TEMENOS Group AG
(incorporated in Switzerland with limited liability)

CHF 100,000,000
2.00% Bonds due 2019

This prospectus (the **"Prospectus"**) relates to the offering (the **"Offering"**) of 2.00% bonds in the aggregate principal amount of Swiss francs (**"CHF"**) 100,000,000 due 2019 (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 100.35% of the aggregate principal amount of the Bonds (before commissions)
Placement Price:	According to demand
Payment Date:	31 March 2014
Maturity Date:	31 January 2019
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:	2.00% per annum (calculated on a 30/360 basis), payable annually in arrears on 31 January each year, for the first time on 31 January 2015 (short first interest period (300 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 31 March 2014. Application will be made for the Bonds to be listed on the SIX Swiss Exchange. The last day of trading is expected to be 29 January 2019.
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.
Lead Manager:	**Credit Suisse**
Co-Managers:	**BZ Bank Aktiengesellschaft** **The Royal Bank of Scotland plc, Edinburgh, Zurich Branch**

	Swiss Security Number	ISIN	Common Code
CHF 100,000,000 2.00% bonds due 2019	24 065 673	CH0240656733	105092423

Prospectus dated 28 March 2014

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.

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 Lead Manager; 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 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 hedges parts of 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 developing and 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 SaaS and cloud services offering.

Software as a Service (SaaS) and cloud technology are 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 1600 financial institutions in 150 countries, directly or through distributors, and it has sales and support offices in 38 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 sanctions and boycotts; and
- longer accounts receivable payment cycles or bad debt.

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 natural and man-made threats including but not limited to fire, floods, earthquakes, volcanic activity, explosions or other threats such as terrorist activity, social unrest, pandemic and other 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, compliance and operational 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 employees and contractors, and 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 28 March 2014 TEMENOS Group AG

SECTION 1: GENERAL INFORMATION

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer, passed on 13 February 2014, and a Bond Purchase Agreement dated 28 March 2014 among the Issuer and Credit Suisse AG, (the **"Lead Manager"**) and BZ Bank Aktiengesellschaft and The Royal Bank of Scotland plc, Edinburgh, Zurich Branch (the **"Co-Managers"**, and together with the Lead Manager, 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 of CHF 99,500,000 million, after placement commissions and expenses, for general corporate purposes (which may include acquisitions, the repayment of existing debt, dividend payments and share buybacks). 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 has been 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 57 79) or e-mail to newissues.fixedincome@credit-suisse.com. This Prospectus and all documents incorporated herein by reference 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**) 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) 31 March 2014 (the **Closing Date**) until (and including) the Maturity Date (as defined below) at the rate of 2.00 per cent. of their Aggregate Principal Amount per annum, payable annually in arrears on 31 January of each year (the **Interest Payment Date**), for the first time on 31 January 2015 (short first interest period (300 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 31 January 2019 (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 (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 (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 (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 (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 BZ Bank Aktiengesellschaft, Egglirain 15, 8832 Wilen, Switzerland and The Royal Bank of Scotland plc, Edinburgh, Zurich Branch, Lerchenstrasse 24, 8045 Zurich, Switzerland.

If the Paying Agents resign or become incapable of acting as such or shall be adjudged bankrupt or insolvent, the appointment of the Paying Agents 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. Since 29 May 2006, the Issuer is registered in the Commercial Register of Geneva (Reg. No. CHE-109.066.419) and it has its legal domicile at 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland. The duration of the Company is unlimited.

Articles of Association

On 24 May 2013 the Issuer last amended its articles of association.

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 pages 53–54 and 98–99 of the 2013 Annual Report 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 24 May 2013, 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 37 countries throughout the world. Its systems are currently installed at more than 1,600 live sites in over 150 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
- Erik Hansen, Non-executive and independent Directorr

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, Client Director

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

As of 28 March 2014, 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 3ter 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 24 May 2015.

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 28 February 2014, the Issuer held 3,923,218 Shares.

Convertible bonds and options outstanding

The Issuer has no outstanding convertible bonds. For information on the Issuer's outstanding options, please see pages 119–121 of the 2013 Annual Report 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 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, a dividend of CHF 0.28 per share was paid.

In 2014, for the business year 2013, the Board of Directors of the Issuer proposes that a dividend of CHF 0.35 per share shall be paid.

Developments since the End of the Financial Year

Other than as described in this Prospectus, since 31 December 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. A capital gain realized by the individual on the sale or other disposition over a bond will constitute a tax-free gain while 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.

ANNEX A

Temenos Group AG 2013 Annual Report including the Audited Consolidated Financial Statements as of 31 December 2013 (compared to 2012) and the Audited Statutory (Non-consolidated) Financial Statements as of 31 December 2013 (compared to 2012)

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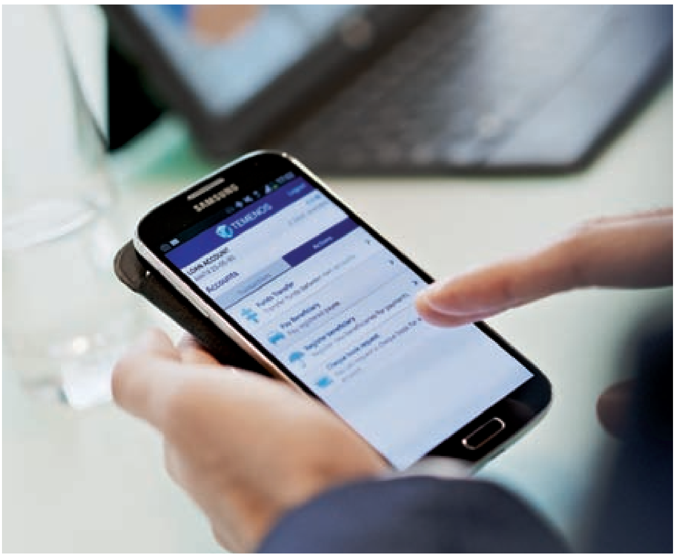
ANNUAL REPORT AND ACCOUNTS
2013



SUCCEEDING THROUGH THE DIGITAL REVOLUTION

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 1,600 installations in over 150 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.

