus
Deloitte
Foranx
Fortress Data Services
FOT Group
FRS Global
HP
IBM
Infotech
iSoftstone
JETHRO
Luup
Microsoft
NDC
Oracle
Rubik
SISCOM
SOFGEN
Syncordis
Syntellect
Systar
TextGenesys
Thakral One
USI
Validata Group
Wipro
45 Degrees

THE THREE PHASES OF TEMENOS GROWTH

BUILD
1993 TO 2002

- Domain focus
- Truly global
- Single packaged product
- Commitment to openness
- High R&D
- Maintenance model
- Tier 3-5 banks

OUR STRATEGY CREATING SHAREHOLDER VALUE

FOCUS ON PRODUCT

- Sustainably grow licence and maintenance revenues
- Focus on reusable product investment
- Underpins margin expansion and DSO reduction

HIGHER MARGIN SERVICES SUPPORTING PRODUCT BUSINESS

- 20% to 25% of group revenues
- Higher value-add expert and productised services, driving even better levels of customer success
- Reducing implementation times
- Maximising reusability
- Reduced cost base providing operational leverage

FOCUS ON TARGET AREAS OF GROWTH

- Core banking to grow slower
- Channels, PWM, BI expected to be high growth areas
- APAC and Americas to be fastest growing regions
- Refocus sales to increase contribution from existing customers

PARTNER STRATEGY MOVING INTO THE NEXT PHASE

- Totally aligned with services strategy, leveraging partners to support growth
- Partners to drive growth in licensing, instrumental in opening up key segments and markets
- Services partners taking greater role on projects, leading more projects

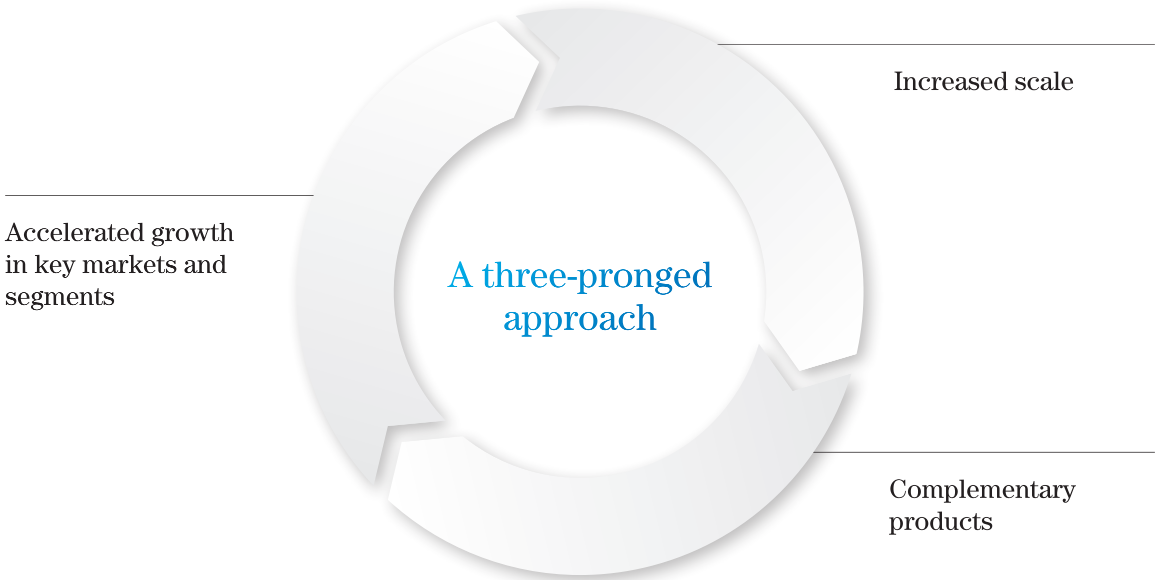
SCALE
2003 TO 2011

- Regional structure
- Expansion of addressable market
- M&A programme
- Partner programme initiated
- Margin expansion
- 10pp of market share gains
- Tier 1-2 banks

LEAD
2012 ONWARDS

- True multi-product focus
- Multi-deployment options
- Realising installed base opportunity
- Growth in key geographies and segments, partners facilitating
- Further M&A
- Maturity and consistency
- Tier 1-6 banks

A THREE-PRONGED
APPROACH TO M&A



2007	2008	2009	2010	2011	2012
Actisbsp	Financial Objects Lydian Associates Ltd Informer	Viveo Group	Fe-mobile Odyssey	Primisyn	edge IPK

Chairman's statement
Andreas Andreades

"What gives me immense confidence for the future of Temenos is how the leadership team has risen to the challenge and dealt with each one of the challenges we faced, finishing the year with strong business results and a reversal of the declining trend in our business. The dramatic turnaround in the company's performance in H2 2012, during which time Temenos not only returned to growth but put in place the strategy and operational prerequisites for sustained growth, are testament to the fact that we made the right leadership choices in the summer. The company is in great hands.

Andreas Andreades
Executive Chairman
Temenos Group AG

A LEADER IN CORE BANKING

* Gartner, Magic Quadrant for International Retail Core Banking, September 2012, by Don Free.

Temenos has been positioned by Gartner, Inc. in the 'Leaders' quadrant in the International Retail Core Banking (IRCB) Magic Quadrant* report.

Don Free, research director at Gartner and author of the IRCB Magic Quadrant, comments in the report: "International retail core banking is a top 2012 strategic technology, and CIOs know their core systems are an obstacle to growth, customer attraction and retention, and reducing enterprise costs."

Don Free continues: "Gaining access to customer information – a highly differentiating value for the business, but a significant challenge with product-centric core solutions – is definitely a driver for adopting open-architected core banking systems that are more easily integrated."

2012 was probably one of the most challenging years our industry has seen. Banks worldwide are still having to deal with the consequences of the 2008 financial turmoil and the ensuing sovereign debt crisis, increased regulation and scrutiny from national and supranational regulators and stubbornly lower returns on equity.

On top of this, technology and especially advances in mobility and broader channel access and customer experience are producing changes in customer behaviour which present both an opportunity and a huge threat for banks, existing and new.

Temenos had to deal with its own challenges during the year. The demand environment was subdued, especially during the first half of the year as banks deferred large capital expenditure projects. We had merger discussions with Misys, a UK-based competitor, from which we walked away in order to safeguard the interests of our shareholders. Further, we had a change in the leadership structure of the company. Each one of these situations represented a significant challenge on its own.

George Koukis ran Temenos for ten years and I ran Temenos for eight years. In Guy Dubois, we believed we had a CEO who would lead Temenos through the next phase of growth. Regrettably, however, Guy decided to step down as CEO in July 2012 for personal reasons; a decision which forced the company to change CEOs for the second time in a little over a year. CEO change always brings a certain amount of disruption for a company and so it was imperative that we chose a new CEO who we believed could engineer a smooth transition while producing a turnaround of the company's fortunes for the long term. This is why the Board of Directors and I appointed David Arnott. David had been the CFO of Temenos since 2001, and is a true leader with the vision, passion and energy to do the job. To support David as CEO, we appointed Max Chuard as CFO. Also a Temenosian for the last decade, Max represented the natural successor to David given his significant experience in corporate finance, in executing M&A transactions and in investor relations.

What gives me immense confidence for the future of Temenos is how the leadership team has risen to the challenge and dealt with each one of the challenges we faced, finishing the year with strong business results and a reversal of the declining trend in our business. The dramatic turnaround in the company's performance in H2 2012, during which time Temenos not only returned to growth but put in place the strategy and operational prerequisites for sustained growth, are testament to the fact that we made the right leadership choices in the summer. The company is in great hands.

It is often said that in business we should never let a crisis go wasted. Indeed, in the last 24 months, Temenos has transformed itself. It has more than doubled its addressable market by entering the Private Wealth space with the acquisition of Odyssey, the channels and user experience market with the acquisition of edge IPK and recently the mainstream US market with the acquisition of TriNovus, setting it on course to be a one stop shop for the software needs of the financial services industry.

It is companies that possess a strong culture a strong sense of purpose and a strong business model that can react to business adversity and deliver success. It is this culture that we want to celebrate today which sets Temenos apart and which will ensure that we continue to execute on our strategy. It is a culture built on the following foundations:

- a commitment for servicing banks and financial institutions. This is not just our core business. It is our ONLY business;
- an unwavering focus on building and selling the best software that exists in our market place; and,
- a passion for hiring and retaining the best people in the financial services software industry.

Last but not least, we will continue to ensure that our efforts and strategies are consistent and result in delivering long term shareholder success within an environment of continuously increased transparency and the highest level of corporate governance; standards that we have always espoused.

Andreas Andreades
Executive Chairman

43

Temenos had 43 customer go-lives in 2012. This equates to one customer going live every 8 days with our software, including in the year the first bank live in the Cloud in Kenya. In addition to these go-lives, 45 customers upgraded to newer versions of our products.

Business review
David Arnott

“The organisation as a whole is more focused, and better aligned than before. In addition, I think we're better at tracking deals, and the quality of the pipeline has improved. Lastly, when I permit myself to look beyond the day to day execution, I feel very confident. Revenue trends are improving at the same time as costs are coming down, and the company has better software and assets than at any point in our history, assets that match the market's needs, and which will underpin our future growth.

David Arnott
Chief Executive Officer
Temenos Group AG

Introduction
Having spent the last eleven years working for Temenos, helping to grow the business 10-fold over that time, I was extremely proud and honoured to be made the company CEO in July of 2012.

Even though the business was experiencing a difficult period when I took over the reins – a run of five consecutive quarters of shrinking licence revenues – I never doubted the company's ability to bounce back.

Temenos has been built on very solid fundamentals and what was required to effect a turnaround was, at root, a reaffirmation of our identity and common purpose and a restoration of some of the structures and practices central to our success.

On the back of a strong fourth quarter, in which were able to grow licences by 17% and in which we took significant market share, we are confident that the business is firmly back on the right path.

What is more, we have set out a very clear and well understood strategy for the medium term which will enable us to cement leadership across our main markets and generate significant and sustained value for all of stakeholders.

H1 2012
The first half of 2012 was highly challenging for Temenos.

Firstly, the market conditions remained very difficult as the world economy slowed and the European sovereign debt crisis intensified. Financial institutions put plans on ice, especially in relation to the largest projects and those with lengthy time to value; an issue compounded by the fact that we had done little to diversify away from our dependence on core banking sales.

Secondly, we introduced complexity at a time when the market conditions demanded agility.

Lastly, although relatively less significant, we were dealing with the fallout from several weeks of very public discussions regarding a possible merger with Misys, a UK-based core banking competitor.

Changes made as CEO

Rapid corrective action was needed to put the business back on the path to growth. In July 2012 we made a number of changes to restore our focus on sales, simplify the way we do business, reduce our cost base to a level supported by our revenues, and to realign the business towards the market opportunity.

Reinstating our product focus

We are product company. Sales of software licences of our award winning products drive growth in both maintenance and services. It is therefore paramount that the whole organisation is focused on maximising licence sales and one of my first actions was to reintroduce this licence focus.

Unified product group

We unified the product organisation by bringing all product development teams under one group. Furthermore, we put the Temenos Application Management (TAM) team, which handled local development, into the product group to maximise reuse. We now have one product group which allows us to better prioritise projects, to employ common tooling and processes and this is leading to higher productivity across the group. In addition, the product group is also working ever more closely with sales and pre-sales to further differentiate our product leadership in the market.

Recreation of regional structure

To overcome the issues of complexity, bureaucracy and lack of accountability, we moved to reintroduce the regional structure under which each region takes full ownership for client focus, delivery and client management, cash collection and employee team spirit, supported by central functions where appropriate.

Clarification of role of services and partners

We moved quickly to reaffirm our commitment to partners who now know what is expected of them and vice versa with the programme being taken to the next level as partners become sales enablers as well as implementers. In addition, now that a strong partner infrastructure has been put in place, we have devolved more of the day to day partner management to regions, which enables the programme to scale faster.

Lower cost base

Although painful for the organisation, we quickly right sized our cost base to create a more simplified structure, with clear accountability, less management overhead, and a more aligned and focused organisation. The reduction in costs underpins our future profitability whilst not impacting our ability to grow.

Strategic acquisition

Customer experience will be the key battleground in the flight to attract and retain an increasingly empowered banking consumer. Following the acquisition of Edge IPK, the market-leading User Experience Platform (UXP) provider, which took place in September 2012, Temenos now offers a unique and completely new approach to channel management. By putting a UXP between front and back-office applications, we enable progressive renovation of IT estates and we enable financial institutions to dramatically improve the quality and consistency of their customers' user experience (without necessarily renovating their back-office applications) – all while delivering five-fold productivity improvements in the time taken to launch new channel applications.

Multi-product focus

Following the Edge IPK acquisition and in recognition of financial institutions' demand for projects with short time to value, we moved to introduce a true multi-product focus and to align all of our teams and resources around four main segments: Core Banking, Private Wealth Management, Channels and Business Analytics.

1st

Vietnam's first fingerprint-enabled debit card launched at Mekong Development Bank

Mekong Development Bank implemented Temenos T24 Biometric fingerprint authentication to provide the 'unbanked' population of Vietnam with access to banking services. Mekong Development Bank was already running the bank on T24, meaning this was a simple modular upgrade to incorporate biometrics into the system seamlessly.

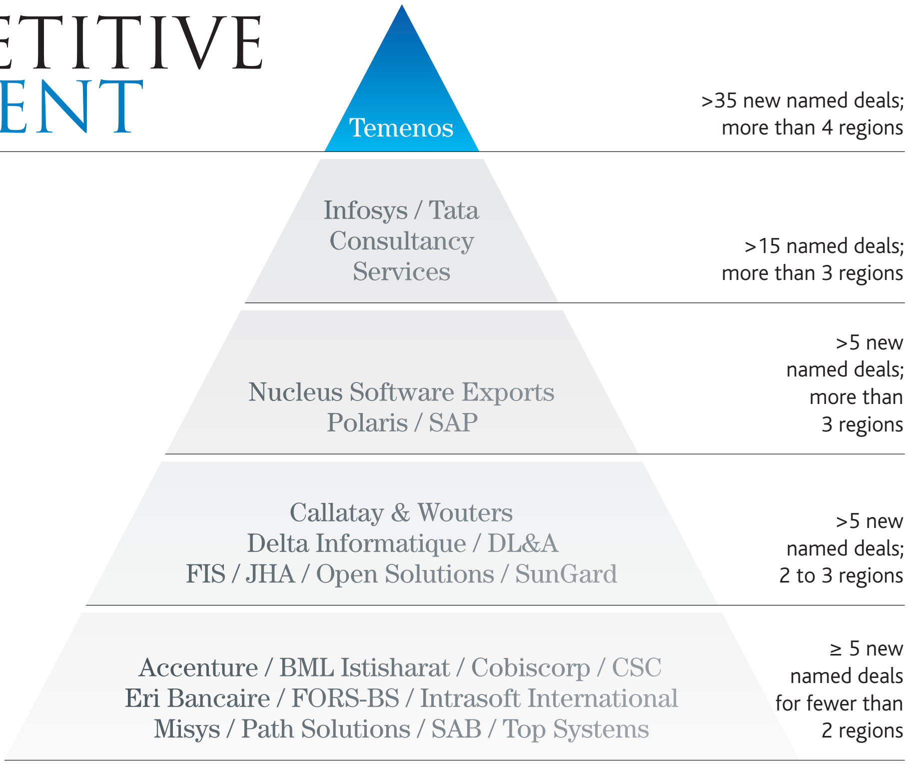
Biometric authentication lowers the risk of fraudulent transactions, whilst providing a more convenient banking service for both the rural and urban populations of Vietnam – of a population of 86 million people, only 20% of Vietnam has a bank account. Since the initial launch in June, Mekong Development Bank's current account base has tripled, and the deposit balance per debit card account is two times higher than a regular account without a debit card. Customer fingerprints are captured by Mekong Development Bank at the point of opening an account – and then used at any one of 33 NCR SelfServ™ ATMs across Vietnam. This will be extended to other touch points in the near future in line with Mekong Development Bank's proposition to make things simple for the customer.

Business Review
Governance
Financial Statements

OUR COMPETITIVE ENVIRONMENT

"Temenos has been one of two firms in our Global Power Sellers category since Forrester introduced the global vendor pyramid for the 2006 global banking platform deals survey... (and this year) has the enviable position of the single Global Power Seller in the 2011 survey.

Forrester



Source: Forrester "Global Banking Platform deals 2011", published April 2012.

MEETING COMPLEX REQUIREMENTS

Complying with FATCA will be a major requirement for financial institutions, with the biggest challenge being the vast amounts of information that must be compiled, verified and reported.

A leading global wealth manager became the first to adopt our Foreign Account Tax Compliance Act (FATCA) module in 2012, ensuring compliance across all of its global locations. Given the number of Temenos customers affected by the new legislation, we have moved quickly to develop the necessary functionality to enable all customers to comply and so remove this compliance pain point.

"With FATCA becoming effective on 1 January 2014, financial institutions need to act now to ensure compliance.

David Arnott - Chief Executive Officer - Temenos Group AG

H2 2012

The effect of these changes manifested themselves almost immediately.

In Q3, we saw significant improvements in the licence revenue and profit trends as sales picked up across the board on the back of better execution and increased focus on business analytics, channels and PWM and as the cost base began to decline.

This improvement in performance accelerated in Q4, in which licence revenue grew by 17% enabling us to deliver the full year commitments we made in July. In Q4 we saw also good sales in Europe. Whilst certainly not wanting to call a turn in the market, Europe is now showing signs of stabilisation. We saw also strong sales into Tier 1 and Tier 2 clients who accounted for over a third of all licence sales in 2012. We saw strong sales into our installed base evidencing again the benefit of our multi-product approach and highlighting the strength of relationship we have with our customers.

The extent of the business turnaround is evident when we look at the results of the International Banking Systems (IBS) annual league table. Although only covering core banking sales, it shows Temenos taking considerable share. In 2012, T24, our flagship core banking solution, achieved an 18% market share based on deal volume, up four percentage points compared to 2011 and had almost twice as many sales as its closest rival. What is more, Temenos was one of only four vendors to achieve more than ten sales, highlighting how the core banking market continues to consolidate around a handful of international players.

The outlook for the future

At our Analyst & Investor Event in February 2013, we set out the market opportunity as well as our medium term strategy and goals.

The market opportunity

Our addressable market today, defined as bank spend on third-party licence and maintenance, currently stands at USD 5.5 billion split broadly equally between core banking, wealth management, business intelligence and channels. This addressable market jumps to USD 26 billion when taking into account internal spending, with core banking alone accounting for almost half of this.

The banking software market is in the middle of a generational shift as challenges such as regulation, a newly empowered customer and intense competition are matched by opportunities such as economic growth, shifting demographics and increasing innovation.

Financial institutions face a structurally lower profitability outlook. To return to pre-financial crisis levels of profitability, financial institutions need to capitalise on the opportunities and meet the challenges, many of which can be addressed by improving and moving from legacy systems to third party software.

Our credentials

Over the past 20 years, Temenos has developed a multi-product offering which is clearly leading the competition. We have the largest installed base of any of our peers, including 55% of the world's largest tier 1 and 2 banks, who account for over 60% of application spending in financial services. On top of this, we spend more than anyone else in the industry on research and development, packaging up all of the experience, knowledge and expertise of ourselves and our customers as well as the innovation from our labs into regular releases.

Taking all this together, it is proven that banks are more profitable if they run Temenos systems.

Our strategic plan

Our strategic plan is more continuity than change and builds on the foundations laid by George Koukis, our founder, and Andreas Andreades, our Executive Chairman. As set out on pages 20 and 21, we are now moving into the "Lead" phase having moved through the "Build" and "Scale" phases. Throughout this entire time, there are many things that have remained true to Temenos: a single domain focus, being truly global; a commitment to openness and the highest levels of R&D. These principals are as relevant today as they were 20 years ago and will provide the bedrock for Temenos as we move to the next level.

Our strategic plan is also set out in detail pages 20 and 21. In summary:

Focus on product: we intend to sustainably grow our licence and maintenance revenues, focusing on reusable product investment. This will underpin margin expansion and reduction in DSOs.

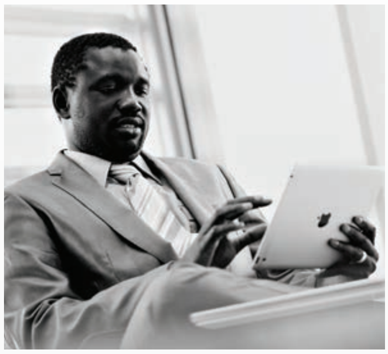
Focus on target areas of growth: over the medium term we expect core banking to grow slower than other areas such as wealth management, channels and business intelligence. We expect APAC and the Americas to be the fastest growing regions. We have refocused our sales effort to ensure we maximise sales to our existing customers.

Higher margin services supporting product business: we expect services to fall to around 20% to 25% of group revenue as the business moves to higher value-add expert and productised services with partners supporting growth. We are focussed on reducing implementation times and maximising reusability.

Partner strategy moving to the next phase: the role of partners has been reconfirmed and is now totally aligned with the services strategy, leveraging partners to support our growth. In addition, the role of partners is being taken to the next level with partners driving licencing growth which will be instrumental in opening up key segments and markets.

M&A: building on our successful track record over the past decade, we expect M&A to complement organic growth. Our three-pronged approach is to make acquisitions where they accelerate growth in key markets or segments, increase scale or bring complementary products. With the TriNovus acquisition, a US provider of compliance and core banking services on a software-as-a-service (SaaS) basis, which closed in March 2013, we have made a highly strategic move to accelerate growth in the US, by far the largest market for financial services software, and to enter the US core banking SaaS market with T24.

CLOUD-BASED CORE BANKING BECOMES A REALITY IN KENYA



Fountain Credit Services ('Fountain'), a new Microfinance institution (MFI) in Kenya, has launched on Temenos T24 for Microfinance, hosted in the cloud. In doing so, Fountain becomes the first institution in Kenya to adopt cloud-based banking services.

Commenting on the launch of the microfinance software, Arch. John Kithaka, CEO, FEP Group (Fountain Enterprises Programme) said: "We chose the cloud solution from Temenos as they offer a complete managed service and incremental upgrades that meet our demands. Our vision for launching Fountain Credit Services Ltd was to deliver the best possible services and products to our customers – Temenos T24 Microfinance and Community Banking (MCB) enables us to do exactly that. T24 MCB is a secure and robust system that will enable us to tackle fraud effectively. Procuring T24 from the cloud brings with it huge economic benefits and provides Fountain with the scalability and flexibility to grow with our customers' demands."

David Arnott, CEO, Temenos said: "Fountain is a true pioneer, being the first Kenyan financial institution to launch with such a configuration. Relieving the institution of upfront and ongoing core system maintenance will allow it to focus on best serving its customers. As Fountain grows and brings more branches online in 2013, it can obtain the new applications and products to meet this demand from the cloud – essentially creating a self-funding platform for the MFI. Deploying new services incrementally maximises the profitability of Fountain and provides the institution with the foundation to build new revenues from different sections of the market as its business matures."

STRENGTH OF OUR PLATFORM ENABLING OUR INNOVATION COMMITMENT

In T24 Release 12 we have placed a great deal of emphasis on supporting our clients in protecting their greatest asset – their client base. The enhancements to our channel and business intelligence suites are true differentiators, not just for Temenos, but also for our clients. Our commitment to innovation is made possible by the strength of the platform we are building on. That same platform also gives our clients choice – enabling them to provide exceptional customer service whilst maximising efficiencies and reducing total cost of ownership. Temenos will continue to lead in the evolution of banking software and technology, supporting our clients to stand out from their competitors.

SUPPORTING INDONESIA'S LARGEST ISLAMIC BANK

The largest Islamic bank in Indonesia, PT Bank Syariah Mandiri, successfully installed Temenos T24 core banking solution to support the growth of its business in 2012.

Indonesia is the biggest Muslim country with 202 million people. According to McKinsey, the economy of Indonesia has an enormous potential: Indonesia is now the 16th largest economy in the world and will become the 7th biggest by 2030*. In comparison to the Middle East, Islamic Banking in Indonesia is driven more by retail and microfinance.