Over 3,500 professionals

3,500+

Over 1,600 installations

1,600+

Serving clients in over 150 countries

150+

Over 1,700 partner consultants

1,700+

Contents

THE NEW
TEMENOS WEBSITE

Temenos has launched its brand new website. For the most up-to-date Investor Information and Press Releases, please refer to our website.

www.temenos.com

Key to further content

Read further on our website

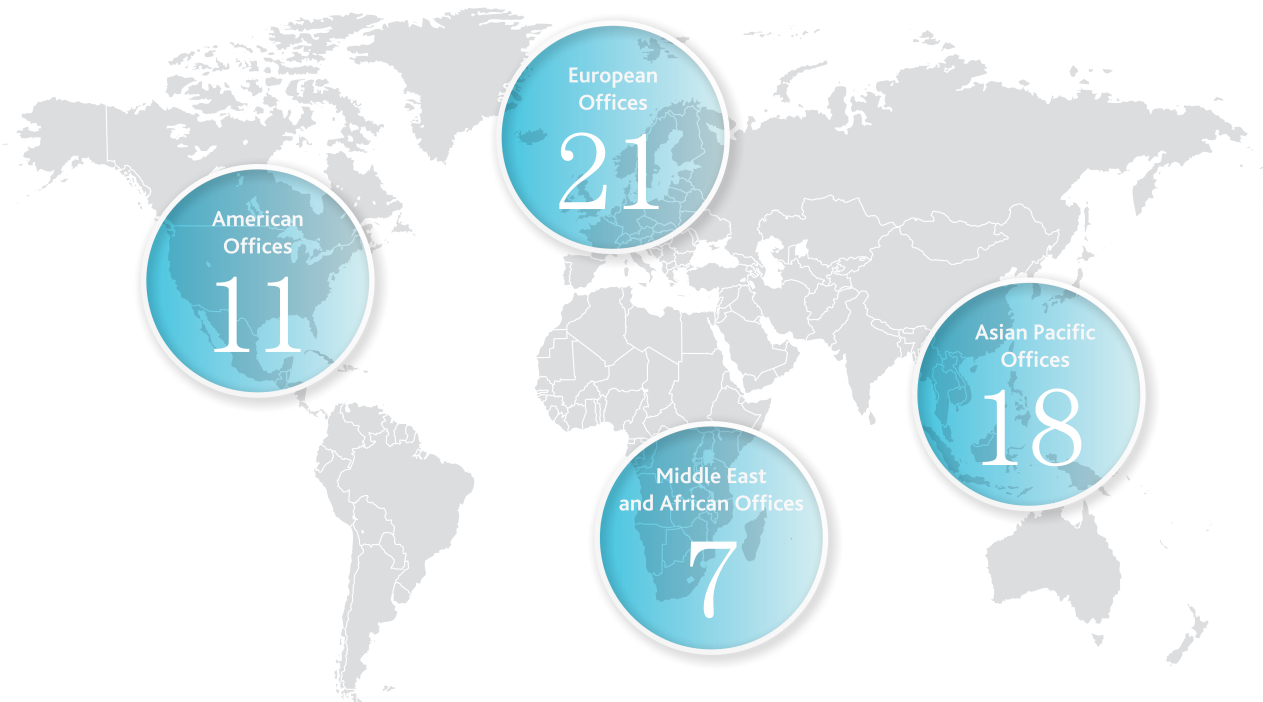
Watch this video online

Download the Temenos white paper

Read more on a specified page

REGIONAL STRENGTH

Headquartered in Geneva, the company has 57 offices in 38 countries and had revenues of USD 467.8m for the year ended 31 December 2013. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001.



Americas

Canada
Toronto
Vancouver

Costa Rica
San Jose

Ecuador
Quito

Mexico
Mexico City

USA
Birmingham
Houston
Lubbock
Miami
New York
Orlando

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

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

United Kingdom
Berkshire
Hemel Hempstead
London
Newcastle Upon Tyne

Middle East and Africa

Egypt
Cairo

Kenya
Nairobi

Lebanon
Beirut

Morocco
Casablanca

Saudi Arabia
Riyadh

South Africa
Johannesburg

United Arab Emirates
Dubai

Business Review
Governance
Financial Statements

About us
Our business model

AN AWARD WINNING PRODUCT 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:
Temenos Payment Suite
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

20%

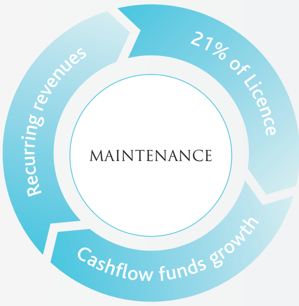
Temenos annually invests around 20% of revenue in R&D, significantly more than its peers, into a single fully packaged, upgradeable software release, which ensures all Temenos customers benefit from modern technology and support indefinitely.

OUR BUSINESS MODEL

45% 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



31% SOFTWARE LICENSING

An initial licence fee (or recurring fee in the case of Software-as-a-Service) is payable for use of our award-winning products spanning core banking, channels, private wealth management, AML, business intelligence and payments.

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

24% 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

Business Review
Governance
Financial Statements

Financial and operating highlights
For the year ending 31 December 2013

PAVING THE WAY FOR THE FUTURE

Revenue (USD)

467.8m

2013 USD 467.8m
2012 USD 450.2m

Non-IFRS EBIT margin

24.1%

2013 24.1%
2012 19.2%

Cash conversion

119%

2013 119%
2012 102%

Maintenance revenue (USD)

212.5m

2013 USD 212.5m
2012 USD 201.7m

Non-IFRS earnings per share

+36%

2013 +36% to USD 1.22
2012 +1% to USD 0.90

Dividend (CHF)

+25%

2013 CHF 0.35
2012 CHF 0.28

In February 2013 we set out our guidance for the 2013 financial year and our strategy for the medium term. Our results demonstrate that we have delivered on our strategy, with full year software licensing growth of 10%, at the top of our guidance, and non-IFRS EBIT margin above our guidance range.

We remain optimistic for our prospects in 2014 and beyond. The fundamental growth drivers of our business remain with opportunities from multiple channels. Our services business is improving and our partner strategy is delivering with an increase in partner resource and increased involvement in both implementations and sales. Our products are the lifeblood of our business and we are delivering more innovation than ever with an even greater focus on product strategy and marketing.

Taking all of these things together, we have great confidence in meeting our medium term targets, driving strong earnings and cash generation, and delivering significant returns to our shareholders.

To read more on our predictions for the top investment areas in 2014 turn to page 10

2013 financial highlights

- Total software licencing growth of 10%, at the top end of guidance
- Maintenance contributing 45% of group revenues
- Lower services contribution to group revenues and 7.8% points improvement in FY 2013 non-IFRS services margin
- Better revenue mix and lower cost base delivers FY 2013 non-IFRS EBIT up 30%
- Non-IFRS EBIT margin up 4.9% points to 24.1%, above the top of guidance
- FY 2013 non-IFRS EPS up 36%
- FY 2013 operating cash inflow of USD 169.3m with cash conversion of 119%
- DSOs reduced by 28 days to 198 days
- Strength of operational performance and cashflows supports 25% increase in CHF dividend

2013 operational highlights

- Strong licence growth, with momentum building all year – taking market share
- Strong growth in Europe, our largest market and across Middle East & Africa and Asia Pacific
- Core banking strong, supported by multi-product offering
- Services strategy delivering with lower contribution to group revenue from services and improved margin
- Highly strategic move in the US with the acquisition of TriNovus
- Significant new product launches and disruptive technology changes, including the launch of Temenos Payment Suite

2014 guidance

- Total non-IFRS revenue growth of 5% to 10% (implying non-IFRS revenue of USD 491m to USD 515m)*
- Software licensing growth of 10% to 15% (implying software licensing revenue of USD 152m to USD 158m)*
- Non-IFRS EBIT margin of 25.1% (implying non-IFRS EBIT of USD 123m to USD 129m)*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

* The definition of non-IFRS can be found on page 37

Chairman's statement
Andreas Andreades

> In 2013 we celebrated the 20th anniversary of Temenos. With such a successful history behind us, it was especially pleasing that our performance over the year was so strong, giving us great confidence for the future.

Andreas Andreades
Executive Chairman, Temenos Group AG

I have often said that what differentiates an outstanding company from an average company is the culture of its people. How an organisation deals with challenges and adversity and emerges stronger and more successful than ever is what defines our culture at Temenos, and we believe that Temenos is especially privileged in this respect.

In 2013, we celebrated Temenos' 20th anniversary, and it has been a truly inspiring year for all of us within the company. After a challenging 2012, we continued to focus on the things that have delivered so much success over the years. David and Max, together with the rest of the Temenos team, worked with passion and focus on executing our strategy, delivering quarter by quarter and finishing the year with a strong Q4. This momentum is highly encouraging against a backdrop of improvement in our end-customer markets.

In 2013, Temenos led the banking software market by exploiting the inherent strengths of its business. In doing so, we signed more deals than any of our competitors, continuing to take market share and extend our leadership. This was confirmed by both Forrester Research and IBS Intelligence, as we provided both new and existing customers with more award-winning products and delivering even greater customer success, both through our own services organisation and through our partners. This is something that we have sustained for the past 15 years, evidence of the endurance of our business model.

We continued to invest aggressively in our products. 2013 saw the launch of a payments hub, the Temenos Payment Suite, which opens up an addressable market as large as the core banking market. We also launched our channels solution, Temenos Connect, based on our award winning user-experience platform, as well as integrating our wealth products to deliver seamless progressive renovation to banks the world over. In core banking we continued to make huge advancements in technology, including innovations that allow our customers to integrate T24 into their systems at a fraction of both the usual cost and time, providing them with a competitive advantage in this highly competitive world.

The opportunity that lies ahead of us is immense, whether looking at our traditional core banking market, analytics, channels, private wealth or payments and our focus is on enabling Temenos to achieve its full potential. We will always invest for the long term in order to continue to excite our banking customers with superb products, our people with more opportunities, and our shareholders with increased shareholder value. To the next 20 years!

Andreas Andreades
Executive Chairman

THE FINANCIAL SERVICES INDUSTRY REACHES AN INFLEXION POINT

At the Temenos Community Forum (TCF) - an annual conference bringing together Temenos customers, partners, senior management, industry analysts, investors and media - Temenos takes the opportunity to carry out a comprehensive survey of its customer base. The TCF2013 survey, the 6th in the series, was completed by 205 senior managers from a broad range of financial institutions from around the world, providing a rich and unique data set for analysis and from which to draw interesting insights about the industry.