Islamic Banking in Indonesia has been riding the expansion of the Indonesian economy, which has been growing at 5-6.5% annually over the last ten years, as well as the structural growth in the Islamic Banking industry which grows more than 50% annually, combining the largest Muslim population in the world with low Islamic Banking product penetration rates of 2.2%**.

Implemented with Anabatic Technologies, Temenos' Indonesian certified partner, T24 has been deployed across PT Bank Syariah Mandiri's 705 branches – serving 3.5 million bank accounts. The bank now has an integrated, functionally rich core banking platform in place which supports the liability side of its Islamic banking business.

* Source: McKinsey Global Institute, 2012.
** Source: Economist Intelligence Unit and Boston Consulting Group.

Our medium term targets

As a result of our clear strategy, we also have clear targets for the medium term:

- Non-IFRS revenue growth of 5%+ on average per annum with
  - Licence growth of 10%+ on average per annum
  - Services contributing 20% to 25% of group revenue and be profitable
- Non-IFRS EBIT margin improvement of 100 to 150bps on average per annum
- 100%+ conversion of EBITDA into operating cashflow
- DSOs reducing by 10 to 15 days per annum
- Tax rate of 17% to 18%

We believe that our targets are achievable: we have already the leading products we need; the regional model means the right people are in the right place; our lower cost base is already locked-in; our services business is already moving to higher value, higher business; and finally the market opportunity is massive.

> Through the implementation of T24, Bank Syariah Mandiri has been able to replace more than 20 legacy applications to automate their banking processes.
>
> David Arnott - Chief Executive Officer - Temenos Group AG

SIGNIFICANT, SUSTAINED SHAREHOLDER RETURNS

Medium term targets

10%+
licence growth

5%+
revenue growth

per annum

Economies of scale

Higher services margins

Revenue mix shift

100-150bps
of margin expansion

on average
per annum

Shorter projects

New / existing mix

More cash up-front

Cash conversion over
100%

per annum

Business review
continued

FLEXIBLE ARCHITECTURE SUPPORTS INTERNATIONAL PRIVATE BANKING

“This signing represents one of the largest system replacements in the European banking market in the past 24 months, and demonstrates that banks are starting to look beyond the crisis and realise that they will have to invest to remain competitive.

David Arnott - Chief Executive Officer - Temenos Group AG

The leading Nordic pan-European banking entity of Nordea Group, Nordea Bank S.A., has moved to standardise its technology infrastructure on Temenos applications.

Nordea has selected a host of new systems – Temenos T24 for middle and back-office transaction processing and settlement, Insight for business intelligence, AML for compliance and Temenos Connect for internet banking. This selection is in addition to its usage of Triple’A Plus for portfolio management, installed in 2010. In doing so, the bank standardises on a suite of best-of-breed but fully interacting and integrated applications and replaces a number of legacy systems.

Jean-Philippe Bailly, COO Nordea Bank S.A., commented, "Temenos’ market-leading private banking suite will deliver the best added value for our business. It will provide us with a flexible architecture to support our organic and international growth and will help us keep up with the industry’s rapid changes.”

Closing thoughts
I am absolutely delighted to be leading Temenos through the next phase of its evolution and I remain as positive as ever about the company’s prospects.

In the second half of 2012 we effected a rapid turnaround and laid the foundations for sustained growth. We have a total addressable market of USD 26 billion which is underpinned by structural growth drivers and we are well positioned to lead. Our strategy builds on sound fundamentals and capitalises on strong product assets and the installed base opportunity. We are a true multi-product company with a compelling value proposition and roadmap and are clear on the role of services in a product business, the route to even better customer success. Our partner programme is maturing with our partners becoming a significant complementary sales channel.

Taking all of this together, our revenue growth and operational leverage will drive strong earnings and cashflows over the medium term which will deliver significant returns for our shareholders.

As a final remark, I would like to thank all the Temenos staff and our partners whose passion, energy, tenacity and unwavering belief over the past 12 months has resulted in the turnaround of Temenos within such a short space of time.

David Arnott
Chief Executive Officer

BUILDING ON MOMENTUM IN MIXED MARKETS

Bank SinoPac was contemplating an unexciting panorama: a mid-sized player in a highly contested domestic market, it lacked the scale to muscle out competitors. And while international expansion offered greater promise, it was constrained by resources.

Its answer: technological renovation to deliver a sustainably lower cost base at the same time as rendering the bank more agile and better equipped to differentiate its product and customer offers.

The outcome: a 50% drop in software and hardware expenditure, a platform future-proofed for domestic and international expansion and the flexibility to continue out-innovating its competitors. In short, SinoPac is building its own momentum in a mixed market.

Taiwan is the second most densely banked area in Asia. The domestic banking sector is intensely competitive and fragmented, and it is difficult for banks to generate attractive margins by exercising price differentiation. As a result, the sector's return on assets was only 0.35% between 2007 and 2011, well below the world average.

In reaction to this, many banks in Taiwan have been actively seeking alternative paths to growth and profitability, such as superior product innovation and geographical expansion. A prerequisite for deploying such growth strategies in a sustainable manner is a modern, scalable, flexible and cost-effective core banking system.

Bank SinoPac, a full-service retail and corporate bank with three million customers, selected Temenos T24 on a Microsoft platform to help it counteract the growing pressures on its margins by strengthening its product leadership position, being prepared for the opening up of banking business with mainland China, and significantly reducing its cost base.

The centralized, seamlessly integrated, highly parameterizable and configurable T24 platform has dramatically sped up innovation and unleashed SinoPac's first-mover capabilities while reducing the bank's software and hardware maintenance fees by 50% over the solution's lifecycle. Furthermore, the proven massive scalability of the platform will support virtually unlimited growth of customer and transaction volumes as SinoPac ramps up its large retail operations – USD 12 billion in consumer loans as of the end of 2011 – and pursues its expansion abroad.

The challenge now is for SinoPac to leverage the value created by Temenos T24 in the face of the reshaping economy, turbulent global financial sector and fast evolving customer preferences in Greater China. But, in any case, the early benefits for SinoPac of having Temenos T24 on the Microsoft platform indisputably bode well for the bank's future. As Tina Chiang, President of SinoPac, summarizes: "Temenos T24 caters to our existing and future needs".

> “We are placing significant importance on IT to gain a competitive edge. With Temenos T24 we have quickly and efficiently undertaken a core transformation, establishing a modern core banking platform to support our domestic and international growth. Temenos T24 caters to our existing and future needs.
>
> **Tina Chiang - President - Bank SinoPac**

Financial review
Max Chuard

“2012 was undoubtedly a challenging year but, thanks to quick action to reduce costs and improving sales execution in H2, we met our revised full year outlook with a strong Q4, setting us up well for 2013 and beyond. I was also delighted to be able to propose our first ever dividend, a sign of the growing maturity of Temenos.

After the year end, I was pleased to be able to announce Temenos’ first ever public bond together with the refinancing of our existing facilities. The such strong support we received from both our lenders and the public debt markets allowed us to strengthen our balance sheet and diversify our sources of funding. Having long-term debt on such attractive terms provides Temenos with financial flexibility and allows us to advance our long-term strategic goals.

Max Chuard
Chief Financial Officer
Temenos Group AG

Licence momentum, strong maintenance and services in transition
Having seen licence sales decline in the previous three quarters, Q4 saw strong licence growth of 17% as Europe showed signs of stabilisation and strong growth from the Americas. Q4 also saw strong sales to Tier 1 and Tier 2 banks, largely driven by the wealth management segment.

Maintenance was up for the full year with growth of 5%. Maintenance revenues for the full year have now passed USD 200 million for the first time, once again showing resilience as we would expect given renewal rates in excess of 97%.

Our services business saw a decline of 5% over the year as the business felt the lag effect from the declining licence revenues and as we continued to transfer implementation work to our partner ecosystem. Part of this fall was offset by an increase in the level of higher value services we are providing such as education and training. The move to higher value services is predicated on creating even better customer success, but it will also reduce the dependency of the services revenues on licence growth as well as raise the margin profile of the business.

Cost base of USD 368 million confirmed for 2013
Our adjusted like-for-like cost base fell 3% over the year and fell 8% between Q3 and Q4 as we continue to realise the benefits of our cost cutting plan announced in July. Our 2013 cost base is now locked-in, providing us with a base from which to drive operational leverage as our revenues grow.

KEY FIGURES
DECEMBER 31

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

	2012	Re-presented 2011
Revenue	**450,209**	473,469
Adjusted EBIT	**85,524**	87,721
Adjusted EBIT margin %	**19.0%**	18.5%
Cash generated from operations	**97,697**	102,001
Total assets	**902,607**	917,826
Adjusted earnings per share	**USD 0.88**	USD 0.87

Margin expansion despite falling revenues
Driven by the reduction in the cost base, the adjusted EBITDA margin was up 2 percentage points for the full year driven by lower cash costs. This is a good achievement in a year which saw a 15% decline in licence revenue. In addition, the adjusted EBIT margin was up over the year with the Q4 margin up 8 percentage points.

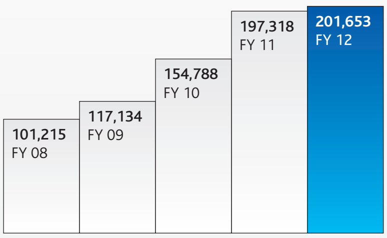
Despite the challenging markets, full year adjusted EPS was up 1.1% with Q4 EPS doubling against the prior year, driven by well controlled financing and an efficient tax structure.

Dependable cashflows highlight resilience of business and quality of earnings
Over the year we collected USD 97 million of operating cash flow. Our full year cash conversion was 102%, in line with our outlook. For the last four years we have been able to achieve more than 100% EBITDA conversion into cash flow which highlights the quality of our earnings. The fact we he have been able to achieve this even in difficult times demonstrates the resilience of our cash flows.

Over the year, DSOs decreased primarily due to higher upfront cash payment and shorter implementation times. However in 2012, we were not able to compensate for the decline in revenue with higher receivables collection since much of the outstanding balance is tied up in projects that are still in the implementation phase. Looking forward, we expect DSOs to continue to decline by 10 to 15 days per annum driven by a shift of sales to existing customers, increased partner involvement and reduced implementation times.

Adjusted CAGR of Maintenance revenue in the last five years (USDm)

19%



Financial review
continued

> “The second half of 2012 marked a clear turnaround in the company’s performance. This was primarily the result of better execution as we reinstated our regional model and our product focus.

Max Chuard - Chief Financial Officer - Temenos Group AG

EMPOWERING INDEPENDENT FINANCIAL ADVISORS

Banque Internationale à Luxembourg (BIL), Luxembourg’s oldest bank and one of the largest in the country, launched BILNet Wealth Services, a new online platform opening up a set of functionality to external portfolio managers, investment advisors and family offices to help improve their portfolio management, advisory capabilities and overall performance.

With the launch of BILNet Wealth Services, the bank seeks to strengthen its position with Independent Financial Advisors (IFAs), who are increasingly being used as intermediaries, in order to capture a larger share of this rapidly expanding business channel. The project started in January and went live in under 6 months.

CHALLENGING TRADITIONAL BANKING LANDSCAPES

ME Bank is the only Australian bank that is 100 per cent owned by Australia’s leading industry super funds and provides a genuine alternative to the major banks – a fairer way to bank.

ME Bank uses technology to deliver banking products and services efficiently and has selected Temenos software as a core part of its four-year business transformation programme, which will provide an exemplary information technology platform for its business. With no branches, the bank has adopted an innovative ‘workplace banking’ approach, whereby mobilised bankers conduct banking services onsite within members’ workplaces. Temenos software will support the bank’s aim to significantly increase customer numbers over the next three years, challenging the traditional banking landscape.

Kathryn Hawkins, Chief Information Officer, ME Bank, said, “the bank’s transformation programme – which is underpinned by Temenos software – will enable the bank to service a growing customer base, offer innovative products and meet the changing needs of its customers.”

Temenos has a history of supporting banks which have successfully disrupted the industry – Metro Bank in the UK, BforBank in France, and Techcombank in Vietnam, for instance, are all examples of banks that have leveraged technology investment to create a differentiated and highly successful business model to disrupt their marketplace. We look forward to supporting ME Bank’s strategy and helping it to achieve its growth targets.

Balance sheet and financing

We have a strong and flexible balance sheet which provides us with significant financial flexibility to pursue acquisitions along with returning capital to shareholders. As at the year end, the strength of our cash collection reduced our leverage to 1.0x EBITDA.

In March 2013 we were delighted to announce the issue of a CHF 100 million (USD 106 million) bond together with the refinancing of our existing USD 350 million banking facilities, which were due to expire in February 2014. Temenos took the step to launch a publicly traded bond and to refinance its existing facilities in order to take advantage of favourable market conditions and lock in low-cost long term financing.

The CHF 100 million senior unsecured bond, Temenos' first ever public debt issuance, has a coupon of 2.75% and matures in July 2017. The bond received significant demand from institutional and retail investors and was oversubscribed, evidencing confidence in the strong financial and operational performance of the company and in its strategy and prospects. The new USD 350 million banking facilities comprises a USD 100 million term loan and a revolving credit facility of USD 250 million, both of which expire in March 2017. The facilities were arranged on highly attractive terms and were provided by the same five large financial institutions as the previous facilities, both of these facts highlighting the strength of relationship that Temenos enjoys with its lenders.

Dividend

Temenos is a highly cash generative company with a strong balance sheet which enables investment in the business, including industry leading R&D spend, and funding for targeted acquisitions whilst still providing for returns to shareholders.

Given the maturity of the business as a whole and the confidence that we have in the future, we are pleased to say that we are proposing the initiation of a regular annual dividend. Our policy is to distribute a sustainable to growing dividend with the 2012 dividend of CHF 0.28 payable at the end of May.

2013 guidance

From Q1 2013 onwards we will be reporting on an IFRS and non-IFRS basis, bringing us in line with our industry practices. The definition of non-IFRS can be found at the bottom of this page.

Following the acquisition of TriNovus announced in March 2013 our guidance for 2013 is:

- Non-IFRS revenue growth of 4.5% to 7.5%, which implies revenue of USD 470 million to USD 483 million;
- Licence growth of 5% to 10%, which implies licence revenue of USD 131 million to USD 138 million;
- Non-IFRS cost base of USD 368 million with non-IFRS EBIT margin of 21.7% to 23.2% implying non-IFRS EBIT of USD 102 million to USD 112 million;
- 100%+ conversion of EBITDA into operating cash flow; and
- A tax rate of 17% to 18%.

Closing thoughts

The second half of 2012 marked a clear turnaround in the company's performance. This was primarily the result of better execution as we reinstated our regional model and our product focus. However, the extent of the improvement in performance was underpinned by tight cost discipline, which we will carry into the future. The business is in the privileged position of being able to deliver growth ahead of investment given our very strong base of assets. As a result, I expect the business to deliver strong revenue growth with even better growth in profits in 2013 and beyond.

Max Chuard
Chief Financial Officer

50%

Temenos' Business Analytics solution adopted by 50% of the top 20 credit unions in Canada

Temenos signed nine deals in 2012 for its Insight Business Analytics solution, including new projects with Synergy Credit Union and Innovation Credit Union. Synergy Credit Union estimates that with the newly acquired capabilities it will increase its return on assets by 15 basis points per year – which would equate to an annual uplift of CDN 1.5 million in net profits.

Both credit unions originally sought Temenos Insight after learning of the success experienced by Summerland Credit Union in British Columbia, which has already quantified yearly staff cost savings of 16% for just one report produced using the Temenos Insight Operational Intelligence module.

Credit unions generate a higher proportion of their revenues than banks do from net interest income, where margins are shrinking as a result of pricing pressure and higher funding costs. Consequently, higher levels of revenue diversification are needed, with credit unions now starting to focus more on commercial banking, wealth management, leasing or credit cards to drive new sources of revenue, especially high margin fee income, and spur growth. In addition, credit unions come from a culture of sharing gains with their member-owners. Consequently, managing profitability is becoming an even greater imperative, with Temenos Insight a key tool to help financial institutions understand and optimise the profitability of their products and their relationships.

Non-IFRS adjustments:

Deferred revenue write-down
Adjustments made resulting from acquisitions.

Discontinued activities
Discontinued operations at Temenos that do not qualify as such under IFRS.

Acquisition related charges
Relates mainly to advisory fees and integration costs.

Amortisation of acquired intangibles
Amortisation charges as a result of acquired intangible assets.

Restructuring
Costs incurred in connection with a restructuring plan implemented and controlled by management. Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan.

Taxation
Adjustments made to reflect the associated tax charge relating to the above items.

Business Review
Governance
Financial Statements

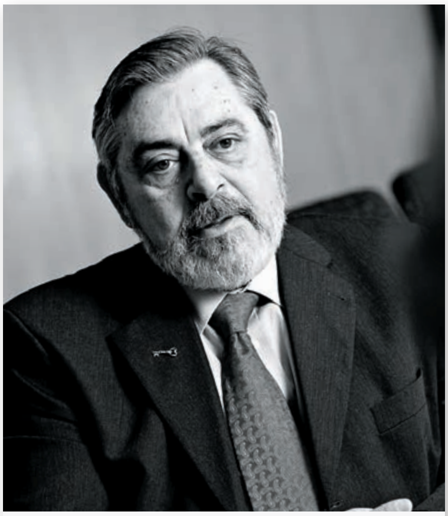
Board of Directors
Temenos Group AG

Andreas Andreades
Executive Chairman
Cypriot, born in 1965

Mr. Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role from July 2003 until July 2011, when he was appointed Chairman of the Board of Directors. In the twelve years since he joined Temenos, the company has grown from less than 150 employees to more than 3,700 and to more than 1,200 clients and approaching USD 500 million in annual revenues, establishing it as the global leader in banking software. Mr. Andreades started his career with KPMG in London in 1988 and then with Pepsico between 1994 and 1999. Mr. Andreades holds a Masters degree in engineering from the University of Cambridge and is a UK chartered accountant.

Chris Pavlou
Non-Executive & Independent Director
Vice Chairman
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. Mr. 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. Mr. Pavlou is an honorary member of the International Foreign Exchange Association and a Freeman of the City of London.



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

Ian Cookson
Non-Executive & Independent Director
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, Mr. 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).

Thibault de Tersant
Non-Executive & Independent Director
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, Mr. de Tersant, has conducted more than 30 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. Mr. 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, Thibault de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.

Sergio Giacoletto-Roggio
Non-Executive & Independent Director
Swiss, born in 1949

Mr. Sergio Giacoletto-Roggio serves as an Independent Director on various boards of directors. His current portfolio of positions includes Senior Independent Director at Colt Technologies SA, Non-Executive Director at CSR plc, Non-Executive Director at Oberthur Technologies Holdings and Operating Partner with Advent International. In December 2008, Mr. Giacoletto-Roggio retired from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. Prior to joining Oracle in 1997, Mr. Giacoletto-Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacoletto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management. Mr. Giacoletto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy.

FOCUS

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

Executive Committee
Temenos Group AG

David Arnott
Chief Executive Officer
British, born in 1969

Mr. David Arnott has been Chief Executive Officer of Temenos since July 2012. Mr. Arnott previously served as Chief Financial Officer of Temenos from April 2001. Prior to joining the Group, he worked as Chief Financial Officer of Société Européenne de Communication in Luxembourg. Mr. Arnott also held a number of senior finance positions within the Anglo American group, a mining and precious metals trading company. Prior to this Mr. Arnott was a Management Consultant with Deloitte where he qualified as a Chartered Accountant. Mr. Arnott holds a Bachelor of Sciences from the University of Southampton and a Master's Degree from the University of Freiburg, Germany. In the eleven years since David joined Temenos, the company has grown from 300 employees to more than 3,700, over 1,200 clients and to nearly USD 500 million in annual revenues – establishing it as a global leader in banking application software.

Max Chuard
Chief Financial Officer
Swiss, born in 1973

Mr. Max Chuard has been Chief Financial Officer of Temenos since July 2012 and is responsible for finance, planning, treasury, information technology and internal controls for the company. Mr. Chuard is also responsible for mergers and acquisitions, and has conducted more than 10 successful transactions totalling around USD 300 million over the last ten years. Mr. Chuard has been with Temenos since 2002 where previously he held the position of Director of Corporate Finance and Investor Relations. Prior to joining the company, Mr. Chuard started his career as a business analyst at JP Morgan and subsequently held a senior position at SWICORP, a Swiss merchant bank. Mr. Chuard holds a Master of Science in Finance from HEC Lausanne, Switzerland.

André Loustau
Chief Technology Officer
British, born in 1958

Mr. André Loustau has been Chief Technology Officer of Temenos since 2001 and has worked with Temenos and its predecessor companies since 1984. Before that, Mr. Loustau was an Application Developer at Grindlays Bank. Mr. Loustau has held various roles in development, implementation and sales within Temenos, prior to assuming the responsibilities of the Chief Technology Officer. During his tenure, Temenos' product set has undergone constant and significant progress, leading a series of pioneering innovations in the industry including – the first banking systems to use a Windows GUI, first real-time, 24x7 banking system, and the first banking system to be running in the cloud.

Mark Winterburn
Group Product Director
British, born in 1960

Mr. Mark Winterburn has been Group Product Director of Temenos since joining in 2011. Mr. Winterburn has over 30 years' experience in IT, 25 of them in Financial Services. Prior to joining Temenos, Mr. Winterburn held the position of VP Solutions Management & Product Development at Misys, and held a number of senior positions at Lloyds TSB, with a proven track record of driving large and complex IT Change Programmes. He has studied a wide range of Leadership, Product, Cultural and Change Management at Harvard Business School, Cranfield University and Henley Management School. Mr. Winterburn studied a Software Engineering diploma at Coventry University, England.

Mike Davis
Global Head of Services
British, born in 1968

Mr. Mike Davis has been Global Head of Services of Temenos since July 2011, joining Temenos as Regional Services Director for Northern Europe, CIS, and Africa in July 2009. A professional services leader with over 24 years' experience in the IT industry, Mr. Davis is responsible for driving the Services organisation to deliver highly successful projects across all products and segments working in conjunction with Temenos' ecosystem of partners. Mr. Davis has previously held a number of senior project and management positions at Misys, Fortis Bank, Digital (HP) and National Westminster Bank.

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.

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.

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 2012 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 3,700 staff across 39 different countries and 59 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. 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.

THE GLOBAL FUND FOR CHILDREN

The Global Fund for Children (GFC) transforms the lives of children on the edges of society – trafficked children, refugees, child labourers – and helps them regain their rights and reach their potential. GFC finds and invests in grassroots organisations that make sure the most vulnerable children in their communities are safe, healthy, educated, and cared for.

Last year, GFC awarded USD 4.3 million in grants to 292 organisations working in 63 countries, touching the lives of more than 1 million children in some of the most marginalised communities in the world.

Temenos' support helped provide essential programs and services to nearly 2,000 vulnerable children through the work of three GFC grantees – the Association of Community Movements for Social Action in Chennai, India, the Fundación Crecer in Guayaquil, Ecuador, and the Homeless Children's Playtime Project in Washington DC, United States.

By supporting these children Temenos also invested in their families, their communities, and their futures.

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.

Corporate social responsibility
continued

INTRODUCING THE CLOUD TO WEST AFRICA

Renaissance Credit (RenCredit), a new microfinance institution in Lagos, Nigeria, launched on Temenos T24 in 2012 for Microfinance and Community Banking (MCB), hosted in the cloud on Windows Azure. RenCredit is the first financial institution in West Africa to launch with a cloud-hosted core banking system. The system went live just two months from signing, demonstrating the ease of implementing cloud technology as part of the modern banking revolution.

Opting for a cloud-based core banking system enables RenCredit to operate a pay-per-use model, meaning the bank can scale its IT infrastructure to fuel seamless expansion into other African regions, at low risk to the business. Temenos has created a model bank template and seamlessly integrated loan origination and biometric bolt-ons into the system, in addition to establishing connections to local electronic payments channels. This is a replicable model allowing RenCredit to access a pre-built infrastructure directly from the Internet – anywhere – and in turn, enabling it to focus on its core competence of banking.

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 product innovation, we are implementing a number of customer focused initiatives to enhance 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 Abu Dhabi in May 2013. 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.

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.

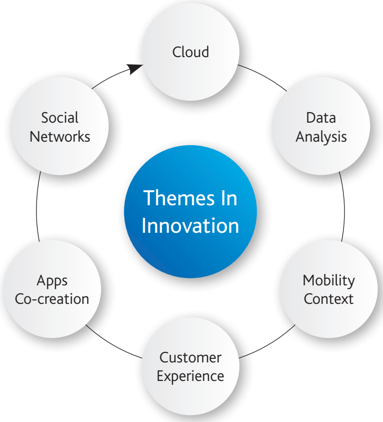
Innovation is integral to the way Temenos manages the lifecycle of its products. The Temenos roadmap process gives us access to a rich source of customer driven innovations that translate into generic enhancements to the product, not custom development.

ROMANIA

For over seven years, Temenos has sponsored The School for Children with Hearing Disabilities in Bucharest, in collaboration with Rotary Atheneum Club from Rotary International.

Each year we have made a financial contribution to provide for the special equipment needed by the early grades of school such as hearing aids for children and transmitters for teachers, to buy gifts for children during the traditional festivals and to enable children to participate at the Disable Youth Festival in Adana, Turkey.

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:

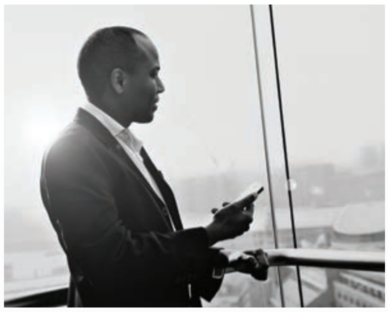
- Cloud-based deployment,
- Easier to implement, 'democratised' business intelligence,
- Mobile banking and m-commerce,
- Extension of the existing application frameworks towards easier integration with third party 'apps', and
- Interaction with a rich variety of user agents.

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). 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 Temenos, in partnership with Microsoft Corporation, introduced 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.



M-PESA MOBILE BANKING SOARS IN KENYA

Temenos T24 is being used as the platform for M-Shwari, the latest iteration of the hugely successful M-Pesa mobile money offering. Launched in 2007, M-Pesa's basic mobile banking services have been a massive hit, attracting more than 17 million subscribers or more than 80% of the adult population in Kenya*. M-Shwari, which launched in November 2012, takes the M-Pesa service to the next level, opening a broad range of banking services including interest bearing savings accounts and micro loans to M-Pesa subscribers.

M-Shwari is a partnership between Safaricom, Vodafone, and long standing Temenos client Commercial Bank of Africa (CBA). It uses the Temenos T24 R12 core banking solution to help support the processing of electronic loan and bank account transactions made through the M-Pesa platform. This is a crucial next step for the M-Pesa initiative, ensuring an increase in access to a wider range of financial services by providing customers with convenient and efficient access to savings accounts and small loans through their mobile phones.

Safaricom customers can sign up to the M-Shwari interest bearing savings account or apply for micro loans, provided by CBA, directly through the M-Pesa menu on their phone. There are no forms to complete nor any need to visit a bank branch. If successful, the loan money is sent by CBA to the customer's M-Pesa account immediately, highlighting the convenience and simplicity of M-Shwari. Based on its success in Kenya, the solution will now be considered for other African markets and beyond.

The M-Shwari system is connected to a Government of Kenya database to enable real-time Know Your Customer (KYC) verification during customer enrolment, and uses a credit score algorithm based on their credit history as well as usage of Safaricom products, to determine a customer's loan eligibility and maximum loan amount.

* **Source:** http://www.cck.go.ke/news/2012/sector_statistics.html

Business Review
Governance
Financial Statements

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 2012.

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

1. Group structure and shareholders

1.1 Group structure

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

1.1.1 The Temenos Group is organised and managed by the Chief Executive Officer who is the head of the Executive Committee.

This Committee comprises the following members:

David Arnott
Chief Executive Officer

Max Chuard
Chief Financial Officer

André Loustau
Chief Technology Officer

Mark Winterburn
Group Product Director

Mike Davis
Global Head of Services

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 four main geographic regions:

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

Temenos being a truly global multi-product company leverages skills from around the world, having its main Development and Product Support centres in India, Canada, United Kingdom, Switzerland, France, Romania, Belgium, Luxembourg and China.

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 1,152,370,368
Security number	1245391
ISIN number	CH0012453913
Symbol	TEMN
Reuters	TEMN.S
Bloomberg	TEMN SW

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

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
Edge IPK Inc	Delaware	USA	1 USD
Edge IPK Limited	Berkshire	United Kingdom	2,390 GBP
Edge IPK Offshore Development Private Limited	Bangalore	India	100,000 INR
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 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 SRL	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 Canada Inc.	Saint John	Canada	560,586 shares (no par value)
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	37,500 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 SL	Madrid	Spain	10,000 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 Panama SA	Panama	Panama	10,000 USD
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

Corporate governance
continued

TEMENOS Solutions USA Inc.	Wilmington	USA	10 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
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
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP

1.2 Significant shareholders

To the best of our knowledge, please find below the list of shareholders who hold more than 3 percent of the voting rights of all issued shares, as of 31 December 2012.

Name	Number of shares	Percentage of the share capital[1]
Massachusetts Mutual Life Insurance Company / Oppenheimer Funds Inc.	7,146,618	9.92%
Patinex AG	3,722,992	5.17%
Zadig Gestion (Luxembourg) SA	3,675,000	5.10%
Alken Luxembourg S.à.r.l	3,638,595	5.05%
ODDO & Cie	2,189,949	3.04%
Credit Suisse Funds AG	2,177,404	3.02%
UBS Fund Management (Switzerland) AG	2,176,515	3.02%
BlackRock, Inc.	2,174,244	3.02%
Aviva plc	2,170,741	3.01%

1 On the basis of TEMENOS Group AG registered capital of 72,023,148 shares.

For more recent information please refer to the Information for investors section on page 123.

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 2012, the ordinary share capital amounted to CHF 360,115,740 consisting of 72,023,148 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 35,888,910 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 35,888,910 by issuing up to 7,177,782 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

	31.12.12 CHF 000	31.12.11 CHF 000	31.12.10 CHF 000
Ordinary share capital	**360,116**	360,005	357,621
Conditional share capital	**68,928**	53,473	55,857
Authorised share capital	**71,524**	71,524	–
Share premium & capital reserve (incl. reserve for own shares)	**317,949**	317,949	292,053
Profit (loss) carried forward	**191,463**	73,698	99,593
Total equity	**869,528**	751,652	749,267

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 2012. The Articles of Association do not provide for privileged voting rights shares.

The Company does not issue participation certificates.

Taking into account the growing maturity of the company and the strength of future cashflows, subject to shareholder approval at the AGM on 24 May 2013, Temenos intends to pay an initial annual dividend of CHF 0.28 (c.USD 0.30) on 31 May 2013. The dividend record date will be set on 30 May 2013 with the shares trading ex-dividend on 28 May 2013. Temenos policy is to distribute a sustainable to growing dividend.

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.

Corporate governance
continued

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 2012 the Board of Directors comprises the following members:

Name	Position
Andreas Andreades	Executive Chairman
Chris Pavlou	Non-Executive and Independent Director, Vice-Chairman
George Koukis	Non-Executive Director
Ian Cookson	Non-Executive and Independent Director
Thibault de Tersant	Non-Executive and Independent Director
Sergio Giacoletto-Roggio	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.

Messrs. Cookson, Giacoletto-Roggio and de Tersant were elected members of the Board of Directors on 13 June 2012.

3.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 36 and 37, 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. 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
Chris Pavlou	2001	2014
George Koukis	2001	2014
Ian Cookson	2012	2015
Thibault de Tersant	2012	2015
Sergio Giacoletto-Roggio	2012	2015

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
Chris Pavlou	Vice-Chairman
George Koukis	Member
Ian Cookson	Member
Thibault de Tersant	Member
Sergio Giacoletto-Roggio	Member

3.5.2 Composition, tasks and areas of responsibility for each Committee

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

Name	Audit Committee	Compensation Committee	Nomination Committee
Andreas Andreades			Member
Chris Pavlou	Member	Member	Member / Chairman
George Koukis			
Ian Cookson	Member	Member	Member
Thibault de Tersant	Member / Chairman		
Sergio Giacoletto-Roggio	Member	Member / Chairman	Member

Audit Committee

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

Compensation Committee

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

The Compensation Committee reviews, approves and makes recommendations on compensation practices and policies designed to develop a competitive, equitable and performance based package allowing Temenos to attract and retain top talent within the Group. The Compensation Committee also reviews, approves and makes recommendations on compensation packages concerning the executive members of the Board of Directors and members of the Executive Committee and seeks to confirm that such compensation is in line with market norms. Executive compensation policy set by the Compensation Committee is covered in the Compensation Report and the notes to the Unconsolidated Financial Statements on pages 54 and 117 respectively.

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 2012, the following numbers of meetings were held:

Board / Committees	Meetings held
Board of Directors	13
Audit Committee	5
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 2012.

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.

Business Review
Governance
Financial Statements

Corporate governance
continued

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 programs and changes in the Group's structure and organisation, though its responsibilities are not limited to this.

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

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

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

3.7 Information and control instruments

The Board of Directors is responsible for the Group's system of internal control. Among the key responsibilities are the insurance of effective and efficient operations, accurate financial reporting, compliance with laws and regulations and the safeguarding of assets.

- Prior to each Board of Directors meeting, members of the Board of Directors receive reports, summarizing recent financial results and operational developments.
- Chief Executive Officer and Chief Financial Officer personally report at each Board meeting.
- 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 risk awareness and anticipatory identification and management of threats and opportunities. This provides the Risk Board and through it the Board of Directors with information necessary to manage and mitigate overall risk exposure.
- The Risk Board governs and provides oversight of the Group Risk Management Function. The Risk Board meets at least biannually to review and approve Risk Reports, Risk Treatment Plans and Risk Projects and ensure the level of risk exposure to Temenos is managed to an acceptable level. These reports are also submitted to the Audit Committee for their review.
- 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 2012, the Executive Committee comprises the following members:

Executive Committee

Name	Position
David Arnott	Chief Executive Officer
Max Chuard*	Chief Financial Officer
Mark Cullinane***	Director of Corporate Development
André Loustau	Chief Technology Officer
Mark Winterburn**	Group Product Director
Mike Davis**	Global Head of Services

* As of 1 July 2012.
** As of 23 October 2012.
*** Until 26 February 2013.

Please refer to pages 38 and 39 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 38 and 39, 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 programme for the executive members of the Board of Directors and for the Executive Committee are set out in the Compensation Report on page 54. 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 Twelfth Annual General Meeting of Shareholders of the Company will be held in Geneva on 24 May 2013. The agenda of the Annual General Meeting of Shareholders is published and sent to each shareholder in French and English. Shareholders recorded in the share register on 3 May 2013 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 13 June 2012 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 re-elected at the General Meeting of Shareholders of TEMENOS Group AG held on 13 June 2012.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,425 thousand 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 2,305 thousand 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	413
Transactions	109
Non Audit Fee – Audit related	**522**
Tax Advisory	283
Other Advisory	189
Non Audit related	**472**
Non Audit Fee – Misys project	**1,311***
Total Non Audit Fee	**2,305**

* The non-audit fees have exceeded the audit fees for the year ended 31 December 2012 due to a one-off exceptional fees paid to PricewaterhouseCoopers for their involvement in the Temenos Group AG and Misys plc's potential merger announced on 7 February 2012. Being the Group's audit firm, PricewaterhouseCoopers were the most appropriate firm for undertaking such services. Furthermore, PricewaterhouseCoopers UK were also Misys's auditors and a portion of the services reported above were mandated directly by Misys but the related fees were agreed to be shared between Temenos and Misys.

The Federal Audit Oversight Authority ("FAOA"), being the Swiss institution responsible for supervising audit firms who audit public companies, sets a threshold ratio of non-audit fees to audit fees of 3 to 1, within which the external Auditor's independence is not deemed to be impaired. Temenos's ratio for the year 2012 was well within this limit. Still, the Audit Committee intends to target a ratio of non-audit fees to audit fees of 1 to 1 in the future in line with corporate governance best practices.

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

For any investors relations enquiries please contact the Company at TemenosIR@temenos.com and for Management dealings enquiries/Disclosure of shareholdings notifications at companysecretarial@temenos.com.

Meeting Temenos

On 24 May 2013, 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 2013 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 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 organization 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 once a year. 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 programs 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

The report explains our compensation philosophy and confirms the compensation that has been paid to the company's Board members and named Executive Officers in 2012. The report also confirms the decisions taken in 2012 that have set compensation policy and plans for 2013.

Our objective is to be clear, comprehensive and transparent on the pay and benefits of senior executives and to comply with Swiss regulations and best corporate governance practice. Additional information is included in the notes to the Unconsolidated Financial Statements of Temenos Group AG on pages 117 to 121.

Executive compensation philosophy and 2013 plans
Our executive compensation programmes have been designed with two principal aims:

1. To align executives' and shareholders' interests by making a significant portion of compensation dependent on achieving increased shareholder value for the long term; and
2. To enforce the ethos of a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

To achieve these aims, base salary represents only a small part of total executive compensation.

For 2013, traditional variable cash compensation has been replaced by a Profit Share plan, which pays out when annual revenue, annual profit and annual EPS targets are achieved. To reinforce the company's two main goals, 50% of the Profit Share award is in cash and 50% is in deferred stock, which has a three year vesting period.

In addition to the annual Profit Share plan, we grant Long Term Equity Awards in the form of Stock Appreciation Rights (SARs) to executives and senior managers. Our Long Term Equity plans have challenging compound annual growth rate (CAGR) targets that must be achieved in order to vest, together with a requirement for holding the underlying stock after vesting.

The 2013 plan has a three year EPS CAGR target of 25%. Upon target achievement, SARs vest in January 2016 and have a 50% stock retention condition of a further 12 months beyond the vesting period. With these targets and vesting conditions, we align the long term performance of executives with shareholders' interests and we provide incentive for executives to remain with the company and continue performing.

In designing the plans, we place great emphasis on rewarding success. "At risk" compensation is typically 75% of total compensation and subject to forfeiture should revenue, profit and EPS targets be missed.

Governance
Compensation Committee Members
The Compensation Committee comprises of three Independent, Non-Executive Directors:

- Sergio Giacoletto-Roggio, Chairman of the Compensation Committee;
- Ian Cookson, Member of the Compensation Committee; and
- Chris Pavlou, Member of the Compensation Committee.

Compensation Committee Meetings
The Compensation Committee meets on a regular basis, with a remit to review all aspects of Temenos compensation and benefits. In particular, the Committee governs directly:

- Compensation and benefits for the Temenos Group AG Board of Directors, the named executive officers and the Temenos Management Board; and
- The company's Long Term Equity Awards.

In so doing, the Committee reviews recommendations from the Chief Executive Officer, independent advisors and the company's compensation and benefits team. Strong reference is made to the recommendations and guidelines documented in the ISS 2013 European Proxy Voting Guidelines and the ethos Lignes directrices de vote 2013.

2012 Comparator group for 2013 compensation
In governing compensation policy, the Committee receives recommendations that are founded on benchmark data collated from a range of organisations in the technology space. The 2012 comparator group comprises 47 global software organisations that embody similar operating characteristics to Temenos by way of global reach, target markets, competitive dynamics and complexity. We assimilate and consider data from the entire group while our comparator methodology accounts for extreme outliers in the group.

The Comparator Group

Name	HQ
SAP	Germany
Adobe Systems	USA
Intuit	USA
Activision Blizzard	USA
Citrix Systems	USA
Symantec	USA
CA	USA
Autodesk	USA
Fiserv	USA
Red Hat	USA
BMC Software	USA
Cerner	USA
Software AG	Germany
McAfee	USA
Broadridge Financial Solutions	USA
Verisign	USA
Parametric Technology	USA
Rovi	USA
Compuware	USA
Electronic Arts	USA
Logitech International	Switzerland
Nuance Communications	USA
Aveva Group PLC	UK
Ansys	USA
Micro Focus International PLC	UK
Synopsys	USA
Salesforce.Com	USA
Informatica	USA
Allscripts Healthcare Solutions	USA
Micros systems	USA
Solera Holdings	USA
Concur Technologies	USA
Tibco Software	USA
Quest Software	USA
Rackspace Hosting	USA
Henry Jack & Associates INC	USA
Copart	USA
SXC Health Solutions Corp	Canada
Open Text	USA
Cadence Design Systems	USA
Oracle	USA
Quality Systems	USA
Novell	USA
Blackboard	USA
Lawson Software INC	USA
Solarwinds	USA
Netsuite	USA

For 2012 and 2013, the Chief Executive's and Executive Chairman's compensation aligns with the 30th percentile of the comparator data, significantly below the median of the comparator group excluding extreme outliers.

Named executive officers
We use the term "named Executive Officers" to refer to individuals on the Executive Committee, both present and past:

The named Executive Officers serving at the year-end were:

- Andreas Andreades, Executive Chairman
- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director
- Mike Davis, Global Head of Services
- Mark Cullinane, Chief Operating Officer from 1 January 2012 to 22 October 2012, and then Director of Corporate Development from 23 October 2012 to 26 February 2013.

Named Executive Officers who served the company in 2012 and who have now left, but whose compensation and benefits are covered in this report were:

- Guy Dubois, as Chief Executive Officer from 1 January 2012 to 11 July 2012.
- Bernd-Michael Rumpf, as Global Head of Services Delivery, from 1 January 2012 to 23 October 2012.

Make up of executive compensation
Executive compensation is made up of the following four elements:

Base salary	– To pay executives for their expected day-to-day contribution to the business and their leadership.
Profit share	– To make a significant portion of executive overall cash compensation variable and dependent on delivery of the company's annual key targets of revenue, profit and EPS. – To incentivise executives to deliver above target performance on a long term basis by using a combination of cash and deferred stock.
Long term equity awards	– To deliver the balance of total compensation via long term equity incentives linked directly to long term shareholder value creation. – To incentivise sustainable future performance in EPS growth. – To retain executives for the long term.
Benefits	– To provide a level of security in health and retirement and, should it be required, in disability and death.

Compensation report
continued

Long Term Equity Awards
We grant SARs to executives and senior managers that have performance and vesting criteria that conform to ISS recommendations. The table below provides an overview of the scheme, performance criteria and pricing. The level and value of awards is commensurate with an executive's contribution to the business.

Target Population: executive officers and senior managers

Equity scheme	Performance criteria	Pricing of Long Term Equity Awards
Stock Appreciation Rights (SARs)	Grant conditions linked to the achievement of annual and three year cumulative EPS targets, vesting after more than three years with a 50% stock retention condition of a further 12 months after the vesting period.	To ensure pricing integrity, the 2012 Long Term Equity Awards are not issued at a discount to market price; they are priced at the closing market price on the day preceding the grant date.

Compensation for 2012 and 2013

2012 Bonus Plan Payments
In keeping with our policy of placing the major part of executive compensation "at risk" and subject to the delivery of stringent performance targets, our named executive officers and Board Directors earned no payments under the annual cash incentive bonus plan for 2012 due to the profit target not being achieved, with the exception of Mr. Rumpf who received a bonus guarantee on joining.

Prior Years' Long Term Equity Awards Lapsing
In 2012, EPS were less than target with two major consequences in terms of loss of award value to executives:

1. The balance of the unvested SARs granted in 2010 has now failed to vest and lapsed in entirety; and
2. The majority of the Long Term Equity awards made in 2011 (SARs and Restricted Stock) are now considered unlikely to vest due to expected cumulative EPS performance in 2012-2014 being lower than anticipated when the awards were made.

2013 Base Salary
For 2013, we have by and large maintained base salaries at 2012 levels, with the exception of executives who have moved into a new position with increased responsibilities. Salary details are provided in the Summary Compensation Tables in the notes to the Unconsolidated Financial Statements on page 117.

Pay Mix 2012 and 2013
The charts below show a percentage split of annualised on-target total compensation for 2012 and for 2013 for the named Executive Officers serving at the year-end, excluding the Executive Chairman for whom, as part of the Board of Directors, compensation details are provided in the Summary Compensation Tables in the notes to the unconsolidated financial statements.

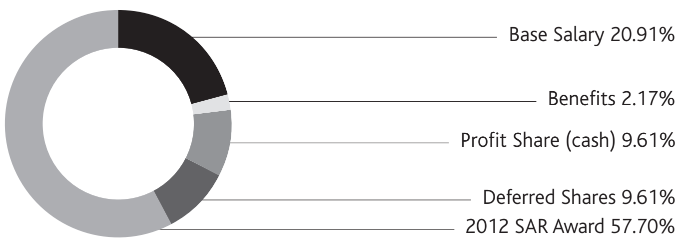
SARs are valued by an independent organisation using the Enhanced American Model so as to comply with IFRS2; for a three year SAR award one third of the value is included for each year. The base salary and benefits are the only fixed components, bonus, profit share and SAR awards being "at risk" and dependent on the achievement of results. Over the two years, approximately 74% of total on target compensation is dependent on achievement of financial results as disclosed elsewhere in the report.

2012 Compensation Earned
In 2012, 71% of target compensation was "at risk" with only the base salary and benefits percentages shown below representing fixed compensation. No performance linked 2012 cash bonuses were paid and any potential value from the 2011 SAR award, even though reported as compensation in accordance with International Financial Reporting Standards is unlikely to be realised.

2012 Named Executive Officers

2013 Compensation Plan
In terms of the 2013 named executive compensation plans, the on target compensation split is shown below. As in prior years, the majority of compensation is "at risk" and dependent on achieving annual revenue, annual profit and annual EPS targets.

2013 Named Executive Officers



2013 Profit Share

For 2013, traditional Variable cash compensation has been replaced by a Profit Share plan, which pays out when annual revenue, annual profit and annual EPS targets are achieved. To reinforce the company's two main goals, 50% of the Profit Share award is in cash and 50% is in deferred stock, which has a three year vesting period.

In the interest of transparency, in addition to the aggregate data shown above and in the Summary Compensation Tables, we table below the 2013 on target payout for Andreas Andreades, David Arnott and Max Chuard.

Executive	2013 Target	On Target Cash Compensation	On Target Deferred Stock Value*
Andreas Andreades	Group Licence Revenue	USD 149,458	USD 149,458
Executive Chairman	Non-IFRS EPS	USD 149,458	USD 149,458
David Arnott	Group Licence Revenue	USD 161,125	USD 161,125
Chief Executive Officer	Non-IFRS EPS	USD 161,125	USD 161,125
Max Chuard	Group Licence Revenue	USD 90,288	USD 90,288
Chief Financial Officer	Non-IFRS EPS	USD 90,288	USD 90,288

* Any deferred stock earned under the scheme will vest on 1st January 2016 to promote retention and continued performance.

2013 Long Term Equity Awards

The Compensation Committee and Board approved a new long term equity award scheme in October 2012, where awards are subject to the achievement of annual and cumulative EPS targets in years 2013, 2014 and 2015, vesting after the 2015 results are announced in February 2016. 50% of any vested stock which will be obtained as a result of exercising vested SARs has to be retained for a period of 12 months, i.e. can only be disposed after February 2017, ensuring that executives are incentivised to deliver results and growth over a period of four years and four months.

Under the new scheme, our named executive officers have been granted a total of 4,705,000 Stock Appreciation Rights as an award to cover compensation for the three year period 2013 to 2015 and to incentivise the named executives for the delivery of the three year strategic plan that spans the 2013 to 2015 fiscal period inclusively. The details of targets and the award levels are as follows:

	2013	2014	2015	Cumulative 2013-2015
Non-IFRS EPS Targets, USD	1.19	1.44	1.73	4.36
Growth on Prior Year	35%	21%	20%	

Executive	SAR Award On Achievement of the Above Non-IFRS EPS Targets
Andreas Andreades Executive Chairman	900,000
David Arnott Chief Executive Officer	1,200,000
Max Chuard Chief Financial Officer	830,000
Other named executive officers	1,775,000

PRINCIPAL RISKS AND UNCERTAINTIES

Temenos Risk Function
The Risk Management Functions purpose is to monitor, measure, analyse and treat risks across Temenos. The Risk Function is centrally located and governs risk management across Temenos at all levels of the business.