A Temenos white paper, produced in collaboration with Deloitte, draws on the 2013 survey results and shows the industry at an inflexion point, still grappling with the barrage of post-crisis regulations but with priorities shifting to reflect the significant and growing challenge posed by a more demanding, less loyal customer base and by more intense competition – with, for the first time, respondents as concerned about the competitive threat from outside as from within the industry.

The industry faces changing challenges. In 2012, the industry saw its biggest challenge as coping with new regulations. In 2013, financial institutions saw their biggest challenge as retaining the loyalty of their more demanding, better informed and less loyal customers, cited by 29% of respondents. Financial institutions also saw a much bigger threat from competition, cited by 23% of respondents compared to 17% in 2012.

Product innovation, IT modernisation and investing in channels top the industry's priority list. Reflecting the change in their environment, financial firms are focusing primarily on the areas that can help them compete more effectively and retain customer loyalty. Interestingly, it is not just online channels that are moving up the corporate agenda, but also branches which the industry increasingly sees as a key plank of a multi-channel strategy. In 2013, 31% of respondents named branch and online channels as their top priorities, compared to 20% in 2012.

Financial services firms see, for the first time, as much of a competitive threat from outside as from within the industry. While respondents cited large incumbent banks as their single biggest competitive threat, almost half named competitors from outside of the industry such as supermarkets and peer-to-peer intermediaries as their biggest threat. Corporate and Private Wealth Managers are most concerned about the possibility of their customers going directly to the capital markets for their financing needs, cited as the biggest threat by 32% and 25% of respondents from these sectors, respectively. The fastest-growing threat, however, mentioned by 18% of respondents versus 11% in 2012, is perceived to come from payment providers, such as PayPal, who banks increasingly acknowledge could take over the customer interaction.

IT budgets are set to rise faster than in any of the previous five years. 2013's survey has the highest ever proportion of banks, 65%, predicting rising IT budgets over the next 12 months. Consistent with the corporate priorities, IT spending is rising to meet competitive and customer pressures, with spending on channels the fastest-growing area. Core banking renewal and business intelligence are the second and third highest priorities.

The industry is becoming more enthusiastic about Cloud computing. We have recorded a significant change in the industry's attitudes to Cloud, with now more than 80% of firms running at least one application in the Cloud – up from 57% in 2009. While there are still perceived to be strong barriers to putting core processing in the Cloud, these too seem to be diminishing as providers deal with regulators' misgivings and overcome concerns about data privacy.

> "The 2013 survey results show the industry at an inflexion point, still grappling with the barrage of post-crisis regulations but with priorities shifting to reflect the significant and growing challenge posed by a more demanding, less loyal customer base and by more intense competition – with, for the first time, respondents as concerned about the competitive threat from outside as from within the industry.

47% of senior bankers who regard the biggest competitive threat as coming from non-financial players.

47%

Read more about the 6th Annual Survey of Global Financial Services Challenges, Investment Priorities and Trends here

Download the Temenos white paper

Acquisition
TriNovus

A PLATFORM TO CAPTURE THE US MARKET

In March 2013, Temenos acquired TriNovus, a software-as-a-service (SaaS) technology provider that develops and delivers compliance and core processing services to US financial institutions.

The acquisition significantly increased Temenos' customer base in the US as well as providing it with the complementary products and local expertise to accelerate growth and launch a SaaS offering for the US market based on its market-leading, real-time T24 core banking platform, its Insight solution for business analytics and its Profile and Screen Anti-Money Laundering (AML) applications.

The combined Temenos and TriNovus offering is delivering with T24 on a SaaS basis sold to 5 financial institutions in the fourth quarter of 2013 and sales activity gathering momentum.

A compelling strategic rationale
Combining Temenos' rich product suite and existing experience in the US market with TriNovus' client base, products and expertise created a unique proposition in the US market:

Software-as-a-service core processing expertise: TriNovus already offered core processing services based on its own software, including ancillary services such as statement rendering and check processing. This expertise has helped Temenos to develop a SaaS offering for the US market based on its real-time and market-leading T24 platform and incorporating other technologically advanced applications, such Insight for business analytics and Profile and Screen, its solutions for AML.

An extensive client base spanning 50 states: Spanning coast to coast, TriNovus' customer base at the time of acquisition consisted of around 800 community banks, regional banks, credit unions, and other financial organisations located throughout the US, offering a significant opportunity to cross-sell Temenos' T24 core processing software, its Insight business analytics application, its Profile and Screen AML solutions and WealthManager and Triple'A Plus wealth management products.

A recognised authority in US banking compliance: Increased scrutiny and legislation has placed significant pressure on banks to proactively manage regulatory compliance. TriNovus offered market-leading compliance solutions, backed by thought leadership, establishing a reputation recognised throughout the industry.

Local market knowledge and presence: TriNovus had more than 50 employees working out of two locations with a deep knowledge of the regulatory and compliance requirements for the US together with extensive existing interfaces and relationships with third party vendors.

An experienced and well-connected team: David Brasfield, TriNovus' founder, has over 25 years of experience in the banking and software industries, including periods working at Metavante and NCR as well as having founded two other companies, Brasfield Technology and SBS Corporation, the latter a core processing company serving more than 1,000 financial institutions. The team David Brasfield had assembled at TriNovus is similarly experienced in the banking technology industry and possesses a deep understanding of the compliance and core processing environment in which community banks operate.

1,000
Total customers in the US.