Risk Management operates as a business partnering function. Through business partnering initiatives, Risk Management increases the awareness and capabilities of management to monitor and manage risk across Temenos operations globally. The Function also coordinates risk reporting and response plans and governs the Risk Management Strategy for Temenos.

The Risk Board is comprised of Executive Management Members representing all areas of the business. The Board oversees the performance of Risk Management ensuring risks at a strategic, tactical and operational level are effectively monitored and managed to ensure an acceptable level of risk exposure is maintained.

Risk Management aims to achieve the optimal level of risk exposure to maximise opportunities and create future value.

Principal Risks
Economic Environment
The Banking Software industry is highly competitive and continues to evolve and innovate at a rapid rate. The level of market uncertainty in the Eurozone has adversely influenced Banks demand for new core banking software. Despite this Temenos has continued to sign significant new deals in the European market.

As the industry approach towards the provision of software changes, (i.e. Software as a Service and Platform as a Service models) the risk of product obsolescence and level of competition amongst software providers is increased.

Temenos responds to these concerns in the industry through its commitment to product innovation and new product strategies. We target strategic opportunities with key customers to provide software that aligns to industry standards and remains relevant to customer needs. Through engaging in strategic initiatives with our customers we are able to provide increased functionality and performance based on customer requirements. This approach based on strategic relationships, achieves benefits to Temenos, our strategic customer partners and in turn Temenos' future customers.

Temenos also continues to expand into new and emerging markets in order to leverage growth from its broad customer portfolio.

Law and Litigation
The inclusion of embedded or associated 3rd party products within or accompanying our products increases our exposure to claims of IP infringement. Regardless of whether the claims can be justified there are costs and implications of defending Temenos legal position including litigation costs and time commitment, damage to our reputation and relationships with both customers and strategic partners.

Every care is made to ensure there are no grounds to raise an IP infringement claim against Temenos. Our partner contracts are designed in a manner which provides clarity and understanding of both parties with regard to the protection and safeguarding of their IP.

Disputes arising from delayed or unsuccessful implementations may result in litigation and damages claims which would have a significant financial and reputational impact on Temenos. Such claims are avoided through preventative measures detailed under the heading Project Management – Product Implementation.

Temenos Regional Legal Support Teams are aligned to business operations and are involved early in any decisions which may incur legal implications. Regional Legal Support Teams also review and provide guidance on complex customer contracts to ensure contractual agreements align to local commerce and trade laws and regulations. This is covered further under the heading Foreign Operating Environments.

More broadly, the risk of potential breach of legislative or regulatory requirements through general operations, such as breach of listing requirements or group level legal requirements are managed through Group Level compliance policies and procedures.

Policy compliance requirements are periodically assessed by Risk Management and reviewed by Internal Audit to provide comfort over the policy framework's coverage of new and emerging legislative risks to the organisation.

IT Security and Protection of IP and Source Code
Due to the nature of software products there is an inherent exposure to damage or loss of source code and IP through the following types of events:

- Incursion of Temenos systems by malicious software or illegitimate access from either internal (including partner entities) or external sources. This may result in theft or insertion of spyware / malware.
- Loss of data due to data corruption, power failure, accidental or malicious destruction / deletion.

Ensuring Temenos suite of products remains competitive relies on our ability to protect the IP in our products from damage, loss or theft. If one of our products was to be significantly damaged or infiltrated by malicious code and not subsequently detected there would be a significant impact to our relationship with customers and / or partners and may result in litigation and damages. As such, extreme care is taken to prevent the occurrence of such infiltration or damage to source code.

IP and source code are protected through various control systems, including but not limited to; a restricted production environment limiting interaction with general IT infrastructure, access restrictions, data backup, data security and legal protection through contractual agreements with customers and partners.

Continuous product testing during development and targeted penetration testing for Temenos' IT environments provides additional comfort over the degree of vulnerability to infiltration.

Theft or piracy of our IP is also a major concern and is protected through physical and logical protections as well as use of copyright law, ESCROW, contractual clauses and processes which provide strong documented evidence to support litigation if necessary.

Product Quality

Banking software is constantly changing due to technological advancement as well as the changes in the banking regulatory environment. Technological changes such as mobile phone and internet banking as well as strict regulatory requirements such as anti-money laundering, Basel 3 and detailed reporting requirements mean that Temenos products are continuously required to change and modify to meet the requirements of its customers.

The production and modification of highly complex and sophisticated software is inherently subject to errors, defects and inefficient or ineffective code due to the continuous modification and enhancement of the software.

Failure to maintain the high degree of quality expected by the banking industry would result in significant reputational damage.

As a Product focussed company the provision of high quality tailored products is Temenos' primary objective. Temenos maintain their position as a product leader through our dedication to our software portfolio and investment in research and development. In 2012 Temenos spent 250,000 man days on research and development. The Quality Team drive initiatives to increase competitive advantage, innovation and improvement of Temenos product offerings which are implemented through a streamlined release management framework.

Extensive product testing is carried out to identify and resolve any issues which may adversely affect the functionality of the product. Testing of code performance is conducted to identify obsolete inefficient or ineffective code in order to streamline and strengthen product capabilities through efficient and effective design.

Temenos also seek out strategic partnerships with customers to help build products which meet the requirements of the banking industry. Through these partnering arrangements, Temenos are able to provide products which are built on a model framework unique to the customer's country of operation and able to be extensively configured to meet the individual customer's requirements.

Strategic business partnerships with other software providers also enable Temenos to provide a diverse range of complimentary products to its customers.

Human Resources

Temenos has seen changes in the executive management composition and structure over the past 12 months. This has been categorised most notably by the change of CEO in July of 2012. During the following 6 months Temenos has realigned its organisational focus in order to capitalise on its strengths. Through a regionally aligned market approach Temenos has been able to focus on performance improvement, capitalise on opportunities in local market segments and achieve a closer alignment to our customers.

Achieving the right mix of skills and proficiencies across the organisation is key to the efficient and effective delivery of operational performance requirements. Staff must receive sufficient, appropriate training, support, and motivation to be enabled to work as part of a global team.

Incentive and recognition programs are used to align staff efforts to organisational objectives. Staff receive product specific and software implementation project management training to ensure they have the required skills to perform their duties.

Organisational change carries the inherent risk of interrupting operations through the displacement of staff and may impact staff motivation and engagement. In order to minimise interruption to continuous delivery of operational objectives, Temenos utilises workforce planning and mapping of skills and qualifications to ensure operational requirements are met.

Temenos' culture fosters a dynamic and adaptive workforce resulting in an agile response to structural changes. This culture is reinforced by continuous open and honest all staff communications during times of change and restructure.

Foreign Operating Environments

Due to Temenos' global customer base we are exposed to various risks in operating environments we are less familiar with. Conducting operations in foreign jurisdictions require that social, political and cultural sensitivities, local laws and regulations and civil unrest must all be considered. Exposure to foreign disease, terrorism and increased exposure to natural disasters in certain regions must also be addressed.

Safety of individuals, compliance with local laws, tax requirements and observation of local customs are necessary to facilitate successful operations in new operating environments. As such, Temenos takes great care to assess the legal, taxation, political, cultural and people implications prior to entering new operating environments.

By identifying safety and compliance requirements early, various customised mitigation strategies may be implemented to provide smooth delivery of services in new markets with limited exposure to unforeseen risks. Temenos are currently improving procedures to more effectively capture the broad range of risks faced in foreign operating environments. The decision to utilise partners with greater familiarity and / or existing operations in a country are considered as part of this process.

As Temenos expands into new markets and legislative and political environments continue to change, the focus on ensuring safety and compliance has increased.

Relationship and Contract Management

Customer Relations

Temenos relations with Customers are protracted due to the nature of the products provided. The relationship continues from implementation to maintenance, support and upgrades through the life of the product. As such the customer relationship is a long term and multi-faceted arrangement and must be managed accordingly. The contractual arrangements supporting this relationship are therefore often varied and diverse to reflect the nature of the requirements of the customer factoring in specific legal and cultural requirements of the customers operating environment as well as the multiple stages of the relationship.

Specific attention to adherence with contractual requirements, particularly in foreign less known jurisdictions is critical to fostering a strong working relationship. Temenos Account Managers and implementation Project Managers, supported by the centralised contract management team and Regional Legal Teams, manage compliance with contractual terms.

Improved mechanisms for tracking and oversight of contract clauses are currently being developed to provide increased comfort over the effective management of contract clauses.

Temenos aims to build long term strategic relationships with Customers in order to maximise the value provided to both parties. Through building strong relationships, Temenos are able to further develop products according to industry needs and requirements.

Principal risks and uncertainties
continued

Enterprise Partner Relations
Temenos place a degree of reliance on project delivery partners and enterprise partners who provide embedded or aligned products to support the services and product offerings provided by Temenos. While these relationships ultimately provide great benefit and increased value to both parties there is a risk associated with managing these relationships and ensuring Temenos continues to receive the maximum level of benefit from the arrangement.

As Partners acting on behalf of, or even in association with Temenos are capable of impacting the reputation of Temenos, care must be taken to govern the enterprise relationship.

Temenos' strategy for managing strategic partners ensures that our strategic partners are rewarded whilst ensuring sufficient value is generated to Temenos.

Cloud Solution
Cloud technology like all new technology is characterised by a degree of uncertainty in terms of its technical, legal and overall industry impact.

Early adoption of a cloud solution service offering exposes a company to all of these risks where late entry to the cloud market risks failure to develop a market presence and capitalise on early experience. A balanced strategy to maximise potential gains while limiting exposure to unacceptable risks is required.

Temenos are currently providing cloud solutions to a targeted selection of customers operating microfinance, community banks and credit unions in developing countries. These smaller and more agile operations lend themselves to the Temenos cloud offering more so than the larger established banks. Temenos have taken the opportunity to partner with these organisations to further develop our service offering while expanding our potential customer base.

Temenos' provision of cloud services is a Platform as a Service model which utilises a 3rd party enterprise partner to reduce exposure to technical and legal risks.

Temenos continues to invest resources in the development and testing of cloud solution services and the cloud solution delivery framework. Industry adoption of cloud services and the strategy for delivering cloud services will continue to be monitored by a steering committee of senior management.

Project Management – Product Implementation
The implementation of Temenos software and integration of various product components is a complex procedure requiring experienced resources. The implementation of Temenos software is often performed in part or wholly by service delivery partners as well as committed resources of the customer. The complex nature of the custom built componentised product also makes it necessary to provide training and education on the operation of the product.

The reliance on 3rd party capabilities, complex nature of the product and installation requirements mean that there is a high potential for unforeseen events to occur delaying the progress of implementations. Temenos focus heavily on training the staff and partners responsible for implementation of software to ensure a strong mix of qualified project managers and technical product expertise. Temenos ensures the adequacy of skills through requiring certification of staff and partners in Temenos Implementation Methodology and products.

Implementation teams are also trained to identify and effectively manage any unforeseen events and a suite of risk management tools are used to monitor and track potential issues which may adversely impact the successful installation of software. Project governance boards are held monthly to oversee the delivery of the implementation against milestones.

A contingency measure of spare resources is allocated to cover unforeseen delays.

Continued efforts are being made to improve the capability to achieve uninterrupted seamless product implementation through increased project governance, more detailed agreement of implementation requirements and higher degree of aligned working relationships with the customer.

Mergers and acquisitions
Temenos has a continued focus on growing and improving our business and operations through strategic and targeted acquisition of complementary companies and their product offerings.

Acquisitions carry various risks such as; the integration of products into the Temenos product suite; failing to provide the desired value; merging and integrating operations; and achieving required returns. Strong due diligence practices and strategic review and consideration are performed by the executive board and approved by the Board of Directors prior to making any new acquisitions.

The integration of the acquired entity must be managed effectively to ensure optimal integration of functions, operations and product delivery strategies. Integration is conducted based on the nature of the acquisition and due care must be given to maintain the value within acquired entity, this may mean a staggered integration or maintaining separation is necessary.

Detailed integration planning is utilised to ensure a smooth transition of product offerings and services. Legal, commercial and personnel matters are also considered prior to integration in order to limit exposure to unexpected losses or damage.

Physical Security and Disaster Management
Software companies are inherently comprised predominantly of human and information capital with relatively few fixed assets. As such the safety and ability of staff to perform tasks and the IT infrastructure must be guaranteed to a high degree of integrity.

The threat of significant damage to physical and information assets due to natural disaster, cyber-attack, pandemic or any event causing significant disruption to the delivery of operational objectives.

Cyber security threats are considered high risk due to the possibility to impact Temenos Products. Maintaining a secure network and IT assets is achieved through various controls to prevent undesirable access to Temenos data and data systems.

The physical security of IT infrastructure and personnel are kept secure through standardised controls across Temenos in line with best practices.

Temenos carries out periodic review and reassessment of Business Continuity and Disaster Recovery Plans to ensure relevance and coverage of core operations and geographical locations.

The governance framework around BCPs has been designed to achieve a balanced and cost effective, risk based approach governed at a group level and managed throughout the organisation at a core operation and site specific level.

The BCP strategy focuses on key high risk functions in order to provide a high degree of comfort over critical operating capability while providing a lower yet sufficient level of comfort over less critical functional areas.

Insurance

Temenos has taken out a variety of policies in areas where a loss would have a significant financial impact.

Across the various local legal jurisdictions that Temenos operate, there are various legal requirements to hold certain insurance policies such as workers compensation policies and public liability for example.

Temenos local offices manage their legally required policies with oversight and review by Temenos Head Office. Also each office is reviewed and as necessary covered for Property Damage, Business Interruption and Public Liability risks. Information and IT infrastructure is also covered by regional and local Computer Policies.

The United States and Canada are of particular note with regard to statutory imposed insurance requirements and are as such monitored carefully to ensure sufficient coverage is maintained.

Temenos Head Office also manages all global policies. The main global policies provide coverage across core business areas as follows; Professional Indemnity liability (covering Errors and Omissions, Cyber Liability and Data Protection), Global Travel Insurance and Directors and Officers policy that is providing the professional coverage.

All Insurance policies are reviewed periodically to ensure the policy provides value for money.

Business Review
Governance
Financial Statements

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 2012.

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 2012 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, 28 February 2013

Consolidated income statement
For the year ended 31 December

	2012 USD 000	Re-presented 2011 USD 000
Revenues		
Software licensing	**125,141**	146,032
Maintenance	**201,653**	197,318
Services	**123,415**	130,119
Total revenues (note 22)	**450,209**	473,469
Operating expenses		
Cost of sales	**142,893**	138,941
Sales and marketing	**78,900**	122,623
General and administrative	**70,495**	70,318
Other operating expenses	**109,806**	143,633
Total operating expenses (note 25)	**402,094**	475,515
Operating profit/(loss)	**48,115**	(2,046)
Finance income	**7,585**	475
Finance costs	**(18,924)**	(14,506)
Finance costs – net (note 26)	**(11,339)**	(14,031)
Profit/(loss) before taxation	**36,776**	(16,077)
Taxation (note 12)	**(12,617)**	(12,231)
Profit/(loss) for the year	**24,159**	(28,308)
Attributable to:		
Equity holders of the Company	**24,159**	(28,252)
Non-controlling interest	**–**	(56)
	24,159	(28,308)
Earnings per share (in USD) (note 27):		
basic	**0.35**	(0.41)
diluted	**0.35**	(0.41)

Notes on pages 68 to 110 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December

	2012 USD 000	2011 USD 000
Profit/(loss) for the year	**24,159**	(28,308)
Other comprehensive income:		
Available-for-sale financial assets (note 20)	**53**	(26)
Cash flow hedges (note 20)	**2,579**	(5,315)
Currency translation differences	**2,424**	(8,887)
Other comprehensive income for the year, net of tax	**5,056**	(14,228)
Total comprehensive income for the year	**29,215**	(42,536)
Attributable to:		
Equity holders of the Company	**29,215**	(42,353)
Non-controlling interest	**–**	(183)
	29,215	(42,536)

Notes on pages 68 to 110 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December

	2012 USD 000	Re-presented 2011 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 7)	**117,734**	154,950
Trade and other receivables (note 8)	**261,381**	257,729
Other financial assets (note 9)	**1,615**	4,062
Total current assets	**380,730**	416,741
Non–current assets		
Property, plant and equipment (note 10)	**13,798**	13,210
Intangible assets (note 11)	**436,124**	404,744
Trade and other receivables (note 8)	**41,629**	49,108
Other financial assets (note 9)	**–**	210
Deferred tax assets (note 12)	**30,326**	33,814
Total non-current assets	**521,877**	501,086
Total assets	**902,607**	917,827
Liabilities and equity		
Current liabilities		
Trade and other payables (note 13)	**111,285**	127,694
Other financial liabilities (note 9)	**1,475**	6,005
Deferred revenues	**156,742**	142,700
Income tax liabilities	**11,916**	15,667
Borrowings (note 14)	**10,735**	11,123
Provisions for other liabilities and charges (note 15)	**6,540**	5,061
Total current liabilities	**298,693**	308,250
Non–current liabilities		
Trade and other payables (note 13)	**273**	1,685
Other financial liabilities (note 9)	**–**	758
Income tax liabilities	**1,544**	1,544
Borrowings (note 14)	**203,625**	242,624
Provisions for other liabilities and charges (note 15)	**1,318**	2,488
Deferred tax liabilities (note 12)	**6,318**	8,448
Retirement benefit obligations (note 24)	**4,079**	3,849
Total non-current liabilities	**217,157**	261,396
Total liabilities	**515,850**	569,646
Capital and reserves attributable to the Company's equity holders		
Share capital	**239,798**	239,677
Treasury shares	**(105,264)**	(113,473)
Share premium and capital reserves (note 19)	**20,398**	19,367
Fair value and other reserves (note 20)	**(64,941)**	(69,997)
Retained earnings	**296,766**	272,607
	386,757	348,181
Non-controlling interest	**–**	–
Total equity	**386,757**	348,181
Total liabilities and equity	**902,607**	917,827

Notes on pages 68 to 110 are an integral part of these consolidated financial statements.

Business Review
Governance
Financial Statements

Consolidated statement of cash flows
For the year ended 31 December

	2012 USD 000	Re-presented 2011 USD 000
Cash flows from operating activities		
Profit/(loss) before taxation	**36,776**	(16,077)
Adjustments:		
Depreciation, amortisation and impairment of financial assets	**59,808**	90,585
Impairment charge of property, plant and equipment (note 10)	**55**	203
Profit on disposal of subsidiary, business and non-current assets	**–**	(645)
Cost of share options (note 21)	**9,408**	11,902
Foreign exchange loss/(gain) on non-operating activities	**(6,499)**	3,854
Interest expenses, net (note 26)	**6,177**	6,433
Fair value loss from financial instruments (note 26)	**10,266**	248
Fees related to the undrawn portion of the borrowing facility (note 26)	**814**	1,062
Other finance costs (note 26)	**842**	1,141
Other non-cash items	**7,251**	4,139
Changes in net working capital		
Trade and other receivables	**(5,468)**	(24,529)
Trade and other payables	**(33,214)**	9,966
Deferred revenues	**11,481**	13,719
Cash generated from operations	**97,697**	102,001
Income taxes paid	**(10,719)**	(3,173)
Net cash generated from operating activities	**86,978**	98,828
Cash flows from investing activities		
Purchase of property, plant and equipment	**(5,541)**	(5,450)
Disposal of property, plant and equipment	**23**	120
Purchase of intangible assets	**(4,178)**	(4,525)
Capitalised development costs (note 11)	**(41,782)**	(38,499)
Acquisitions of subsidiary, net of cash acquired (note 6)	**(16,674)**	(1,467)
Disposal of subsidiary or business, net of cash disposed	**–**	378
Settlement of financial instruments	**(10,136)**	(396)
Interest received	**250**	164
Net cash used in investing activities	**(78,038)**	(49,675)
Cash flows from financing activities		
Acquisition of treasury shares	**–**	(113,473)
Proceeds from borrowings	**178**	150,060
Repayments of borrowings	**(40,000)**	(80,000)
Interest payments	**(6,212)**	(5,131)
Payment of financing costs	**(819)**	(3,477)
Payment of finance lease liabilities	**(353)**	(701)
Net cash used in financing activities	**(47,206)**	(52,722)
Effect of exchange rate changes	**1,050**	(1,755)
Decrease in cash and cash equivalents in the year	**(37,216)**	(5,324)
Cash and cash equivalents at the beginning of the year	**154,950**	160,274
Cash and cash equivalents at the end of the year	**117,734**	154,950

Notes on pages 68 to 110 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 2011	**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**
Profit for the year	–	–	–	–	24,159	–	24,159
Other comprehensive income for the year, net of tax	–	–	–	5,056	–	–	5,056
Total comprehensive income	–	–	–	5,056	24,159	–	29,215
Cost of share options (note 21)	–	–	9,408	–	–	–	9,408
Exercise of share options	121	8,209	(8,336)	–	–	–	(6)
Share issuance costs	–	–	(41)	–	–	–	(41)
	121	8,209	1,031	5,056	24,159	–	38,576
Balance at 31 December 2012	**239,798**	**(105,264)**	**20,398**	**(64,941)**	**296,766**	**–**	**386,757**

Notes on pages 68 to 110 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
31 December 2012

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. On 23 May 2006 the Company moved its seat of incorporation to Geneva, Switzerland. The registered office is 2 Rue de L'Ecole-de-Chimie, Geneva.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 21 February 2013.

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") and International Financial Reporting Interpretation ("IFRIC"). 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.

Standards, amendments and interpretations effective as of 1 January 2012 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 2012 which were adopted by the Group:

- IFRS 7 (amendment) "Financial instruments: Disclosures".
- IAS 12 (amendment) "Income tax".

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 2013 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 7 (amendment) 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2013. This amendment requires more extensive disclosures in respect of the offsetting rules for financial assets and financial liabilities. The Group will apply this amendment for the financial reporting period commencing on 1 January 2013.
- 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.
- 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. This new standard is not expected to have a material impact on the Group's structure. The Group will apply this new standard for the financial reporting period commencing on 1 January 2013.
- IFRS 11 (Standard) 'Joint arrangements', effective for annual periods beginning on or after 1 January 2013. This new standards 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 period 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 period commencing on 1 January 2013.
- 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 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, change of methodology for the calculation of interest on plan asset and additional disclosures requirement. The impact to the consolidated income statement and the consolidated other comprehensive income that would be re-presented as a result of the retrospective application for the year 2012 is estimated to be USD 0.9 million gain and USD 1.5 million gain, respectively. 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 2014. 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 2014.
- 2011 Annual improvements. None of these amendments is expected to have a material impact on the Group's financial statements. None of these improvements are expected to have a material effect on the Group's financial statements. The Group will apply the 2011 annual improvements for the financial reporting period 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. Intercompany transactions, balances, income and expenses on transactions between the Group's subsidiaries are eliminated. 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 value 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.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognised 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.

2. Accounting policies continued

(b) Basis of consolidation continued

Associates

Associates are entities over which the Group has significant influence but not the control. This generally represents between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount is subsequently increased or decreased by the Group's share of the profit or loss of the investee after the date of acquisition. When the Group's share of losses equals or exceeds its interest in the investee, the Group does not recognise further losses, unless the Group has incurred legal or constructive 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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in shareholders' equity within "fair value and other reserves".

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.

For the purpose of the consolidated statement of cash flows, the Group reports repayments and proceeds from borrowings on a net basis when it relates to short term roll-forward of the revolving credit facility with the same banks (note 14).

(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 income statement. 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 as 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 arises on the acquisition of subsidiaries and represents the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment. The carrying value is allocated to the cash-generating unit ("CGU") that is expected to benefit from the synergies of the business combination. CGU to which the Goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to the goodwill is recognised immediately as an expense and is not subsequently reversed.