263
Total new customers for Temenos US in 2013.

The fullest US SaaS offering

- T24 core banking
- Insight Business Intelligence
- Channels
- BSA/AML Compliance Suite
- TriComply
- SocialComply
- BankerVMS
- BankerMLS
- BankRISK
- TriVault
- TriShield

> The consolidation of the vendor market in US has created a general appetite for alternative options. The combination of a strong product with credible delivery and higher mindshare means that Temenos is now well placed to this opportunity.

"Temenos strengthens its US presence with TriNovus acquisition",
Daniel Mayo - Ovum - April 2013

Managing risk with SocialComply

SocialComply is the financial and insurance industry's premier compliance ready, actionable social media and online traffic management solution.

What is said on social media and the Internet can impact an organization's risk profile due to poor due diligence or oversight. By using SocialComply, you are empowered to manage and mitigate this risk.

Existing investments in compliance, data loss prevention and network monitoring systems are not designed to address these more subtle, but just as damaging threats. These solutions can only monitor corporate network traffic and hence are not equipped to track social network services which can be accessed by employees from any device or network.

Additionally, web crawling software is unable to provide corporate network-level monitoring, thereby offering enterprises no protection from the exponential, and viral nature of a social networking threat.

Key Features

Mitigate reputational risk
- Learn what is being said about your organisation and key staff in public forums

Control and compliance
- Review social media content before it's posted

Archive
- Capture and record all social media references securely. Keeping track of the individuals who post, reply, view and the messages said about you

You can watch: A demo on SocialComply

Read more on SocialComply in the case study on page 40

INVESTING IN INNOVATION

The banking industry is undergoing significant change. Banking customers are starting to flex their muscles, knowing that they have choice and prepared to exercise it.

Technology change is blurring the industry's boundaries and allowing non-banks to compete effectively for banking services. And, new regulation is raising the cost of doing business. As a result, banks need to simultaneously invest in innovation while lowering their costs. This is no mean feat and will require them to make smart, strategic investments in technology. These are our predictions for the top investment areas in 2014:

1 DIGITAL CHANNELS

Changes in technology have rendered banking anytime, anywhere, and accessible through multiple different channels and apps. While most customer facing industries are reacting fast, banks are encumbered by old technology that makes it difficult for them to offer a rich, interactive and seamless experience to their customers across digital channels. As such, banks need to make disproportionate investments to catch up and provide an experience comparable with other retailers; a matter made more urgent by the fact that many of these same retailers are launching banking services themselves.

We see this investment principally being in renovating old legacy internet and mobile banking applications. We believe User Experience Platforms (UXPs), productivity enhancing solutions that allow banks to build apps and deploy across multiple channels and devices, will see strong growth. We also think we'll see more examples of banks engaging in "open banking", where they allow third party developers access to their platforms to develop apps and other extensions. We also believe there'll be more instances of banks opening their own app stores.

Digitalisation has changed the competitive dynamic from "economies of scale" to "economies of access". Whoever controls the point of customer interaction will control pricing and margins, so it is critical banks get this right – and fast.

2 ANALYTICS

Investing in analytics is key to unlocking the value of customer data, to transforming customer experience and to seeing off the most existential competitive threats.

Banks need to extract actionable insight from their customer data. They are custodians of massive amounts of customer data, but they do little with it, partly because it is locked up in siloed databases. One of the most important ways for banks to improve their RoE will be to cross-sell effectively, and this will require them using data to make appropriate product and service recommendations to their customers. Given the extent to which customers are switching providers, it is also essential that banks use customer data to reward loyalty, and to identify and act early when there are signs that a customer may be considering defecting.

But, as well as using data for their own ends, banks are now expected to provide banking customers with value-added services based on their data. Increasingly, in the consumer's mind, there is a trade off between entrusting an organisation with their data and getting some service in return. So far, banks are doing little in this regard and, as such, they run the risk of losing out to providers who offer these services, such as Mint, which offers financial management, or the providers of digital wallets, like Amazon.

Within analytics, we foresee banks making large investments in areas such as data extraction tools, in memory databases, digital wallets, predictive analytics and loyalty services.

55%

According to Boston Consulting Group, the percentage of banking customer interactions conducted through online channels has risen from 7% in 2004 to 55% in 2012.

8%

Boston Consulting Group predicts payment revenue growth of 8% per year through to 2022.

3 PAYMENTS

A lot of financial firms see the payments market as some sort of panacea to the issue of low margins. But, while revenues are growing, there are several cost and margin headwinds. So, smart IT investments are also key to capitalise on the payments opportunity.

Boston Consulting Group ("BCG") predicts payment revenue growth of 8% per year through to 2022. However, there are significant margin headwinds in the form of new regulation, such as SEPA, and increased competition, mainly from other banks, but also from non-banks such as PayPal. In addition, the industry as a whole is failing to extract economies of scale: BCG found that between 2007 and 2011, operating costs rose as fast as payments volumes. So, while revenues are growing, profits are not.

Investment in IT is, thus, fundamental if banks are to expand both payments revenues and margins. They need solutions that will allow them to innovate, to personalise their services, to drive automation and economies of scale, to offer integrated services and to comply with new regulation easily and cost effectively.

We predict strong growth in payments hubs, which TowerGroup defines as "seamless gateway[s] through which a financial institution's customers can make any type of payment, in any form or currency, to any payee". We believe this is the only technology option capable of meeting banks' complex needs, especially the challenge of driving automation while retaining the flexibility to customise products, to innovate and to adapt quickly to change.

4 CORE BANKING

While banks are rightly preoccupied with digital channels, their ability to offer optimal customer experience will always be compromised without also renovating legacy core banking systems. Banks need to introduce modern, real-time systems, built around customers and not products. Banks can produce new apps and customer interfaces, but if they rely on batch systems for information updates, the analytical capabilities and the information underpinning the customer experience will always fall short. Banks need to provide customers information when they need it, not when their legacy systems can produce it.