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 are 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 development costs that are capitalised include the employee costs and an appropriate portion of relevant overheads. Directly attributable development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development expenditures that are not directly attributable are recognised as an expense when incurred.

Internally generated software development costs are amortised using the straight-line method after the product is available for distribution. Development costs related to architecture developments are amortised over a five-year period and development costs related to functional developments are amortised over a three-year period.

Notes to the consolidated financial statements
31 December 2012

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 substantively 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 measured at amortised cost. Effective interest costs is recognised within "Finance costs-net" in the income statement.

Fees paid on the establishment of the borrowing facility are recognised either as part of the transaction costs in the initial measurement of the draw-down portion or as a prepayment for liquidity services that is subsequently amortised within the "Finance costs- net" in the income statement 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 other instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where any subsidiary of the Group purchases the Company's shares (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. Gains or losses on the reissuance of the treasury shares are recognised within the share premium (note 19).

(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.

Business Review
Governance
Financial Statements

Notes to the consolidated financial statements
31 December 2012

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 exceeding 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; (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'.

Software licensing

Software licence revenues represent all fees earned from granting customers licences to use the Group's softwares, 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 following criteria are met:

- Evidence of an arrangement exists;
- Delivery has occurred;
- The risks and rewards of ownership have been transferred to the customer;
- The amount of revenue can be measured reliably (i.e. fixed and determinable);
- The associated costs can be measured reliably;
- Collection is probable.

The Group deems license fees that are payable over 12 months from signing date as not fixed and determinable and, therefore, the fees are deferred until the payment becomes due within 12 months and all other related uncertainties have either elapsed or become remote.

Sale of software license to a customer which is not the end-user (i.e. reseller arrangement) is recognised when evidence of sell-through exists or when the Group has received non-refundable consideration.

Software development services revenue represents fees charged to clients for developing requested additional functionality and is recognised over the period of these developments. Generic developments relating to country-specific requirements or functionalities that are re-usable in future sales that are not readily available at the time of the sale are deferred and recognised upon delivery.

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. Fixed-price arrangements 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 period represents the mandays effort incurred up to the end of the reporting period as a percentage of the total estimated mandays to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Fees relating to time and material contracts are recognised when mandays efforts are provided and collection is deemed probable. Hosting contracts are recognised as services are being rendered.

Multiple element arrangements
In many cases, the Group enters into transactions with customers that include multiple elements such as software licence, maintenance, development services 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 existence of the fair value for the separable elements (i.e. availability of services from other vendors), the timing of payments and the acceptance criteria on the realisability of the software licence fee.

When such multiple-element arrangements exist, the fair value of revenue allocated to each element is based upon its relative fair value determined by the normal market pricing or the "cost-approach plus reasonable margin" methodology when no observable market inputs exists. When fair value is objectively determined for all undelivered elements with the exception of one delivered element, the residual method is used to allocate a fair value to the delivered element. Revenue for any undelivered elements is deferred and recognised when the product is delivered or over the period in which the service is performed.

Deferred revenues
Fees collected 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.

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.

The effective interest income is recognised in the income statement within "Finance costs – net".

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 the interest income or expense 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

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 other comprehensive income are reclassified to the income statement in the period when the hedged item affects the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability (e.g. fixed assets, deferred revenue), the gains and losses previously deferred in other comprehensive income are included in the initial cost of the asset or the carry amount of the 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 other comprehensive income is recognised immediately in profit or loss.

(y) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(z) Comparative information

The Group has re-presented comparative information to reflect the finalisation of the initial accounting of PRIMISYN (note 6). The Group has also represented comparatives to net "trade receivables" against "deferred revenues" in relation to invoices for future maintenance stream that are not collected at the balance sheet date amounting to USD 37,803 thousand to conform to current year presentation that better reflects the substance of the deferred revenue.

The Group has also re-presented the consolidated income statement comparatives to split "Sales and marketing" from the heading "Other operating expenses" of USD 122,623 thousand. This presentation better reflects the function of expenses on the face of the consolidated income statement.

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 12 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 recognised and presented within the same period and the same income statement line item (i.e. Finance costs – net) as the underlined exposures.

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	
	2012 FCY* 000	2011 FCY* 000
EURO	**(1,407)**	(7,809)
UK Pounds	**(5,257)**	(9,248)
Swiss Francs	**(14,528)**	(7,848)
India rupee	**41,670**	(223,297)

*Foreign currency

A negative value represents a short position.

These exposures represent monetary assets and liabilities that are either:

- denominated in one of the currencies above and measured in an entity with a different functional currency; or
- denominated in another currency but measured in an entity whose functional currency is one of the above.

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.

				2012
	EURO USD 000	**UK Pounds USD 000**	**Swiss Francs USD 000**	**India rupee USD 000**
Currencies strengthen by 10%				
Profit or loss:	**(185)**	**(852)**	**(1,588)**	**76**
Other comprehensive income:*	**(3,076)**	**2,360**	**1,100**	**948**
Equity	**(3,261)**	**1,508**	**(488)**	**1,024**
Currencies weaken by 10%				
Profit or loss:	**185**	**852**	**1,588**	**(76)**
Other comprehensive income:*	**3,076**	**(2,360)**	**(1,100)**	**(948)**
Equity	**3,261**	**(1,508)**	**488**	**(1,024)**

*Derivatives qualified for hedge accounting (cash flow hedge).

				2011
	EURO USD 000	UK Pounds USD 000	Swiss Francs USD 000	India rupee USD 000
Currencies strengthen by 10%				
Profit or loss:	(5,647)	(360)	2,454	(373)
Other comprehensive income:*	(5,171)	2,779	1,955	2,846
Equity	(10,818)	2,419	4,409	2,473
Currencies weaken by 10%				
Profit or loss:	5,647	360	(2,454)	373
Other comprehensive income:*	5,171	(2,779)	(1,955)	(2,846)
Equity	10,818	(2,419)	(4,409)	(2,473)

*Derivatives qualified for hedge accounting (cash flow hedge).

(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 2012, 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, an increase of the LIBOR by 100 basis point was tested. The result of the sensitivity analysis was USD 2.3 million additional finance expense to the income statement and, consequently, a reduction of equity for a similar amount.

Notes to the consolidated financial statements
31 December 2012

3. Financial risk management continued

(a) Financial risk factors continued

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 2012 and 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.

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
At 31 December 2012				
Trade and other payables	101,223	10,062	–	–
Onerous lease provision	438	366	509	76
Borrowings	632	10,139	203,728	109
Other long term payables	–	–	202	73
Total non-derivatives financial liabilities	**102,293**	**20,567**	**204,439**	**258**

	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
At 31 December 2011 (re-presented)				
Trade and other payables	114,209	13,485	–	–
Onerous lease provision	640	560	1,667	357
Borrowings	1,007	10,158	288	242,352
Other long term payables	–	–	1,639	70
Total non-derivatives financial liabilities	**115,856**	**24,203**	**3,594**	**242,779**

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
At 31 December 2012				
Outflow foreign exchange derivatives	142,243	5,766	6,403	–
Inflow foreign exchange derivatives	(142,693)	(5,975)	(6,169)	–
Net settled foreign exchange derivatives	238	133	–	–
Total derivatives	**(212)**	**(76)**	**234**	**–**

	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
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**

(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 Group is also subject to external covenants under its facility agreement. These covenants require the Group to remain within certain thresholds used for calculating financial ratios that are primarily based on financial indebtedness, operating profit and cash flows from operating activities.

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. The Group is subject to external covenants under the facility agreement (note 14).

Notes to the consolidated financial statements
31 December 2012

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 2012

	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	–	474	–	474
Derivatives instruments used for hedging	–	1,055	–	1,055
Available-for-sale financial assets	86	–	–	86
Total	**86**	**1,529**	**–**	**1,615**

	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	–	257	–	257
Derivatives instruments used for hedging	–	1,218	–	1,218
Total	**–**	**1,475**	**–**	**1,475**

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**

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 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 2012 the carrying amount of the goodwill amounts to USD 313.8 million (2011: USD 294 million).

Deferred 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 689 thousand, if favourable; or
- decrease the deferred tax asset by USD 689 thousand if unfavourable.

At 31 December 2012 the carrying amount of the deferred tax asset amounts to USD 30.3 million (2011: 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, then the licence fee is recognised based on percentage-of-completion. However, the majority of such modifications or customisations have not been deemed significant in current or prior periods.

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 with regard to 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. The total development expense for the period was USD 98.4 million (2011: USD 119.3 million) and the total capitalised development costs was USD 41.8 million (2011: USD 38.5 million).

5. Group companies

The consolidated financial statements include the accounts of TEMENOS Group AG and the following entities as of 31 December 2012:

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%
TEMENOS CANADA INC. (previously named 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%
ODYSSEY FINANCIAL TECHNOLOGIES GmbH	Germany	100%
TEMENOS DEUTSCHLAND 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%
EDGE IPK INC OFFSHORE DEVELOPMENT PVT LTD	India	100%
TEMENOS SYSTEMS IRELAND LIMITED	Ireland	100%
TEMENOS JAPAN KK	Japan	100%
TEMENOS KAZAKHSTAN LLP	Kazakhstan	100%
TEMENOS EAST AFRICA LIMITED	Kenya	100%
TEMENOS KOREA LIMITED	Korea	100%
TEMENOS FINANCE LUXEMBOURG SARL	Luxembourg	100%
TEMENOS LUXEMBOURG SA	Luxembourg	100%
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 PANAMA S.A.	Panama	100%
TEMENOS PHILIPPINES, INC.	Philippines	100%

Company name	Country of incorporation	Ownership interest
TEMENOS POLSKA SP.ZOO	Poland	100%
TEMENOS ROMANIA SRL	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 SL (previously named ODYSSEY FINANCIAL TECHNOLOGIES HISPANIA SL)	Spain	100%
TEMENOS HEADQUARTERS SA	Switzerland	100%
TEMENOS SUISSE SA	Switzerland	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%
TEMENOS EURASIA BANKA YAZILIMLARI LTD SIRKETI	Turkey	100%
TEMENOS SOLUTIONS USA INC. (previously named ODYSSEY FINANCIAL TECHNOLOGIES INC.)	U.S.A.	100%
TEMENOS USA, INC.	U.S.A.	100%
FINANCIAL OBJECTS INC.	U.S.A.	100%
EDGE IPK 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%
EDGE IPK LTD	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); Kiev (Ukraine); Taipei (Taiwan); Islamabad (Pakistan); Jakarta (Indonesia); New-York (U.S.A); Stockholm (Sweden); Santo Domingo (Dominican Republic); Tunis (Tunisia); Montpellier (France); Nantes (France); Hong Kong (Hong Kong); Lausanne (Switzerland) and Geneva (Switzerland).

Business Review
Governance
Financial Statements

Notes to the consolidated financial statements
31 December 2012

6. Business combinations

2008 acquisition

Included in outflow from acquisition in the current year, is USD 2,263 thousand for settlement of contingent consideration in respect of the acquisition of LYDIAN ASSOCIATES LIMITED.

PRIMISYN
The below table discloses the financial effects and the movement in the Goodwill as a result of the finalisation of the initial accounting.

	2011 USD 000	2012 adjustment USD 000	**Total USD 000**
Purchase consideration:			
– Cash paid	1,255	–	**1,255**
Total purchase consideration	1,255	–	**1,255**
Fair value of net assets acquired	(1,239)	641	**(598)**
Goodwill	16	641	**657**

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

Subsequent adjustments by category

	2011 USD 000	2012 adjustment USD 000	**Total USD 000**
Cash and cash equivalents	275	–	**275**
Trade and other receivables	324	–	**324**
Property, plant and equipment (note 10)	14	–	**14**
Intangible assets (note 11)	1,034	–	**1,034**
Trade and other payables	(93)	(276)	**(369)**
Provisions for other liabilities and charges (note 15)	–	(365)	**(365)**
Income tax	(41)	–	**(41)**
Deferred tax liability (note 12)	(274)	–	**(274)**
Total	1,239	(641)	**598**

Current year acquisitions

EDGE IPK
On 1 October 2012 the Group finalised the acquisition of 100% of the share capital of EDGE IPK, a UK based provider of User Experience Platform ("UXP") software to the financial services industry.

With this acquisition the Group expects to compete much more effectively in the financial services front office application market and will provide a method for financial institutions to renovate and enhance in-house and even competitor systems, opening the door to an increased client base and excellent cross-selling opportunities.

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 front office application market.

Fair value of the consideration transferred at acquisition date:

	USD 000
– Cash paid	14,741
Total purchase consideration	14,741

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	330
Trade and other receivables	1,032
Property, plant and equipment (note 10)	48
Intangible assets (note 11)	6,667
Trade and other payables	(1,610)
Deferred revenues	(1,437)
Deferred tax liability (note 12)	(1,536)
Total identifiable net assets	3,494
Goodwill	11,247
Acquisition-related costs included in "General and administrative" line in the income statement	195
Consideration paid in cash	14,741
Cash and cash equivalents acquired	(330)
Cash outflow on acquisition	14,411

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 are USD 4.2 million and USD 2.9 million gain, respectively.

If the acquisition had occurred on 1 January 2012, the estimated contribution by the acquiree to the Group's revenues and profit or loss would have been USD 6.8 million and USD 1.7 million gain, respectively.

The initial accounting has been provisionally completed at 31 December 2012. The Group is still evaluating the fair value of certain liabilities.

Notes to the consolidated financial statements
31 December 2012

7. Cash and cash equivalents

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

	2012 USD 000	2011 USD 000
Cash at bank and in hand	**35,951**	86,270
Short term deposits with banks	**81,783**	68,680
	117,734	154,950

Included in the above amount, is USD 2.9 million (2011: USD 4.1 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

	2012 USD 000	Re-presented 2011 USD 000
Trade receivables	**295,952**	289,450
Less: provision for impairment of trade receivables	**(16,843)**	(12,503)
Trade receivables – net	**279,109**	276,947
VAT and other taxation recoverable	**8,145**	12,115
Other receivables	**3,730**	4,427
Prepayments	**12,026**	13,348
	303,010	306,837
Less non-current portion	**(41,629)**	(49,108)
Total current portion of trade and other receivables	**261,381**	257,729

Included in "Trade receivables" line, are USD 152.2 million of unbilled receivables (2011: USD 146.6 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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of these receivables are periodically assessed by reference to external credit ratings (if available) or to historical information about their default rates. The Group does not hold any collateral as security.

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

	Carrying amount		Fair value	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Between 1 and 2 years	**41,629**	49,108	**41,282**	48,559
	41,629	49,108	**41,282**	48,559

The fair value measurement is based on the discounted cash flow method using a rate of 0.84% (2011: 1.13%).

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

	2012 USD 000	Re-presented 2011 USD 000
Current (less than 30 days)	**17,826**	23,895
Past due 31–90 days	**8,892**	15,951
Past due 91–180 days	**12,431**	10,019
Past due 181–360 days	**13,928**	17,399
More than 360 days	**21,941**	6,927
	75,018	74,191

The Group believes that the past due and not impaired receivables are fully recoverable as there have been no history of defaults relating to these customers and 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.

	2012 USD 000	Re-presented 2011 USD 000
At 1 January	**12,503**	12,076
Provision for receivables impairment	**7,594**	4,221
Used amounts	**(2,955)**	(2,357)
Unused amounts	**(337)**	(285)
Exchange gain or loss	**38**	(1,152)
At 31 December	**16,843**	12,503

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 "Sales and marketing", is USD 12.3 million (2011: USD 43 million) for impairment loss related to trade receivables. Despite the stabilisation of the economic climate, the Group has provided for the adverse probable outcome on a limited number of projects that are facing some implementation difficulties or funding issues.

9. Other financial assets and liabilities

	2012		2011	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cash flow hedges	**1,055**	**1,218**	3,364	5,672
Forward foreign exchange contracts – held for trading	**474**	**257**	874	1,091
Available-for-sale investment	**86**	**–**	34	–
At 31 December	**1,615**	**1,475**	4,272	6,763
Reported as follows:				
Current	**1,615**	**1,475**	4,062	6,005
Non-current	**–**	**–**	210	758
At 31 December	**1,615**	**1,475**	4,272	6,763

The ineffective portion recognised in the profit or loss in respect of cash flow hedges was USD nil (2011: USD nil).

The hedged transactions are expected to occur each month during the next 12 months. Related gains or losses recognised in the other comprehensive income as of 31 December 2012 will be recycled in the income statement in the periods during which the hedged transactions affect 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 2012

10. Property, plant and equipment

Year ended 31 December 2012	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings & equipment USD 000	Land and buildings USD 000	Total USD 000
Cost					
At 1 January 2012	10,896	187	27,645	2,504	41,232
Foreign currency exchange differences	226	(5)	718	(2)	937
Acquisition of subsidiary (note 6)	–	–	48	–	48
Additions	243	210	4,592	–	5,045
Reclassification and disposals	157	–	(157)	–	–
31 December 2012	**11,522**	**392**	**32,846**	**2,502**	**47,262**
Depreciation and impairment					
At 1 January 2012	8,732	169	18,929	192	28,022
Foreign currency exchange differences	212	–	634	(1)	845
Charge for the year	670	21	3,807	44	4,542
Impairment loss	–	–	55	–	55
Reclassification and disposals	23	–	(23)	–	–
31 December 2012	**9,637**	**190**	**23,402**	**235**	**33,464**
Net book value					
31 December 2012	**1,885**	**202**	**9,444**	**2,267**	**13,798**

Year ended 31 December 2011					
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	–	–	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

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

	Fixtures fittings & equipment USD 000	Total USD 000
Net book value at 31 December 2012	**340**	**340**
Net book value at 31 December 2011	681	681

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

11. Intangible assets

Year ended 31 December 2012	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2012 (re-presented)	169,721	294,554	49,058	44,752	558,085
Foreign currency exchange differences	725	6,532	885	1,159	9,301
Acquisition of subsidiary (note 6)	–	11,247	5,462	1,205	17,914
Additions	41,782	1,471	5,576	–	48,829
31 December 2012	**212,228**	**313,804**	**60,981**	**47,116**	**634,129**
Amortisation					
At 1 January 2012	93,921	–	28,887	30,533	153,341
Foreign currency exchange differences	114	–	613	1,011	1,738
Charge for the year	25,504	–	8,453	8,969	42,926
31 December 2012	**119,539**	**–**	**37,953**	**40,513**	**198,005**
Net book value					
31 December 2012	**92,689**	**313,804**	**23,028**	**6,603**	**436,124**

Notes to the consolidated financial statements
31 December 2012

11. Intangible assets continued

Year ended 31 December 2011	Internally generated software development costs USD 000	Goodwill 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	–	657	1,034	–	1,691
Additions[1]	38,499	–	4,340	–	42,839
Retirements, disposals and transfers	–	–	298	(298)	–
31 December 2011 (re-presented)	169,721	294,554	49,058	44,752	558,085
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 the 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 (re-presented)	75,800	294,554	20,171	14,219	404,744

(1) Addition to goodwill represents settlement of final contingent consideration not previously accounted for at the time of the acquisition that occurred before the application of the new IFRS 3 'Business Combinations'.

Amortisation charge of USD 38.7 million (2011: USD 37 million) is included in the "Cost of sales" line; USD 0.1 million (2011:USD 0.1 million) in "Sales and marketing" line; USD 1.1 million (2011: USD 1.3 million) in "Other operating expenses" line and USD 3 million (2011: USD 2.8 million) in "General and administrative" line.

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

	2012			2011		
	Amount USD 000	**Growth rate %**	**Discount rate %**	Re-presented Amount USD 000	Growth rate %	Discount rate %
Product	**313,804**	**1**	**13.77**	294,554	1	11.02
	313,804			294,554		

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	2012 USD 000	2011 USD 000
Current tax on profits for the year	**13,586**	11,811
Adjustments in respect of prior years	**(795)**	1,065
Total current tax	**12,791**	12,876
Deferred tax – origination and reversal of temporary differences	**(174)**	(645)
Total tax expense	**12,617**	12,231

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:

	2012 USD 000	2011 USD 000
Profit/(loss) before tax	**36,776**	(16,077)
Tax at the domestic rate of 25%	**9,194**	(4,019)
Non-taxable income and expenses	**2,188**	829
Utilisation of previously unrecognised losses	**(11,004)**	(7,768)
Tax losses for which no deferred income tax asset was recognised	**12,194**	24,368
Tax adjustments related to prior periods	**(795)**	1,065
Reversal (recognition) of deferred tax assets on intellectual property	**5,839**	4,360
Non-taxable consolidation adjustment on intellectual property amortisation	**(12,693)**	(12,693)
Other movement on deferred tax assets and liabilities, including rate changes	**(2,616)**	(505)
Effects of different tax rates	**2,250**	(179)
Overseas withholding tax	**6,024**	4,881
Other tax and credits	**2,036**	1,892
Total tax expense	**12,617**	12,231

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 (2011: USD nil).

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:

	2012 USD 000	2011 USD 000
Deferred tax assets – to be recovered after more than 12 months	**23,354**	26,160
Deferred tax assets – to be recovered within 12 months	**6,972**	7,654
Deferred tax assets	**30,326**	33,814
Deferred tax liabilities – to be recovered after more than 12 months	**(4,017)**	(4,188)
Deferred tax liabilities – to be recovered within 12 months	**(2,301)**	(4,260)
Deferred tax liabilities	**(6,318)**	(8,448)
Net deferred tax assets	**24,008**	25,366

Notes to the consolidated financial statements
31 December 2012

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 61,721 thousand (2011: USD 79,668 thousand) in respect of losses amounting to USD 287,441 thousand (2011: USD 268,018 thousand) that can be carried forward against future taxable income. Losses amounting to USD 75,002 thousand (2011: USD 74,019 thousand) will expire within the next 5 years, USD 28,983 thousand (2011: USD 18,071 thousand) will expire within 5 to 10 years and USD 7,603 thousand (2011: USD 17,973 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 18,269 thousand (2011: USD 24,108 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 (2011: nil).

As part of the acquisition of EDGE IPK, the Group acquired deferred tax assets of USD nil and deferred tax liabilities of USD 1,536 thousand.

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

	2012 USD 000	2011 USD 000
At 1 January	**25,366**	25,095
Income statement credit	**174**	645
Foreign currency exchange differences	**4**	36
Acquisition of subsidiaries	**(1,536)**	(274)
Reclassification	**–**	(136)
At 31 December	**24,008**	25,366

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 2011	8,308	28,468	1,283	370	38,429
Charged to the income statement	(672)	(4,360)	(442)	(62)	(5,536)
Foreign currency exchange differences	(10)	–	(12)	2	(20)
Reclassification	44	–	–	897	941
At 31 December 2011	7,670	24,108	829	1,207	33,814
Credited/(charged) to the income statement	3,100	(5,839)	(356)	(493)	(3,588)
Foreign currency exchange differences	117	–	(48)	31	100
At 31 December 2012	**10,887**	**18,269**	**425**	**745**	**30,326**

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 2011	(11,691)	(1,060)	(583)	(13,334)
Credited/(charged) to the income statement	5,260	1,060	(139)	6,181
Acquisition of subsidiary	(274)	–	–	(274)
Foreign currency exchange differences	6	–	50	56
Reclassification	(1,077)	–	–	(1,077)
At 31 December 2011	(7,776)	–	(672)	(8,448)
Credited/(charged) to the income statement	3,848	–	(86)	3,762
Acquisition of subsidiary (note 6)	(1,536)	–	–	(1,536)
Foreign currency exchange differences	(76)	–	(20)	(96)
At 31 December 2012	**(5,540)**	**–**	**(778)**	**(6,318)**

13. Trade and other payables

	2012 USD 000	Re-presented 2011 USD 000
Trade payables	**37,138**	39,477
Accrued expenses	**52,266**	61,050
Other payables	**21,881**	27,167
Current trade and other payables	**111,285**	127,694
Non-current other payables	**273**	1,685
Total trade and other payables	**111,558**	129,379

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	
	2012 USD 000	2011 USD 000	**2012 USD 000**	2011 USD 000
Between 1–2 years	**200**	1,615	**198**	1,597
Between 3–5 years	**73**	70	**72**	69
	273	1,685	**270**	1,666

The fair value measurement is based on the discounted cash flow method using a rate of 0.84% (2011: 1.13%).