Moreover, replacing legacy systems remains key to restoring RoE to pre-crisis levels. Unlike in payments, most banking markets are not witnessing strong revenue growth and so sustainably reducing costs is critical to growing margins. Furthermore, with the advent of digital channels, customers are making many more enquiries than before without any corresponding increase in transactions, adding to the cost to serve. Therefore, banks need to modernise their IT estates to allow for system consolidation that will reduce hardware and maintenance spend, at the same time as leading to higher levels of straight-through processing to boost productivity and scale economies.

5 RISK AND COMPLIANCE

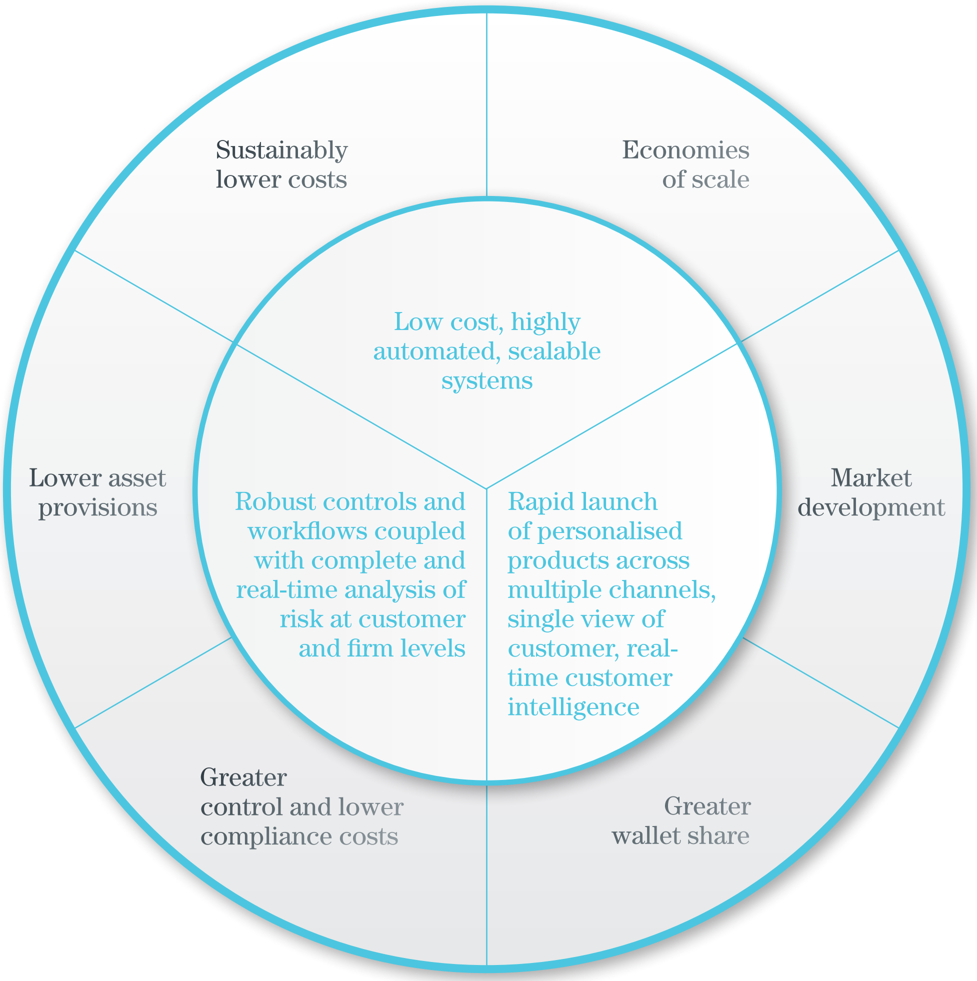
Keeping up with new regulations and new reporting formats is still a major compliance headache for banks, reflecting the continued high number of new regulations hitting the statute books, as well as the lack of coordination in their introduction. While the eye of the storm may now have passed, spending on risk and compliance will remain a top priority for banks in 2014.

6 CLOUD

While there is already fairly broad adoption of banking software-as-a service in certain vertical and horizontal markets, such as wealth management and CRM, we still believe the majority of banking software purchased in 2014 will be for on-premise deployment. That said, we foresee an acceleration in the move towards SaaS, across all banking tiers. What is more, we predict that increasingly these SaaS solutions will be deployed in the Cloud, especially private and vendor/community Clouds, but also in the public Cloud as bank and regulator resistance softens and as banks seek to capitalise on the significant economic benefits and opportunity for operational simplification. In 2014, we predict that we'll see the first fully-regulated banks running their core processing in the public Cloud.

What makes us different
Overview

WHY OUR CUSTOMERS CHOOSE TEMENOS



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.

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.

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 2013, 132 financial institutions went live with Temenos. 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 57 international offices in 38 countries ensuring that they understand local banking needs, as well as the local language – our 3,500 employees encompass some 75 nationalities and speak over 65 different languages. We have delivered products in over 1,600 installations in over 150 countries. In addition we 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

Source
The Banker – 'Top 1,000 Banks 2008 – 2010'. Average values for Temenos customers compared with average values for non Temenos customers.

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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 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 150 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.

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.