Business Review
Governance
Financial Statements

Notes to the consolidated financial statements
31 December 2012

14. Borrowings

	2012 USD 000	2011 USD 000
Current		
Obligations under finance leases (note 16)	**242**	321
Other loans	**44**	3
Bank borrowings	**10,449**	10,799
	10,735	11,123
Non-current		
Obligations under finance leases (note 16)	**70**	303
Other loans	**181**	43
Bank borrowings	**203,374**	242,278
	203,625	242,624
Total borrowings	**214,360**	253,747

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	
	2012 USD 000	2011 USD 000	2012 USD 000	2011 USD 000
Obligations under finance leases (note 16)	**70**	303	**69**	300
Other loans	**181**	43	**179**	43
Bank borrowings	**203,374**	242,278	**201,680**	239,571
	203,625	242,624	**201,928**	239,914

The fair value measurement is based on the discounted cash flow method using a rate of 0.84% (2011: 1.13%).

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 instalments between October 2011 and February 2014.

As at 31 December 2012, USD 80 million (2011: USD 90 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 2012, a total of USD 133.6 million (2011: USD 163.6 million) is drawn as cash loans under the RCF and guarantees totalling USD 22.7 million (2011: USD 19.8 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 2012.

15. Provisions for other liabilities and charges

	Legal claims USD 000	Property provision USD 000	Termination benefits USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2012 (re-presented)	1,039	3,767	2,378	365	7,549
Foreign currency exchange differences	14	98	32	3	147
Increase in provisions recognised in the income statement	–	813	6,789	–	7,602
Used during the year	(129)	(2,024)	(4,935)	–	(7,088)
Unused during the year	(29)	(94)	(229)	–	(352)
31 December 2012	**895**	**2,560**	**4,035**	**368**	**7,858**
Reported as follows:					
2012					
Current	895	1,242	4,035	368	6,540
Non-current	–	1,318	–	–	1,318
31 December 2012	**895**	**2,560**	**4,035**	**368**	**7,858**
2011					
Current (re-presented)	1,039	1,279	2,378	365	5,061
Non-current	–	2,488	–	–	2,488
31 December 2011	1,039	3,767	2,378	365	7,549

Legal claims

The amounts represent provisions for certain legal claims brought against the Group. The balance at 31 December 2012 is expected to be utilised in 2013. 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 2012.

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 1.2 million is expected to be utilised during 2013 and USD 1.3 million for the period from 2014 till 2016.

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 2013.

Contingent liability arising on business combination

PRIMISYN received government contributions to develop its software for the public benefit of Canada. Such contributions were governed by specific provisions, specifically with regard to the change in ownership of the acquiree. The Group has provided for such provisions as the IP were disposed of to an entity outside Canada. The carrying amount is expected to be fully utilised in 2013.

Notes to the consolidated financial statements
31 December 2012

16. Obligations under finance leases

Finance leases liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2012 USD 000	2011 USD 000	**2012 USD 000**	2011 USD 000
Obligations under finance leases:				
repayable within one year	**260**	362	**242**	321
repayable between one and five years	**76**	320	**70**	303
	336	682	**312**	624

Included in the financial statement as:		
Current borrowings (note 14)	**242**	321
Non-current borrowings (note 14)	**70**	303
	312	624

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:

	2012 USD 000	Re-presented 2011 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
– Held for trading	**474**	874
Derivatives instruments used for hedging	**1,055**	3,364
Available-for-sale financial assets	**86**	34
Loans and receivables (including cash and cash equivalent)	**407,469**	447,254
Total	**409,084**	451,526
Financial liabilities		
Fair value through profit or loss (FVTPL)		
– Held for trading	**257**	1,091
Derivatives instruments used for hedging	**1,218**	5,672
Financial liabilities measured at amortised cost	**325,918**	383,126
Total	**327,393**	389,889

18. Share capital

As at 31 December 2012, the issued shares of TEMENOS Group AG comprised 72,023,148 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 2012 are summarised below:

	Number
Total number of shares issued, as at 31 December 2011	72,000,930
Treasury shares	(3,123,695)
Total number of shares outstanding, as at 31 December 2011	68,877,235
Shares issued on exercise of employee share options	22,218
Movement in treasury shares	212,133
Total number of shares outstanding, as at 31 December 2012	**69,111,586**

As at 31 December 2012, the number of treasury shares held by the Group amounted to 2,911,562 (2011: 3,123,695).

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	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

19. Share premium and capital reserves

	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 2011	138,632	75,418	(126,086)	(68,456)	19,508
Cost of share options (note 21)	–	11,902	–	–	11,902
Exercise of share options	–	–	(11,922)	–	(11,922)
Share issuance costs	(121)	–	–	–	(121)
Balance at 31 December 2011	138,511	87,320	(138,008)	(68,456)	19,367
Cost of share options (note 21)	–	9,408	–	–	9,408
Exercise of share options	–	–	(8,336)	–	(8,336)
Share issuance costs	(41)	–	–	–	(41)
Balance at 31 December 2012	**138,470**	**96,728**	**(146,344)**	**(68,456)**	**20,398**

Notes to the consolidated financial statements
31 December 2012

19. Share premium and capital reserves continued

Share premium
The share premium primarily includes the following transactions:

- premium on issuance of new shares at a price above their par value.
- the equity component recognised at the inception of the convertible bond and the premium resulting from the early redemption occurred in 2010.
- the expenses incurred in issuing new shares or acquiring own shares.
- gains or losses on the re-issuance of 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 2011	(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)
Currency translation differences	2,424	–	–	2,424
Transfers to income statement within "Personnel costs"	–	–	3,104	3,104
Transfers to income statement within "Software licensing revenue"	–	–	(1,873)	(1,873)
Transfers to deferred revenues	–	–	(638)	(638)
Net fair value gain	–	53	1,986	2,039
Balance at 31 December 2012	**(64,774)**	**(4)**	**(163)**	**(64,941)**

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:

	2012		2011	
	Number of shares options	**Weighted average exercise price**	Number of shares options	Weighted average exercise price
Outstanding at the beginning of the year	**1,385,170**	**$16.79**	1,516,439	$15.03
Granted during the year	**–**	**–**	135,963	$23.54
Forfeited during the year	**(195,608)**	**$24.99**	(85,661)	$8.93
Exercised during the year	**(101,500)**	**$4.20**	(181,571)	$10.88
Outstanding at the end of the year	**1,088,062**	**$16.56**	1,385,170	$16.79

1,043,701 of the outstanding options (2011: 1,029,054) were exercisable at the balance sheet date with a weighted average exercise price of USD 15.98 (2011: USD 13.77). The options exercised during the year had a weighted average share price at the time of exercise of USD 17.15 (2011: USD 29.24).

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 40% of the original grant subject also in certain cases to individual performance criteria. The vesting period for the unvested share appreciation rights ranges from three to four 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:

	2012		2011	
	Number of rights	**Weighted average exercise price**	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	**6,323,656**	**$20.50**	7,037,490	$22.05
Granted during the year	**6,964,376**	**$16.43**	2,539,780	$21.79
Forfeited during the year	**(3,173,293)**	**$22.54**	(2,448,269)	$27.01
Exercised during the year	**(176,988)**	**$10.81**	(805,345)	$18.56
Outstanding at the end of the year	**9,937,751**	**$17.17**	6,323,656	$20.50

2,256,097 of the outstanding share appreciation rights (2011: 1,670,793) were exercisable at the balance sheet date with a weighted average exercise price of USD 18.69 (2011: USD 16.36). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 17.87 (2011: USD 36.54).

As described above, in case of overachievement of earnings per share targets, certain share appreciation right grants may be increased by a maximum of 40% 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 (2011: nil). As at 31 December 2012 there were 7,113,132 remaining share appreciation rights (2011: 2,621,296) that may be subject to the overachievement provisions with a weighted average exercise price of USD 16.48 (2011: USD 24.08).

Business Review
Governance
Financial Statements

Notes to the consolidated financial statements
31 December 2012

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:

2012 **Exercise price**	**Number**	**Remaining contractual life (years)**
$1.42-$1.97	**13,300**	**0.48**
$6.00-$7.96	**191,900**	**1.48**
$8.52-$9.78	**461,929**	**3.80**
$10.03-$12.48	**564,405**	**5.54**
$14.98-$16.82	**6,904,732**	**9.55**
$17.32-$17.72	**777,182**	**8.90**
$19.03-$23.51	**464,646**	**6.69**
$24.00-$25.97	**1,267,417**	**6.64**
$26.55-$27.79	**345,940**	**6.01**
$31.56-$34.82	**34,362**	**8.31**
	11,025,813	

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	

Fair value of stock options and share appreciation rights
The fair value of options and share appreciation rights granted during the period 2012 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 5.19 (2011: USD 9.93). The significant inputs into the model were weighted average share price at grant date of USD 16.43 (2011: USD 21.44), weighted average exercise price of USD 16.43 (2011: USD 22.06), standard deviation of expected share price returns of 42.87% (2011: 40.97%), weighted average option lives of 5.91 years (2011: 5.76 years) and weighted average annual risk-free interest rate of 1.04% (2011: 1.67%). 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

	2012 Number of shares	2011 Number of shares
Outstanding at the beginning of the year	**1,239,294**	533,947
Granted during the year	**18,000**	1,154,197
Forfeited during the year	**(388,696)**	(23,850)
Exercised during the year	**(105,817)**	(425,000)
Outstanding at the end of the year	**762,781**	1,239,294

Loyalty shares

There were no grants of Loyalty shares in 2012 (2011: 27,667). 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 nil (2011: USD 14.66). None of the Loyalty shares were exercisable at the balance sheet date (2011: nil).

Performance shares

A grant of 18,000 (2011: 855,000) 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, certain performance share grants may be increased by a maximum of 40% of the original grant. The vesting period is a minimum of three 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 17.74 (2011: USD 15.98). None of the Performance shares were exercisable at the balance sheet date.

Restricted shares

There were no grants of Restricted shares in 2012 (2011: 255,000). 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 nil (2011: USD 24.75). There were no outstanding Restricted shares at the balance sheet date.

Other shares

There were no other share grants made in 2012 (2011: 16,530). 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 nil (2011: USD 32.62). There were 9,483 other restricted shares that were exercisable at the balance sheet date (2011: nil).

The total expense recorded in the income statement in respect of employee share options, share appreciation rights, performance, loyalty and other shares is USD 9,408 thousand (2011: USD 11,902 thousand).

Business Review
Governance
Financial Statements

Notes to the consolidated financial statements
31 December 2012

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 CODM considers the business from a product perspective and, therefore, recognises the reporting segments as: "Product" and "Services". 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 "Product" segment is primarily engaged in marketing and licensing the Group's software solutions, including software development fees for requested functionality, and the "Services" segment represents various implementation support such as consulting and training.

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 costs, share-based payment expenses, depreciation and amortisation, offices-related expenses, net finance costs and any other administrative or corporate overheads that cannot be directly attributable to the operating segments.

The "Product" and "Services" segments derive their revenue primarily from the licensing and maintenance of the Group's software solutions and from providing a wide range of supporting activities relating to the implementation of the Group's products, respectively.

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

	Product		Services		Total	
	2012 USD 000	2011 USD 000	**2012 USD 000**	2011 USD 000	**2012 USD 000**	2011 USD 000
Revenue	**326,794**	343,350	**123,415**	130,119	**450,209**	473,469
Operating contribution	**131,845**	93,122	**1,374**	7,450	**133,219**	100,572
Total assets (re-presented)	**170,335**	113,389	**108,774**	119,207	**279,109**	232,596

All revenue is derived from external customers. The Group has a large number of customers and 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 part of the allocated expenses. They are based on internal cost rates that excludes any profit margin.

Reconciliation to the Group's Financial Statement	**2012 USD 000**	2011 USD 000
Total operating contribution from the reportable segments	**133,219**	100,572
Depreciation and amortisation (note 25)	**(47,468)**	(46,773)
Unallocated expenses	**(37,636)**	(55,845)
Finance costs – net (note 26)	**(11,339)**	(14,031)
Profit/(loss) before taxation	**36,776**	(16,077)

Total assets	**2012 USD 000**	Re-presented 2011 USD 000
Total assets allocated to the reportable segments	**279,109**	232,596
Unallocated items:		
Trade and other receivables	**23,901**	74,241
Cash and cash equivalents	**117,734**	154,950
Other financial assets	**1,615**	4,272
Property, plant and equipment	**13,798**	13,210
Intangible assets	**436,124**	404,744
Deferred tax assets	**30,326**	33,814
Total assets per the balance sheet	**902,607**	917,827

Geographical Information

Revenue from external customers	2012 USD 000
Switzerland (country of the Group's domiciliation)	**23,691**
United Kingdom	**43,645**
Canada	**30,102**
Luxembourg	**25,759**
Other countries	**327,013**
Total	**450,209**

	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

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

Non-current assets other than financial instruments and deferred tax assets	2012 USD 000	Re-presented 2011 USD 000
Switzerland (country of the Group's domiciliation)	**83,477**	90,203
Luxembourg	**140,324**	129,091
United Kingdom	**76,541**	58,199
France	**75,065**	78,044
Other countries	**74,515**	62,417
Total	**449,922**	417,954

23. Personnel costs

	2012 USD 000	2011 USD 000
Wages and salaries	**192,791**	208,640
Termination benefits	**12,394**	5,312
Social charges	**24,961**	30,412
Defined contribution pension costs	**5,530**	5,097
Defined benefit pension costs (note 24)	**3,717**	3,612
Cost of employee share option scheme	**9,408**	11,902
	248,801	264,975

23. Personnel costs continued

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

	2012 USD 000	2011 USD 000
Key management personnel of TEMENOS Group AG		
– short-term cash compensation and benefits	**3,352**	2,939
– post-employment benefits	**547**	215
– termination benefits	**1,939**	–
– share-based payment	**5,908**	7,288
	11,746	10,442
Non-executive directors		
– short-term benefits	**429**	340

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

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 recognised based on the same methodology as used for defined benefit plans.

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:

	2012 USD 000	2011 USD 000
Present value of funded obligations	**(20,943)**	(20,237)
Fair value of plan assets	**21,832**	18,505
Surplus/(deficit) of funded plans	**889**	(1,732)
Present value of unfunded obligations	**(1,409)**	(1,144)
less:		
Unrecognised actuarial (gains)/losses	**(418)**	244
Unrecognised asset	**(1,693)**	(766)
Net liability in the balance sheet	**(2,631)**	(3,398)
Represented by:		
Accrued liabilities	**(4,079)**	(3,849)
Prepaid asset	**1,448**	451
Net liability in the balance sheet	**(2,631)**	(3,398)

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

	2012 USD 000	2011 USD 000
As at 1 January	**21,381**	26,839
Current service cost	**2,317**	2,720
Interest cost	**711**	814
Employee contributions	**1,588**	1,341
Actuarial losses	**788**	443
Settlements	**(3,375)**	–
Curtailments	**345**	529
Exchange differences	**496**	(1)
Benefits paid	**(1,899)**	(11,304)
As at 31 December	**22,352**	21,381

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

	2012 USD 000	2011 USD 000
As at 1 January	**18,505**	24,783
Expected return on plan assets	**627**	768
Settlements	**(3,375)**	–
Exchange differences	**473**	179
Employer contributions	**4,534**	3,020
Employee contributions	**1,588**	1,341
Benefits paid	**(1,899)**	(11,304)
Actuarial gains/(losses)	**1,379**	(282)
As at 31 December	**21,832**	18,505

The actual return on plan assets was positive USD 2,006 thousand (2011: positive USD 486 thousand).

The amounts recognised in the income statement are as follows:

	2012 USD 000	2011 USD 000
Current service cost	**2,317**	2,720
Interest cost	**711**	814
Expected return on plan assets	**(627)**	(768)
Amortisation of net gain	**(29)**	(17)
Loss on curtailment	**445**	488
Assets not recognised	**900**	375
Total costs included in personnel costs	**3,717**	3,612

Principal weighted average actuarial assumptions at the balance sheet date:

	2012	2011
Discount rate at 31 December	**2.73%**	3.24%
Expected rate of return on plan assets at 31 December	**3.03%**	2.86%

Notes to the consolidated financial statements
31 December 2012

24. Retirement benefit obligations continued

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

	2012	2011
Equity securities	**12%**	13%
Fixed income securities	**18%**	19%
Real estate	**9%**	17%
Insurance contracts	**50%**	50%
Other	**11%**	1%
	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 2013 are USD 1,863 thousand.

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	2012 USD 000	2011 USD 000	2010 USD 000	2009 USD 000	2008 USD 000
Present value of defined benefit obligation	**22,352**	21,381	26,839	11,845	8,634
Present value of plan assets	**21,832**	18,505	24,783	10,517	8,554
Deficit	**520**	2,876	2,056	1,328	80
Experience adjustments on plan liabilities	**(800)**	122	352	(12)	(71)
Experience adjustments on plan assets	**1,379**	(282)	38	467	(1,294)

25. Expenses by nature

	2012 USD 000	2011 USD 000
Third party licences and commissions	**11,813**	10,857
Personnel costs and external consultants	**285,521**	309,376
Depreciation and amortisation (note 10 and 11)	**47,468**	46,773
Travel expenses	**29,524**	38,158
Rent and other occupancy costs	**16,631**	28,762
Marketing and other professional costs	**21,306**	15,651
Other costs	**31,613**	64,437
Capitalised expenditure (note 11)	**(41,782)**	(38,499)
	402,094	475,515

26. Finance costs – net

	2012 USD 000	2011 USD 000
Finance income:		
– Interest income on short-term bank deposits	**248**	158
– Interest income on short-term investments	**18**	4
– Interest income on non-current trade and other trade receivables	**559**	313
– Foreign exchange gain, net	**6,760**	–
Total finance income	**7,585**	475

Finance costs:		
– Interest expense on obligations under finance leases	**(34)**	(116)
– Interest expense on non-current trade and other payables	**(10)**	(31)
– Interest expense on borrowings	**(6,783)**	(6,403)
– Other interest expense	**(175)**	(358)
– Fees related to the undrawn portion of the borrowing facility	**(814)**	(1,062)
– Other financing costs	**(842)**	(1,141)
– Fair value loss from financial instruments, net	**(10,266)**	(248)
– Foreign exchange loss, net	**–**	(5,147)
Total finance costs	**(18,924)**	(14,506)
Finance costs – net	**(11,339)**	(14,031)

27. 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.

	2012 USD 000	2011 USD 000
Profit/(loss) attributable to equity holders of the Company	**24,159**	(28,252)
Weighted average of ordinary shares outstanding during the year (in thousands)	**68,971**	69,290
Basic earnings per share (USD per share)	**0.35**	(0.41)

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 periods presented in this consolidated financial statements, the Group has only one category with a potential dilutive effect: "Share options".

For the period ended 31 December 2011, this category was anti-dilutive as the Group recognised a net loss. Therefore, diluted EPS was equal to the basic EPS.

For the period ended 31 December 2012, this category was fully dilutive.

	2012 USD 000	2011 USD 000
Profit/(loss) used to determine diluted earnings per share	**24,159**	(28,252)
Weighted average of ordinary shares outstanding during the year (in thousands)	**68,971**	69,290
Adjustments for:		
– Share options (in thousands)	**770**	–
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**69,741**	69,290
Diluted earnings per share (USD per share)	**0.35**	(0.41)

Notes to the consolidated financial statements
31 December 2012

28. 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 2012, operating lease payments recognised in the income statement relating to office premises amounted to USD 12.9 million (2011: USD 16.8 million) and operating lease payments recognised in the income statement relating to leased equipment were USD 1.2 million (2011: USD 2 million).

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

	2012 USD 000	2011 USD 000
No later than 1 year	**13,678**	17,124
Later than 1 year and no later than 5 years	**32,582**	33,298
Later than 5 years	**8,003**	13,018
Total	**54,263**	63,440

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.

Although an estimate of the future financial effects cannot be reliably estimated at the reporting date, it is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for in note 15.

29. 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.

There were no other large or significant transactions with related parties during the year ended 31 December 2012.

30. Events after the reporting period

A dividend in respect of the year ended 31 December 2012 of CHF 0.28 per share, amounting to a total dividend up to CHF 19,352 thousand, is to be proposed by the Board of Directors to the Annual General Meeting in May 2013.

31. 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 presentation of the Group's risk mitigation is presented in the governance section 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 financial statements of Temenos Group AG, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012.

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 2012 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	Francis Renaud Audit expert

Geneva, 22 March 2013

Unconsolidated balance sheet
As at 31 December 2012

	2012 CHF 000	2011 CHF 000
Assets		
Current assets		
Prepayments and other assets	**220**	165
Liquid funds	**934**	108
Total current assets	**1,154**	273
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	**859,091**	753,331
Receivable from other Group entities	**55,619**	42,544
Total non-current assets	**914,710**	795,875
Total assets	**915,864**	796,148
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**880**	686
Other liabilities	**854**	558
Tax payable	**683**	293
Total current liabilities	**2,417**	1,537
Non-current liabilities		
Payable to other Group entities	**43,919**	42,959
Total non-current liabilities	**43,919**	42,959
Shareholders' equity		
Share capital (note 3)	**360,116**	360,005
General legal reserve (note 4)	**5,164**	5,164
General reserve from capital contributions (note 4)	**216,326**	208,594
Reserve for Treasury shares from capital contributions (note 4)	**96,459**	104,191
Retained earnings (note 4)	**191,463**	73,698
Total shareholders' equity	**869,528**	751,652
Total shareholders' equity and liabilities	**915,864**	796,148

Unconsolidated income statement
For the year ended 31 December

	2012 CHF 000	2011 CHF 000
Income from investments in subsidiaries	**126,383**	726
Financial (expense)/income	**(10)**	2,711
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(8,289)**	(2,938)
Profit before taxation	**118,084**	499
Taxation	**(319)**	(498)
Profit of the year	**117,765**	1

Notes to the unconsolidated financial statements
31 December 2012

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 (operating company) 15,000 shares of a nominal value of CHF 500 each.	100%
TEMENOS Investments BV, Netherlands (holding company) 180 shares of a nominal value of EUR 100 each.	100%
TEMENOS Romania SRL, Romania (operating company) 100,000 shares of a nominal value of RON 1 each.	52%
TEMENOS Egypt LLC, Egypt (operating company) 2 shares of a nominal value of EGP 100 each.	50%
TEMENOS Luxembourg SA, Luxembourg (operating company) 47,250 shares of a nominal value of EUR 25 each.	100%
TEMENOS Finance Luxembourg SARL, Luxembourg (financing company) 37,500 shares of a nominal value of EUR 1 each.	100%
TEMENOS UK Limited, United Kingdom (holding and operating 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%
TEMENOS USA Inc., USA (operating company) 100 shares of a nominal value of USD 0.01 each.	100%
Quetzal Informatique SAS, France (operating company) 14,705 shares of a nominal value of EUR 16 each.	100%
TEMENOS Panama SA, Panama (dormant company) 100 shares of a nominal value of USD 100 each.	100%

3. Share capital

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

	2012 number	2011 number
Total number of TEMENOS Group AG shares issued, as at January 1	**72,000,930**	71,524,117
Shares issued and allotted on exercising of employee share options	**22,218**	476,813
Total number of TEMENOS Group AG shares issued, as at December 31	**72,023,148**	72,000,930

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	7,177,782
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, 2012 are as follows:

Massachusetts Mutual Life Insurance Company / Oppenheimer Funds Inc.	9.92%
Patinex AG	5.17%
Zadig Gestion (Luxembourg) SA	5.10%
Alken Luxembourg S.à.r.l	5.05%
ODDO & Cie	3.04%
Credit Suisse Funds AG	3.02%
UBS Fund Management (Switzerland) AG	3.02%
BlackRock, Inc.	3.02%
Aviva plc	3.01%

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 2011	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)	–
Share issued less related costs	–	–	–	–	–
Profit of the year	–	–	–	1	1
Balance at 31 December 2011	5,164	208,594	104,191	73,698	391,647
Appropriation of available earnings:					
– to General legal reserve	–	–	–	–	–
Reserve for Treasury shares from capital contributions	–	7,732	(7,732)	–	–
Transfer from "Retained Earning" to "General Reserve from Capital Contribution" as per 2012 Annual General Meeting ("AGM") resolution	–	–	–	–	–
Profit of the year	–	–	–	117,765	117,765
Balance at 31 December 2012	**5,164**	**216,326**	**96,459**	**191,463**	**509,412**

Notes to the unconsolidated financial statements
31 December 2012

5. Treasury Shares

TEMENOS Group AG holds through one of it subsidiary 2,911,562 shares at 31 December 2012 intended for resale or for allotting to members of the TEMENOS Employee Share Option Scheme at the time that they exercise their options (2011: 3,123,695).