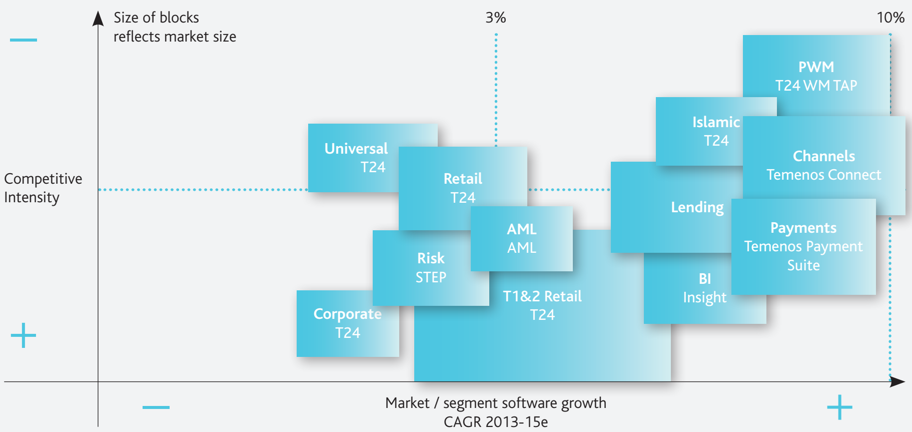
T24 For Islamic Banking
T24 is a best-of-breed Islamic banking system, which is both Shariah-compliant and commercially flexible. T24 supports organisations which operate solely on Islamic principles, as well as allowing conventional banking to operate alongside Islamic in the same system. T24 is rich 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 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 over 200 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.

WELL-POSITIONED IN KEY MARKETS AND SEGMENTS

Banking Software Market Landscape



Source: Gartner, Ovum, Temenos estimates

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 other Temenos systems such as T24 but can also work with any other 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 Banking – 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.

Temenos Connect Mobile – is fully integrated with Temenos Connect Internet Banking, providing seamless mobile banking 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 devices 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 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.

Our products
Product suite continued

Channel Products Suite continued

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 financial institutions to build and personalise their digital banking services around each customer – improving service, transforming the experience and enhancing 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 financial institutions 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 150 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.

PAYMENTS

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

Temenos Payments Suite (TPS)

Temenos launched Temenos Payment Suite in September 2013 at SIBOS, the trade fair for the international payments community. Based upon Temenos' proven architectural frameworks and thus benefiting from the large investment that Temenos continues to make in this area, TPS is a completely new and modern payments hub for international wholesale payments. It was developed in conjunction with our client, ABN AMRO and benefits from our many years of joint experience in the payments industry.

Built upon a universal payments process, TPS processes payments from any channel, type, instrument, or format to any clearing house, operating from any core or back office system including Temenos' own T24. Built for the future, TPS offers deep levels of flexibility and open abilities to adapt to emerging message channels and formats.

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. STeP can work standalone or fully integrated within TPS.

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 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 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 the differentiation of 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 an 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.

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Our products
Temenos Payment Suite

THE COMPLETE PAYMENTS SOLUTION DESIGNED BY BANKS FOR BANKS

Launched in September 2013, the Temenos Payment Suite enables banks to move to an elegant centralised infrastructure, providing a flexible solution to manage transactions from any source, in any format, to any destination.

Temenos Payment Suite (TPS) is the payments hub of the future, available today. Built around a universal payments process, it enables banks to move to an elegant centralised infrastructure that operates with any core or back office.

TPS offers an advanced architecture which provides product flexibility, tailored services and increased processing capacity to mass payments capabilities. This gives banks the control to quickly and effectively react to changing market demands and competitor threats, whilst reducing maintenance risks and costs.

As a payment hub it lowers the cost of ownership and gives back control, but it is more than a hub. Using Temenos' award winning technology, TPS's multiple components and advanced tools mean that banks have the agility to develop a wide range of white label businesses quickly, anything from mobile payment solutions to liquidity management services such as Cash Consolidation. With TPS, banks can now offer personalised services seamlessly to customers across the globe.

TPS offers the flexibility to fully manage transactions from any source, in any format to any destination instantly. The system is made up of components which follow a structured process to allow seamless processing. TPS prioritises payments and, once prioritised, payments only receive the necessary and relevant processing.

We understand that different banks have different needs and budgets. With this in mind we have designed 3 different editions available within the TPS framework for banks to choose from according to volumes and the required features: Model, Advanced and Enterprise.

KEY BENEFITS

- Gives full control operationally and technically
- Infrastructure freedom ensured as TPS operates with any core or back office
- Agile, instantly processing any channel, type instrument format and to any clearing house for optimum STP
- Universal, enabling financial institutions to run on one system across multiple territories
- Saves time, reduces costs and improves operational efficiency
- Reduces risk through minimal manual intervention and advanced liquidity and risk management handling
- Data changes to tables can be changed in an instant
- Eliminates complex testing greatly reducing operational and technical risk
- Provides insight in real-time to address problems and identify trends for product development
- Enables payment prioritisation to eliminate risk in cut-off bottlenecks, ensure SLA's are met and added value can be offered to customers

3

Different editions available within the Temenos Payment Suite framework according to the volumes and features required.