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

Based on the approved and audited financial statements for the financial year 2012, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.28 per share, for a total amount up to CHF 19,351,976 (depending on the amount of treasury shares as of the ex-dividend date).

This distribution shall be declared out of the disposable amount of the General reserve from capital contributions as at 31 December 2012 taking the legal form of an ordinary dividend in cash. From a tax standpoint, this ordinary dividend constitutes a repayment of part of the general reserve from capital contributions.

As a result, the General reserve from capital contributions at 31 December 2012, amounting to CHF 216,325,678, will be reduced as follows:

Proposal of the Board of Directors	2012 CHF 000	2011 CHF 000
Reserves from capital contributions		
Balance before distribution	**216,326**	208,594
Repayment of general reserve from capital contributions	**(19,352)**	–
Balance after distribution	**196,974**	208,594
Retained earnings		
Retained earnings brought forward	**73,698**	94,774
Transfer to General reserve from capital contributions	**–**	(21,077)
Net income	**117,765**	1
Retained earnings available for appropriation	**191,463**	73,698
Appropriation to legal reserves	**(6,023)**	–
Retained earnings to be carried forward	**185,440**	73,698

Provided that the proposal of the Board of Directors is approved, the last trading day with entitlement to receive the dividend will be 27 May 2013. The shares will be traded ex-dividend as of 28 May 2013 (Ex date). The dividend record date will be set on 30 May 2013 (Record date). The dividend will be payable as of 31 May 2013 (Payment date).

TEMENOS treasury shares are not entitled to dividends.

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 31 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 54.

Summary Compensation Tables
The total of all compensation, in US dollars, earned in 2012 and 2011 by each member of the Board of Directors is shown below. The Long Term Incentive Plan (LTIP) Value in column seven represents the cost of awards to the company based on IFRS2 expense accounting, rather than the value received by the individual. Currently granted SARs will only start to have a value after EPS targets are achieved over the next three years which trigger vesting and when the stock price rises above the grant price.

Board of Directors

Name / Board Function	Fiscal year	Cash: Base salary	Cash: Annual bonus	All other compen-sation(1)	**Total cash compen-sation**	LTIP value	Total compen-sation
A. Andreades							
Executive Chairman from 11.07.2012							
Chairman 01.07.2011 to 10.07.2012	2012	599,274	–	117,465	**716,739**	3,752,500(2)	4,469,239
CEO 01.01.2011 to 30.06.2011	2011	814,713	–	113,462	**928,175**	2,455,000	3,383,175
C. Pavlou							
Vice Chairman from 11.07.2012	2012	93,279(5)	–	–	**93,279**	–	93,279
	2011	85,000	–	–	**85,000**	–	85,000
G. Koukis							
Member from 01.07.2011	2012	85,000	–	18,125	**103,125**	–	103,125
Chairman to 30.06.2011	2011	345,224	–	70,187	**415,410**	–	415,410
S. Giacoletto-Roggio							
Member from 13.06.2012	2012	52,432(6)	–	–	**52,432**	–	52,432
	2011	–	–	–	**–**	–	–
T. de Tersant							
Member from 13.06.2012	2012	55,191(7)	–	–	**55,191**	–	55,191
	2011	–	–	–	**–**	–	–
I. Cookson							
Member from 13.06.2012	2012	46,913	–	–	**46,913**	–	46,913
	2011	–	–	–	**–**	–	–
G. Dubois							
CEO from 01.07.2011 to 11.07.2012	2012	427,678	–	1,087,008(3)	**1,514,686**	462,300(4)	1,976,986
	2011	383,788	–	68,456	**452,244**	3,348,700(4)	3,800,943
P. Selway-Swift							
Vice-Chairman to 13.06.2012	2012	38,320	–	–	**38,320**	–	38,320
	2011	85,000	–	–	**85,000**	–	85,000
L.P. Rutherfurd							
Member to 13.06.2012	2012	38,320	–	–	**38,320**	–	38,320
	2011	85,000	–	–	**85,000**	–	85,000
M. Austen							
Member to 06.01.2012	2012	1,393	–	–	**1,393**	–	1,393
	2011	85,000	–	–	**85,000**	–	85,000

(1) All other Compensation includes life, medical, disability, accident insurances, pension and car allowance.

(2) Mr. Andreades' long term incentive plan compensation corresponds to the IFRS2 expense related to SARs awarded in 2010 to cover the 3 year 2010-2012 plan (USD 2,455,000) and in 2012 to cover the 2013 to 2015 strategic plan (USD 1,297,500). The valuation method, conditions and grant details are explained in note 21 in the consolidated financial statements. In the case of Mr. Andreades, this represents one third of the cost of his 2010 plan and 2 months for the 2013 three year plan; for the 2010 award to have any value, the stock price must increase by over 37% compared to the stock price as at 31 December 2012 as the grant price is USD 24 and for the 2012 three year award to vest, EPS targets must be achieved for 2013, 2014 and 2015. Should the 2013 to 2015 EPS targets not be achieved the 2012 award will not vest and therefore no compensation will be derived from this grant. The only portion of Mr. Andreades' compensation which is not at risk is therefore USD 716,739.

(3) This includes the payment on termination of employment, amounting to USD 812,988.

Notes to the unconsolidated financial statements
31 December 2012

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

(4) In the case of Mr. Dubois, who had a three year SAR plan, this represents one third of the cost apportioned for his period of employment. On joining Temenos Mr. Dubois had been 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 was subject to a change of control or Mr. Dubois' employment was terminated without cause by the Company before the vesting date the stock would vest immediately. The value of restricted stock which vested on Mr. Dubois' leaving Temenos was USD 1,537,234. All of the remainder of his stock awards (1,500,000 SARs, 160,000 performance shares and 80,000 Restricted Stock) lapsed when his employment ended.

(5) Mr. Pavlou's fees constitute a basic fee of USD 85,000 annually plus USD 15,000 annually for his duties as Vice-Chairman of the Company and Chairman of the Nomination Committee, the latter being prorated from 11 July 2012.

(6) Mr. Giacoletto-Roggio's fees constitute a basic fee of USD 85,000 annually plus USD 10,000 annually for his duties as Chairman of the Compensation Committee, both being prorated from 13 June 2012.

(7) Mr. de Tersant's fees constitute a basic fee of USD 85,000 annually plus USD 15,000 annually for his duties as Chairman of the Audit Committee, both being prorated from 13 June 2012.

The total of all compensation, in US dollars, earned in 2012 and 2011 by the named Executive Officers, excluding the Executive Chairman whose compensation is reported in the Summary Compensation Tables, is shown below.

Function	Fiscal year	Cash Base salary	Cash Annual Bonus	All other compen-sation(1)	**Total cash compen-sation**	LTIP value(2)	Total compen-sation
Named Executive Officers	2012	2,000,268	37,768	1,568,358(3)	**3,606,394**	5,890,648	9,497,042
	2011	1,213,494	–	216,910	**1,430,404**	6,854,472	8,284,876

(1) All other compensation includes life, medical, disability, accident insurances, accommodation, pension and car allowance and payments in respect of termination of employment.

(2) This corresponds to the IFRS2 expense related to any SARs, Restricted Stock & Performance Shares awarded in 2012 or 2011 respectively. Where awards are part of a three year plan, one third of the cost has been included. The valuation method, conditions and grant details are explained in note 21 in the consolidated financial statements.
On joining Temenos Mr. Rumpf was granted 37,500 Restricted Stock vesting on 15 December 2013 and 37,500 vesting on 30 November 2014, which have been recognised in part in the payments relating to his termination of employment; note 3 below. He was also granted 108,029 2012 SARs which have lapsed. These awards had been included in the 2011 expense.

(3) This includes USD 1,126,384 in respect of payments relating to termination of employment made to Mr. Rumpf, part of which includes recognition for the waiver of 75,000 Restricted Stock.

In the table above the named Executive Officers for 2012 are Mr. Arnott, Mr. Chuard, Mr. Cullinane, Mr. Loustau, Mr. Davis, Mr. Winterburn and Mr. Rumpf, who was the highest paid executive in the company. In 2011, the named Executive Officers were Mr. Arnott, Mr. Cullinane, Mr. Loustau and Mr. Rumpf, who joined the company on 1 December 2011. Mr. Andreades and Mr. 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.

Chief Executive Officers' Compensation

Function	Fiscal year	Cash Base salary	Cash Annual Bonus	All other compen-sation(1)	**Total cash compen-sation**	LTIP value(2)	Total compen-sation
D. Arnott							
CEO from 11.07.12	2012	522,559	–	41,690	**564,249**	1,816,500	2,380,749

(1) All other compensation includes life, medical, disability, accident insurances, accommodation, pension and car allowance and payments in respect of termination of employment.

(2) For the 2012 three year award to vest, EPS targets must be achieved for 2013, 2014 and 2015. Should the 2013 to 2015 EPS targets not be achieved the 2012 award will not vest and therefore no compensation will be derived from this grant.

Shareholdings and Equity Incentives
Independent Directors' shares

Name	Position	**31 December 2012 Shares**	31 December 2011 Shares
C. Pavlou	Member from 01.01.2012		
	Vice-Chairman from 13.06.2012	**50**	50
I. Cookson	Member	**4,750**	–
S. Giacoletto-Roggio	Member	**10,000**	–
T. de Tersant	Member	**3,000**	–

Executive Officers and non-independent Directors, shares and outstanding equity awards

31 December 2012

			SARs, Options and Performance Shares				
Name	Position	Shares	Grant year	Grant price USD	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares
A. Andreades	Executive Chairman	929,982	2010	24.00	750,000	–	–
			2012	16.32	–	750,000	–
G. Koukis	Member	115,111	2007 to 2009	12.48 to 24.55	110,355	–	–
D. Arnott	CEO	133,000	2008	12.48	6,915		
			2011 & 2012	17.45 & 16.32		1,076,431	100,000
M. Chuard	CFO	30,000	2007 to 2009	12.48 to 24.55	198,501		
			2011 & 2012	17.45 & 16.32		689,436	50,000
M. Cullinane	COO	–	2008	12.48	5,470		
			2011 & 2012	17.45 & 16.32		624,719	100,000
A. Loustau	CTO	24,373	2007 to 2009	12.48 to 27.79	342,220		
			2011 & 2012	17.45 & 16.32		467,344	100,000
M. Winterburn	Group Product Director	–	2011 & 2012	17.45 & 16.32	–	461,502	50,000
M. Davis	Global Head of Services	–	2009	24.55	1,214		
			2011 & 2012	17.45 & 16.32		186,501	20,000

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

31 December 2011

			SARs, Options and Performance/Restricted Shares				
Name	Position	Shares	Grant year	Grant price USD	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance/ Restricted Shares
A. Andreades	Chairman	929,982	2010	24.00	–	750,000	–
G. Koukis	Member	115,111	2007 to 2010	12.48 to 24.55	108,271	10,672	–
G. Dubois	CEO	5,000	2011	17.45 to 33.51	–	1,500,000	340,000
M. Cullinane	COO	–	2008 to 2011	12.48 to 24.55	–	430,188	100,000
D. Arnott	CFO	–	2008 to 2011	12.48 to 24.55	–	364,395	100,000
A. Loustau	CTO	24,373	2007 to 2011	12.48 to 27.79	337,459	40,229	100,000
B-M. Rumpf	GHSD	–	2011	17.45	–	108,029	75,000

No options and/or shares were held on 31 December 2012 and 2011 by related persons.

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. The 2013-2015 SARs plan awarded 4,154,999 SARs at a grant price of USD 16.32 and grant date of 31 October 2012, and 550,000 SARs at a grant price of USD 22.40 and a grant date of 4 March 2013. Vesting of the 2013-2015 SAR awards is subject to active employment to the end of the vesting period and achievement of annual and cumulative EPS targets for the years 2013 to 2015 inclusive. If the cumulative diluted EPS is below 85% of target, the respective SARs grant will be forfeited. For achievement between 85% target 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 4,154,999 SARs had been granted to the named executive officers serving at 31 December 2012 (as identified in the Compensation Report).

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or cumulative target	March 2016	Annual & cumulative EPS targets
if compensating for a one or two year miss		2013 USD 1.19
50% on achievement of cumulative target		2014 USD 1.44
		2015 USD 1.73
		Cumulative USD 4.36

2. The 2012 SARs plan, granted in November 2011, has a grant price of USD 17.45, with vesting subject to active employment to the end of the vesting period 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, the respective SARs grant will be forfeited. For achievement between 80% target 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 100,934 SARs had been granted to the named executive officers at 31st December 2012 (as identified in the Compensation Report).

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

3. 420,000 2012 Performance Shares, granted in November 2011, the vesting of which is subject to active employment to the end of the vesting period 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, the respective Performance Shares will be forfeited. For achievement between 80% of target 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 cumulative target	February 2015	Annual & cumulative EPS targets
50% on achievement of cumulative target		2012 USD 1.14
		2013 USD 1.37
		2014 USD 1.80
		Cumulative USD 4.31

4. Under the 2010 SAR Plan granted in December 2009, there are 29,789 SARs that vested in March 2011, with the remainder having lapsed due to the cumulative EPS target not being achieved.

5. Under the 2009 SAR plan granted in December 2008, there are 131,136 SARs that vested by March 2012; this represented 71.3% of the award, the remainder having lapsed as the target performance conditions had not been achieved.

6. 750,000 SARs under the 2010-2012 CEO plan for Mr. Andreades which have now vested.

7. The 2011 figures include 300,000 SARs under the 2010-2012 CFO SAR Plan for Mr. Arnott and 400,000 SARs under the 2010-2012 COO plan for Mr. Cullinane which have lapsed as the EPS targets were not achieved.

Loans granted to members of governing bodies

As of 31 December 2012, the Company has no outstanding loans to members of the Board of Directors and Executive Committee. No loans were granted to persons related to the latter.

Financial highlights
In millions of US dollars except earnings per share

	2012	Re-presented 2011	2010	2009	2008
Revenues	**450.2**	473.5	448.0	370.3	406.9
Operating expenses	**402.1**	475.5	374.3	290.1	343.0
Operating (loss)/profit	**48.1**	(2.0)	73.7	80.2	63.9
Profit/(Loss) before taxation	**36.8**	(16.1)	61.8	68.8	63.3
Net profit/(loss) after tax	**24.2**	(28.3)	61.4	68.5	65.2
EBITDA	**95.6**	44.7	113.6	110.3	87.8
Diluted earnings per share (in USD)	**0.35**	(0.41)	0.93	1.07	1.02
Cash generated from operations	**97.7**	102.0	125.8	117.9	56.2
Current assets	**380.7**	416.7	490.7	444.4	365.1
Non-current assets	**521.9**	501.1	495.3	364.7	254.9
Total assets	**902.6**	917.8	986.0	809.1	620.0
Current liabilities (excluding deferred revenues)	**142.0**	165.5	227.1	130.3	134.6
Deferred revenues	**156.7**	142.7	156.2	118.6	84.6
Total current liabilities	**298.7**	308.2	383.3	248.9	219.2
Non-current liabilities	**217.1**	261.4	110.0	259.2	196.2
Total liabilities	**515.8**	569.6	493.3	508.1	415.4
Total equity	**386.8**	348.2	492.7	301.0	204.6
Total equity and liabilities	**902.6**	917.8	986.0	809.1	620.0

Information for investors

Capital structure

The registered share capital is divided into 72,023,148 shares on issue with a par value of CHF 5.

Appropriation of profits

Temenos expects to pay a dividend in 2013.

Register of shareholders

SIX SAG AG
Share Register
Baslerstrasse 90
Postfach
CH-4601 Olten
Switzerland
www.six-securities-services.com

Investor relations

Andrew Smith
Head of Investor Relations

Max Chuard
Chief Financial Officer

2, Rue de l'Ecole-de-Chimie
1205 Geneva
Switzerland

Phone: +41 (0) 22 708 1150
Fax: +41 (0) 22 708 1160
E-mail: TemenosIR@temenos.com

Annual general meeting

24 May 2013

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2012
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 31.12.2012	72,023,148
Number of registered shares at 31.12.2012	72,000,930
Market price high/low	20.00/9.96
Market Price 31.12.2011	15.40
Market Price 31.12.2012	16.00
Market Capitalisation high/low (CHF m)*	1,440/717
Share capital nominal value at 31.12.2012 (CHF m)	360

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

Key figures per share	2012
Basic earnings per share (USD)	0.35
Diluted earnings per share (USD)	0.35
Adjusted earnings per share (USD)	0.88
Consolidated shareholders' equity (USD m)	386.8
Consolidated shareholders' equity per share (USD)	5.37

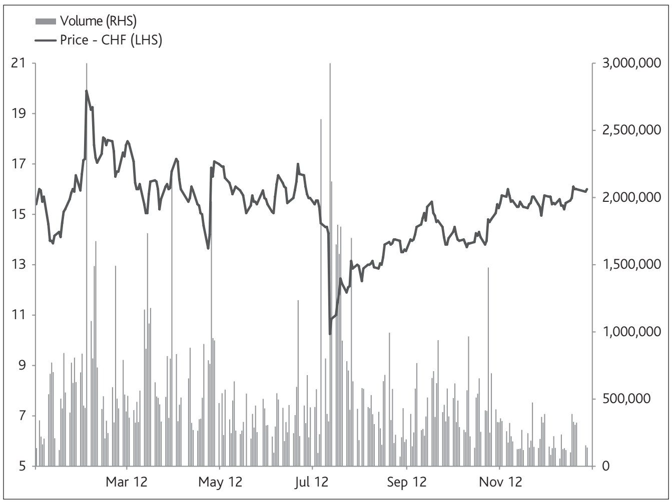
Major shareholders of Temenos Group AG* (27.03.2013)

Name	Number of shares	Percentage of the share capital
Massachusetts Mutual Life Insurance Company / Oppenheimer Funds Inc.	7,660,396	10.64%
Patinex AG	3,722,992	5.17%
Alken Luxembourg S.à.r.l	3,638,595	5.05%
Zadig Gestion (Luxembourg) SA	3,129,000	4.34%
ODDO & Cie	2,189,949	3.04%
Credit Suisse Funds AG	2,177,404	3.02%
UBS Fund Management (Switzerland) AG	2,176,515	3.02%
BlackRock, Inc.	2,174,244	3.02%
Aviva plc	2,170,741	3.01%

Please refer to page 46 for the status as of 31.12.2012

* By holding Temenos Group AG registered shares and on the basis of TEMENOS Group AG registered capital of 72,023,148 shares.

Development of the Temenos share price



Temenos worldwide
Offices

The following list is as of 13 March 2013 so for any updated information please visit our website: www.temenos.com/contact-us

Americas

Canada

Toronto
Temenos Canada Inc.
2425 Matheson Blvd. East, 4th Floor
Mississauga, Ontario
L4W 5K4
Canada
Tel: +1 905 214 7600
Fax: +1 905 214 7699

Vancouver
Temenos Software Canada Ltd
13450 102nd Avenue
Suite 1170
Surrey, BC V3T5X3
Canada
Tel: +1 604 501 0331

Costa Rica

San Jose
Temenos Costa Rica S.A.
Sabana Norte
Avenida 5, calles 42 y 44
Edificio Nueva #4260, Segundo Piso
San José
Costa Rica
Tel: +506 2543-1200

Ecuador

Quito
Temenos Ecuador SA
Orellana 500
Calle Orellana 1349
Benalcázar, Quito
Ecuador
Tel: +593 2-400-8400
Fax: +593 2-400-8401

Mexico

Mexico City
Temenos Mexico SA DE CV
Paseo de la Reforma No.505
Piso 15 Oficina 15D
Colonia Cuauhtemoc
Mexico, D.F. 06500
Mexico
Tel: +52 55 3601 4400
Fax: +52 55 3601 4401

USA

Birmingham
Trinovus Systems, LLC
850 Corporate Parkway
Suite 118
Birmingham, AL 35242
USA
Tel: +1 205 991 5636
Fax: +1 205 991 5633

Houston
Financial Objects Inc.
1500 City West Blvd.
Suite 525, Houston
Texas 77042
USA
Tel: +1 713 520 5770
Fax: +1 713 520 6088

Lubbock
Trinovus Systems, LLC
2811 S Loop 289, Suite 17
Lubbock, TX 79423
USA
Tel: +1 806 748 4200
Fax: +1 806 748 9696

Miami
Temenos USA Inc.
200 South Biscayne Blvd
Suite 910
Miami, FL 33131
USA
Tel: +1 305 704 5100
Fax: +1 305 704 5101

New York
Temenos USA Inc.
Temenos Solutions USA Inc.
5 Hanover Square
New York, NY 10004
USA
Tel: +1 646 472 8000
Fax: +1 646 472 0303

Orlando
Temenos USA, Inc.
300 Primera Boulevard
Suite 132
Lake Mary, FL 32746
USA
Tel: +1 407 732 5200
Fax: +1 407 732 5201

Middle East/Africa

Egypt

Cairo
Temenos Egypt LLC
16, El Khartoum Str.
Heliopolis, Cairo
Egypt
Tel: +2 02 2414 3886

Kenya

Nairobi
Temenos East Africa Ltd
Purshottam Place, 7th Floor
Regus Office Park
Westlands Road
Westlands
Nairobi
Kenya
Tel: +254 20 360 1900

Lebanon
Beirut
Temenos Middle East Ltd
(Lebanon Branch)
Monte Libano Center 11th Floor
Jdeidet El Metn
Beirut
Lebanon
Tel: +961 3 876 287
Fax: +961 1 878 653

Morocco
Casablanca
Temenos North Africa LLC
Espace Porte D'anfa
17, rue Bab El Mansour
Escalier B, 1er étage
20 000 Casablanca
Morocco
Tel: +212 522 94 08 32
Fax: +212 522 94 08 47

Saudi Arabia
Riyadh
Temenos Middle East Ltd
(Saudi Arabia Branch)
Office No. 203
Cerecon Building no.12
Ollaya
P.O. Box 250821, Riyadh 11391
Kingdom of Saudi Arabia
Tel: +966 1 215 0267/ 0511
Fax: +966 1 416 2898

South Africa
Johannesburg
Temenos Africa (PTY) Ltd
1st Floor, (Offices 48,53,55,57)
Palazzo Towers West
Montecasino
William Nicol Drive
Fourways
2086 Johannesburg
Republic of South Africa
Tel: +27 11 510 0141
Fax: +27 11 510 0341

United Arab Emirates
Dubai
Temenos Middle East Ltd
(U.A.E. Branch)
Dubai Internet City
Samsung Building, EIB-03, Office # G-01,
P O Box 500060
Dubai
United Arab Emirates
Tel: +971 4 391 3100
Fax: +971 4 391 3117

Europe

Belgium
La Hulpe
Temenos Belgium SA
Parc du Nysdam
Avenue Reine Astrid 92
1310 La Hulpe
Belgium
Tel: +32 2 725 25 99

Czech Republic
Prague
Financial Objects International Ltd
(Czech Republic Branch)
Zitna 1578/52
Prague 2
120 00
Czech Republic
Tel: +420 2 228 74215
Fax: +420 2 2232 7204

France
Montpellier
Viveo France SAS
Immeuble Optimum
450 rue Baden Powell
34000 Montpellier
France
Tel: +33 4 67 15 88 31

Nantes
Viveo France SAS
CA Nantes Gare
Immeuble Skyline
22, Mail Pablo Picasso
44000 Nantes
France
Tel: +33 2 40 95 36 74

Paris
Temenos France SAS
Viveo France SAS
251 Boulevard Pereire
75017 Paris
France
Tel: +33 1 44 09 55 00
Fax: +33 1 44 09 55 99

Germany
Frankfurt
Temenos Deutschland GmbH
Walther-von-Cronberg-Platz 2, Colosseo
60594 Frankfurt am Main
Germany
Tel: +49 696 65 37 0
Fax: +49 696 65 37 100

Grosswallstadt
Actis BSP Germany GmbH
Einsteinstraße 2
63868 Großwallstadt
Germany
Tel: +49 69 66537 0
Fax: +49 69 66537 4200

Greece
Athens
Temenos Hellas SA
L. Syngrou & Amfitheas 2
N. Smirni 17122
Athens
Greece
Tel: +30 211 1094 600
Fax: +30 210 6855 702

Kazakhstan
Almaty
Temenos Kazakhstan LLP
Office # 703, 7th floor,
Business Centre "Old Square"
98, Panfilov Street
050000 Almaty
Republic of Kazakhstan
Tel: +7 7272 44-69-21
Fax: +7 7272 44-69-22

Luxembourg
Luxembourg
Temenos Luxembourg SA
Odyssey Financial Technologies S.A.
39 rue du Puits Romain
L-8070 Bertrange
Luxembourg
Tel: +352 42 60 801
Fax: +352 42 91 92

Netherlands
Amsterdam
Temenos Holland B.V.
"World Trade Center", Tower B
Strawinskylaan, 1-1997
1077 XX Amsterdam
Tel: +31 20 3445 010
Fax: +31 20-3445029

Romania
Bucharest
Temenos Romania SRL
Viveo Romania SRL
319 Splaiul Independentei, Sema Park
Courtyard 1, Wing C, Ground floor and 3rd floor
6th District
Bucharest, 060044
Romania
Tel: +40 31 710 22 64 / 66
Fax: +40 31 710 88 82

Russia
Moscow
Temenos Middle East Ltd
(Russia Branch)
9 Zemlyanoi Val str, 4th floor
Office 4041
Moscow 105064
Russian Federation
Tel: +7 495 411 50 50
Fax: +7 495 287 13 20

Temenos worldwide
Offices

Spain
Madrid
Temenos Hispania SL
c/ Cronos, 63. 4º-4
28037 Madrid
Spain
Tel: +34 91 343 20 99
Fax: +34 91 344 70 51

Switzerland
Geneva
Temenos Headquarters SA
2 rue de l'Ecole-de-Chimie
1205 Geneva
Switzerland
Tel: +41 22 708 11 50
Fax: +41 22 708 11 60

Lausanne
Odyssey Financial Technologies S.A., Renens Branch
Chemin des Baumettes 23
1020 Renens
Switzerland
Tel: +41 21 310 00 00
Fax: +41 21 310 00 99

Turkey
Istanbul
Temenos Eurasia Banka Yasilimlari Limited Sirketi
Astoria A Tower, 10th Floor
Büyükdere Cad. No: 127, Esentepe
34394 Istanbul
Turkey
Tel: +90 212 340 7600
Fax: +90 212 340 7601

United Kingdom
Berkshire
Lydian Associates Ltd
5 Milbanke Court
Milbanke Way
Bracknell
Berkshire RG12 1RP
United Kingdom
Tel: +44 1344 868 636
Fax: +44 1488 685160

Edge IPK Ltd
3 Station Yard
Station Road
Hungerford
Berkshire RG17 0DY
United Kingdom
Tel: +44 1635 231231
Fax: +44 1488 685160

Birmingham
Financial Objects Ltd
Fountain House
Great Cornbow
Halesowen
West Midlands B63 3BL
United Kingdom
Tel: +44 (0)121 550 9222
Fax: +44 (0)121 550 0722

Hemel Hempstead
Temenos UK Ltd
2 Peoplebuilding
Maylands Avenue
Hemel Hempstead
Herts HP2 4NW
United Kingdom
Tel: +44 1442 431000
Tel: +44 2074 233700
Fax: +44 1442 431001

London
Temenos UK Ltd
71 Fenchurch Street (5th floor and 12th floor)
London EC3M 4TD
United Kingdom
Tel: +44 20 7423 3700
Fax: +44 20 7423 3800

Newcastle Upon Tyne
Financial Objects Ltd
Bede House
All Saints Business Centre
Newcastle Upon Tyne NE1 2ES
United Kingdom
Tel: +44 (0)191 245 2000
Fax: +44 (0)191 245 2001

Asia Pacific

Australia
Sydney
Temenos Australia (Pty) Ltd
Level 20, Tower 2,
201 Sussex Street
Sydney NSW 2000
Australia
Tel: +61 2 900 63314
Fax: +61 2 900 61010

Bangladesh
Dhaka
Suite # 7D
Saiham Sky View Tower (7th floor)
45, Bijoynagar, Dhaka-1000
Bangladesh
Tel: +880 283 914 86

China
Shanghai
Temenos Software Shanghai Co. Ltd
Suite 1008, Hong Jia Tower
No.388, Fushan Road
Pudong new District
Shanghai, 200122
China
Tel: +86 21 60871380
Fax: + 86 21 60871378

Hong Kong
Temenos Hong Kong LTD
2109 -10 Dah Sing Financial Center
108 Gloucester Road
Wanchai
Hong Kong
People's Republic of China (P.R.C)
Tel: +852 2866 2562
Fax: +852 2528 0345

India
Bangalore
Temenos India Private Ltd
IBC Knowledge Park
Block D, 3rd Floor
4/1, Bannergatta Road
Near Dairy circle
Bangalore 560029
India
Tel: +91 80 41376000
Fax: +91 80 41121221

Chennai
Temenos India Private Ltd.
146 Sterling Road
Nungambakkam
Chennai 600 034
India
Tel: +91 44 2822 2001
Fax: +91 44 2822 2099

Chennai
Temenos India Private Ltd.
(Perungudi Branch)
KG 360°- IT Business Park; Second Floor
Plot N° 41, N° 232/1,
Dr. MGR Salai, North Veeranam Salai,
OMR Bypass Road, Perungudi,
Chennai 600 096
India
Tel: +91 44 6623 3000
Fax: +91 44 6223 3001

Mumbai
Temenos India Private Ltd.
(Mumbai branch)
304, Vinayak Chambers
4th Raod Khar (West)
Mumbai 400052
India
Tel: +91 22 2605 4543

New Delhi
Temenos India Private Ltd
Stellar Edge, Stellar IT park
Fourth Floor, Annexe tower
C-25, Sec-62
Noida 201309
India
Tel: +91 120 4186 700/6718 900
Fax: +91 120 4186 701

Indonesia
Jakarta
Temenos Singapore Pte Ltd (Representative Office)
Indonesia Stock Exchange Tower 1,
15th Fl, Suite 1507
Jl.Jend Sudirman kav 52-53
Jakarta 12190
Indonesia
Tel: 62-21-51400382
Fax: 62-21-51400383

Japan
Tokyo
Temenos Japan KK
9F Shinnisseki Building
3-4-2 Marunouchi, Chiyoda-ku
Tokyo 100-0005
Japan
Tel: +81 3 5219 0655
Fax: +81 3 5219 0659

Malaysia
Kuala Lumpur
Temenos Malaysia SDN BHD
Level 20 Menara Standard Chartered
30 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel: +60 3 2117 5335
Fax: +60 3 2117 5334

Pakistan
Karachi
Office No.408, Fourth Floor
Parsa Tower, Block 6 PECHS
Sharah-e-Faisal, Karachi
Pakistan
Tel: +92 21 3415 0801
Fax: +92 21 3415 0803

Philippines
Manila
Temenos Philippines Inc.
Philamlife Makati, Office 11
8767 Paseo de Roxas
Makati City Metro Manila, 1226
Philippines

Singapore
Singapore
Temenos Singapore Pte Ltd
61 Robinson Road
#20-01 Robinson Centre
068893 Singapore
Singapore
Tel: +65-6511 6388
Fax: +65-6538 0818

Taiwan
Taipei
Temenos Singapore PTE LTD (Taiwan Branch)
Suite 1611, 16F, No. 89,
Songren Road,
Xinyi District
11073 Taipei
Taiwan, POC
Tel: +886-2-7718-8688
Fax: +886-2-7718-8666

Thailand
Bangkok
Temenos (Thailand) LTD
Bubhajit Building, 11th Floor
20 North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +662 236 9391
Fax: +662 236 9394

Vietnam
Hanoi
Temenos Singapore Pte Ltd
(Vietnam Representative Office)
11th FL, 14 Lang Ha Str.,
Ba Dinh Dist., Hanoi
Vietnam
Tel: +844 772 4328 /4327/4326
Fax: +844 772 4329

Notes

Design and Production
www.carrkamasa.co.uk

ckd

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

MIX
Paper from responsible sources
FSC® C016713
www.fsc.org

Temenos Headquarters SA

2 Rue de L'Ecole-de-Chimie
CH-1205 Geneva
Switzerland
Tel: +41 22 708 1150
Fax: +41 22 708 1160
www.temenos.com

TEMENOS Group AG Full Q1 2013 Results (compared to 2012) Press Release

(This page has been left blank intentionally.)

Temenos delivers solid Q1 results across all metrics and reaffirms full year guidance

GENEVA, Switzerland, 23 April 2013 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its first quarter 2013 results.

	Non-IFRS				IFRS			
USDm, except EPS	**Q1 2013**	**Q1 2012**	**Change**	**LFL***	**Q1 2013**	**Q1 2012**	**Change**	**LFL***
Software licencing	24.5	23.5	4%	5%	24.5	23.5	4%	5%
Maintenance	51.0	48.5	5%	4%	51.0	48.5	5%	4%
Services	28.1	28.4	-1%	-2%	28.1	28.4	-1%	-2%
Total revenues	**103.6**	**100.3**	**3%**	**2%**	**103.6**	**100.3**	**3%**	**2%**
EBIT	**13.5**	**6.3**	**115%**		**8.2**	**(5.3)**	**NA**	
EBIT margin	13.0%	6.2%	6.7% pts		7.9%	NA	NA	
EPS (USD)	**0.13**	**0.00**	**NA**		**0.05**	**(0.17)**	**NA**	

A full reconciliation of IFRS to non-IFRS results can be found in Appendix II

** Like-for-like (LFL) excludes contributions from acquisitions and adjusts for movements in currencies*

*** Earnings before interest, tax, depreciation and amortisation (EBITDA) into cash generated from operations*

- Solid Q1 results across all key performance indicators
- Like-for-like licence growth of 5% (4% reported), the second consecutive quarter of growth
- Non-IFRS costs down 4% (IFRS costs down 10%) with non-IFRS EBIT margin up 7% pts
- Non-IFRS EBIT more than doubled with IFRS EBIT moving from a loss of USD 5.3m to a profit of USD 8.2m
- Cash conversion** of 111% in the twelve months ending March 2013
- Acquisition of TriNovus to accelerate US growth and enter US SaaS market
- American Depository Receipt commenced trading today under the symbol TMSNY
- Refinancing and bond issue completed to lock-in flexible, low cost, long term funding
- On track to deliver reaffirmed 2013 guidance

Commenting on the results, Temenos CEO David Arnott said:

“The actions we took in the second half of 2012, in particular refocusing the organisation around a new strategic plan and reducing costs, are paying off. Licence revenues are growing again thanks to our multi-product approach, which is not only resulting in higher sales in Private Wealth Management, Channels and Business Analytics, but is also making our core banking proposition more attractive and helping to underpin further market share gains.

The combination of a rising top line with a materially and sustainably lower cost base is enabling us to deliver very significant growth in profitability, with profits doubling in the quarter on a non-IFRS basis. What is more, with the acquisition of TriNovus we have established a platform to accelerate growth in the US, the world’s largest market for financial services software spend. Taking all of these things together, I am confident that we have the strategy and team to deliver on our financial commitments for the full year and beyond.”

Revenue

Both IFRS and non-IFRS revenue for the quarter was USD 103.6m, up from USD 100.3m in Q1 last year, representing an increase of 3%. Licence revenue for the quarter was USD 24.5m, 4% higher than in the same period in 2012.

EBIT

Non-IFRS EBIT was USD 13.5m in Q1, 115% higher than in Q1 2012, with a non-IFRS EBIT margin in Q1 of 13%, up 7% points on 2012. IFRS EBIT moved from a loss of USD 5.3m in Q1 2012 to a profit of USD 8.2m in Q1 2013.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.13 in the quarter, compared to USD 0.00 in the prior year. For the twelve months to March 2013, non-IFRS EPS was USD 1.01, up 22% on the previous 12 months. IFRS EPS for the quarter moved from a loss of USD 0.17 per share to a profit of USD 0.05 per share.

Pre-tax operating cash

Operating cash was an inflow of USD 8.0m in Q1 2013 compared to an outflow of USD 14.4m in Q1 2012. For the twelve months to March 2013, operating cash was USD 120.1m representing a 111% conversion of EBITDA into operating cash.

2013 guidance

Our guidance for 2013 (post the acquisition of TriNovus) on a non-IFRS basis is:

- Total non-IFRS revenue growth of 4.5% to 7.5% (implying non-IFRS revenue of USD 469m to USD 482m)*
- Licence growth of 5% to 10% (implying Licence revenue of USD 131m to USD 137m)*
- Non-IFRS cost base of USD 368m reaffirmed with non-IFRS EBIT margin of 21.7% to 23.2% (implying non-IFRS EBIT of USD 102m to USD 112m)*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

** Based on the currency assumptions set out below*

Conference call

At 17.30 BST / 18.30 CET / 12.30 EST, today, 23 April 2013, David Arnott, CEO, and Max Chuard, CFO, will host a conference call to present the results and offer an update on the business outlook. Listeners can access the conference call using the following dial in numbers:

+44 (0)1452 569 335	(UK and International)
0808 238 0673	(UK Free Call)
0445 804 038	(Swiss Local Call)
0800 650 052	(Swiss Free Call)
+1 866 655 1591	(USA Free Call)

Conference ID # 36784453

A transcript will be made available on the Company website 48 hours after the call. Presentation slides for the call can be accessed using the following link: http://www.temenos.com/investor-relations/results-and-presentations/

Currency assumptions for 2013 guidance

In preparing the 2013 guidance, the Company has taken the actual Q1 2013 results and for the remainder of 2013 assumed the following (with comparisons as at the announcement of the Q4 and FY 2012 results):

- USD to Euro exchange rate of 0.780 (from 0.778);
- USD to GBP exchange rate of 0.658 (from 0.631); and
- USD to CHF exchange rate of 0.950 (from 0.938).

Non-IFRS financial Information

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. In the reconciliation of IFRS to non-IFRS found in Appendix II, the Company sets forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information. The Company's non-IFRS figures exclude any deferred revenue write-down resulting from acquisitions, discontinued activities that do not qualify as such under IFRS, acquisition related charges such as advisory fees and integration costs, charges as a result of the amortisation of acquired intangibles, costs incurred in connection with a restructuring plan implemented and controlled by management, and adjustments made to reflect the associated tax charge relating to the above items.

Press and Investor contacts

Investors
Andrew Smith
Head of Investor Relations, Temenos
Tel: +44 (0) 207 423 3713
Email: asmith@temenos.com

Media
James Macey White / David Shriver
Tulchan Communications
Tel: +44 (0) 207 353 4200
Email: temenos@tulchangroup.com

About Temenos

Founded in 1993 and listed on the Swiss Stock Exchange (SIX: TEMN), Temenos Group AG is the market leading provider of banking software systems to retail, corporate, universal, private, Islamic, microfinance and community banks, wealth managers, and other financial institutions. Headquartered in Geneva with more than 59 offices worldwide, Temenos software is proven in over 1,500 customer deployments in more than 125 countries across the world. Temenos' products provide advanced technology and rich functionality, incorporating best practice processes that leverage Temenos' expertise around the globe. Temenos customers are proven to be more profitable than their peers: in the period 2008-2010, Temenos customers enjoyed on average a 30% higher return on assets, a 46% higher return on capital and an 8.5 percentage point lower cost/income ratio than banks running legacy applications. For more information please visit www.temenos.com

Appendix I – Q1 2013 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2013	Three months to 31 March 2012	**Twelve months to 31 March 2013**	Twelve months to 31 March 2012
Revenues				
Software licensing	**24,474**	23,460	**126,155**	141,436
Maintenance	**50,996**	48,514	**204,134**	197,013
Services	**28,144**	28,373	**123,186**	132,224
Total revenues	**103,614**	100,347	**453,475**	470,673
Operating expenses				
Sales and marketing	**25,128**	20,010	**95,829**	134,009
Services	**32,226**	37,262	**137,497**	145,753
Software development and maintenance	**23,197**	26,238	**95,313**	113,496
General and administrative	**14,871**	22,153	**63,213**	75,309
Total operating expenses	**95,422**	105,663	**391,852**	468,567
Operating profit/(loss)	**8,192**	(5,316)	**61,623**	2,106
Other expenses				
Net interest expenses	**(1,151)**	(1,561)	**(5,512)**	(6,894)
Borrowing facility expenses	**(403)**	(476)	**(1,836)**	(2,055)
Foreign exchange loss	**(618)**	(1,906)	**(2,220)**	(7,727)
Total other expenses	**(2,172)**	(3,943)	**(9,568)**	(16,676)
Profit/(loss) before taxation	**6,020**	(9,259)	**52,055**	(14,570)
Taxation	**(2,339)**	(2,148)	**(12,808)**	(14,198)
Profit/(loss) for the period	**3,681**	(11,407)	**39,247**	(28,768)
Attributable to:				
Equity holders of the Company	**3,681**	(11,407)	**39,247**	(28,782)
Non-controlling interest	**-**	-	**-**	14
	3,681	(11,407)	**39,247**	(28,768)
Earnings per share (in US$):				
basic	**0.05**	(0.17)	**0.57**	(0.42)
diluted	**0.05**	(0.17)	**0.56**	(0.42)

TEMENOS
The Banking Software Company

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2013	31 December 2012	31 March 2012
Assets			
Current assets			
Cash and cash equivalents	92,785	117,734	68,120
Trade receivables	233,219	239,709	239,039
Other receivables	31,134	23,287	35,901
Total current assets	357,138	380,730	343,060
Non-current assets			
Property, plant and equipment	14,145	13,798	13,547
Intangible assets	446,916	436,124	414,540
Trade receivables	35,250	39,400	40,818
Other receivables	2,337	2,229	3,018
Deferred tax assets	28,356	30,326	32,387
Total non-current assets	527,004	521,877	504,310
Total assets	884,142	902,607	847,370
Liabilities and equity			
Current liabilities			
Trade and other payables	100,138	119,300	110,768
Deferred revenues	160,858	156,742	151,868
Income tax liabilities	9,681	11,916	14,094
Borrowings	10,380	10,735	10,798
Total current liabilities	281,057	298,693	287,528
Non-current liabilities			
Borrowings	200,285	203,625	192,842
Deferred tax liabilities	5,359	6,318	7,531
Income taxes payable	1,593	1,544	1,544
Trade and other payables	1,598	1,591	4,154
Retirement benefit obligations	4,374	4,079	4,043
Total non-current liabilities	213,209	217,157	210,114
Total liabilities	494,266	515,850	497,642
Shareholders' equity			
Share capital	239,798	239,798	239,798
Treasury shares	(87,696)	(105,264)	(113,473)
Share premium	15,342	20,398	22,037
Fair value and other reserves	(78,015)	(64,941)	(59,834)
Retained earnings	300,447	296,766	261,200
Total shareholders' equity	389,876	386,757	349,728
Non-controlling interest	-	-	-
Total equity	389,876	386,757	349,728
Total liabilities and equity	884,142	902,607	847,370

TEMENOS
The Banking Software Company

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2013	Three months to 31 March 2012	**Twelve months to 31 March 2013**	Twelve months to 31 March 2012
Cash flows from operating activities				
Profit/(loss) before taxation	**6,020**	(9,259)	**52,055**	(14,570)
Adjustments:				
Depreciation and amortisation	**10,828**	11,918	**46,379**	47,190
Other non-cash items	**2,775**	7,692	**16,145**	23,074
Changes in working capital:				
Trade and other receivables	**1,089**	(1,683)	**4,135**	22,468
Trade and other payables	**(19,000)**	(27,592)	**(11,862)**	7,741
Deferred revenues	**6,299**	4,490	**13,290**	20,625
Cash generated from operations	**8,011**	(14,434)	**120,142**	106,528
Income taxes paid	**(3,160)**	(4,982)	**(8,897)**	(7,221)
Net cash generated from/(used in) operating activities	**4,851**	(19,416)	**111,245**	99,307
Cash flows from investing activities				
Purchase of property, plant and equipment	**(415)**	(1,421)	**(4,535)**	(5,242)
Disposal of property, plant and equipment	**8**	9	**22**	102
Purchase of intangible assets	**(928)**	(770)	**(4,336)**	(4,592)
Capitalised development costs	**(9,683)**	(9,644)	**(41,821)**	(41,933)
Acquisitions, net of cash acquired	**(12,530)**	(2,263)	**(26,941)**	(3,730)
Disposal of subsidiary, net of cash disposed	**-**	-	**-**	378
Settlement of financial instruments	**2,586**	(2,338)	**(5,212)**	(677)
Interest received	**45**	53	**241**	159
Net cash used in investing activities	**(20,917)**	(16,374)	**(82,582)**	(55,535)
Cash flows from financing activities				
Proceeds /(repayment) of debt	**(3,569)**	(50,004)	**6,613**	(14,933)
Acquisition of treasury shares	**-**	-	**-**	(17,150)
Interest payments	**(1,524)**	(1,811)	**(5,925)**	(6,036)
Payment of financing costs	**(2,720)**	(115)	**(3,424)**	(1,283)
Payment of finance lease liabilities	**(88)**	(113)	**(328)**	(618)
Net cash used in financing activities	**(7,901)**	(52,043)	**(3,064)**	(40,020)
Effect of exchange rate changes	**(982)**	1,003	**(934)**	(2,375)
Net (decrease)/increase in cash and cash equivalents in the period	**(24,949)**	(86,830)	**24,665**	1,377
Cash and cash equivalents at the beginning of the period	**117,734**	154,950	**68,120**	66,743
Cash and cash equivalents at the end of the period	**92,785**	68,120	**92,785**	68,120

Appendix II – reconciliation of IFRS to non-IFRS Q1 2013 Income Statement

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies.

To compensate for these limitations, the supplemental non-IFRS financial information should be read not in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

IFRS - Non-IFRS Reconciliation	3 Months Ending 31 March						Change	
Thousands of US Dollars	**2013 IFRS**	**Adjustment**	**2013 Non-IFRS**	**2012 IFRS**	**Adjustment**	**2012 Non-IFRS**	**IFRS**	**Non-IFRS**
License	24,474		24,474	23,460		23,460	4%	4%
Maintenance	50,996		50,996	48,515		48,515	5%	5%
Services	28,144		28,144	28,373		28,373	(1%)	(1%)
Total Revenue	**103,614**		**103,614**	**100,347**		**100,347**	**3%**	**3%**
Total Operating Expenses	**(95,422)**	**5,263**	**(90,159)**	**(105,663)**	**11,581**	**(94,082)**	(10%)	**(4%)**
Restructuring	(2,342)	2,342	-	(3,220)	3,220		(27%)	
Acquisition related charges	(287)	287	-	(4,946)	4,946		(94%)	
Amort of Acquired Intangibles	(2,634)	2,634	-	(3,415)	3,415		(23%)	
Operating Income	**8,192**	**10,526**	**13,455**	**(5,316)**	**23,162**	**6,265**	**NA**	**115%**
Operating Margin	8%		13%	(5%)		6%	NA	108%
Financing Costs	(2,172)		(2,172)	(3,943)		(3,943)	(45%)	(45%)
Taxation	(2,339)	(190)	(2,529)	(2,148)		(2,148)	9%	18%
Net Earnings	3,681	10,336	8,754	(11,407)	23,162	174	NA	NA
EPS ($ per Share)	0.05	0.07	0.13	(0.16)	0.17	0.00	NA	NA

TEMENOS

The Banking Software Company