Find out more on the new dawn of global payments

Read further on our website

UNIVERSAL PAYMENT PROCESS

Phase I

1 Retrieve message from any channel in any format
Receive payment message/files
De-bulking for files Accept/reject

2 Map to neutral format
Parsing and mapping to payment object

3 Validate message
Secure prioritisation

Phase II

4 Determine STP flow
Automatic exception handling

5 Pass filtering
Legal

Phase III

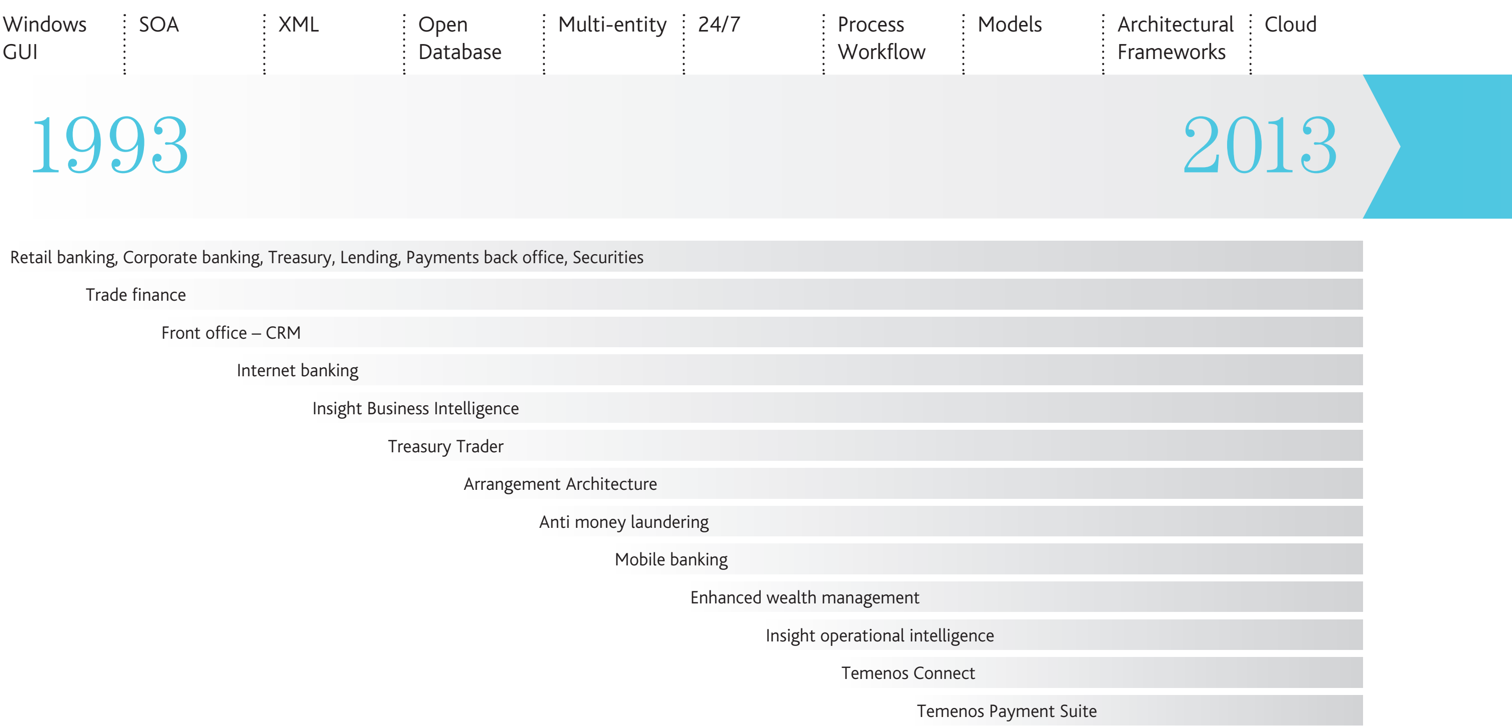
6 Generate posting entries
Own ledger system

7 Generate outgoing messages
All formats

8 Payment finalisation
All reports

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.

Advanced Loan Origination

Trade finance (forfeiting & factoring)

Loan collections & leasing

Relationship-based pricing

Smart order entry and pre-trade compliance

Supply chain finance

Cloud & Mobile Business Intelligence

Basel III

Marketplace

Our strategy
Partner ecosystem

DELIVERING THE HIGHEST LEVELS OF CUSTOMER SUCCESS

Through rich methodologies and a developed partner ecosystem, Temenos always delivers a complete solution. 2013 saw more go-lives than ever before with reduced implementation times, increased scale of the partner programme and even better governance of projects.

In 2013, Temenos and its partners took a record 132 financial institutions live, up from 89 in 2012. This was made possible through Temenos' rich methodologies, the depth of its in-house expertise and the synergistic relationship between Temenos and its partners.

During the year, Temenos continued to focus on both increasing the proportion of its own services revenues coming from "premium" services whilst at the same time increasing its partner resource. This strategy proved highly successful with "premium" services (being higher margin, higher value-added, non-implementation services) accounting for around 19% of services revenues in 2013, up from 11% in 2012, and the number of partner consultants increased by around 200 to stand at over 1,700 at the year end.

Partners are critical to the success of Temenos: the more we work with our partners, the more they can invest in Temenos. Our strategic partnerships are managed both centrally and developed regionally, allowing us to nurture the individual partnerships and explore global business opportunities. Our products are strengthened by alliances with leading technology and services partners that address our clients' individual business and technology requirements. We work with our global network of partners to reduce implementation risk, enable a faster time-to-market and to deliver innovation in technology.

TAKING THE PROGRAMME TO THE NEXT LEVEL

The value of services opportunity around Temenos applications (USD)

1bn

> Our strategy to deliver the very highest levels of customer success is clear. We will use partners where possible for implementations whilst continuing to build our expert and productised services business to add value for our customers. We will always work seamlessly with our product group to ensure that customer expectations are met. Finally, everything we do will be strictly governed, whether being delivered internally or by our partners.

Mike Davis - Client Director

132

Go-Lives in 2013.

20%

Software Licensing brought by partners in 2013.

A COMPLETE PARTNER PROGRAMME

ABRIS
Accenture
Actuate
Anabatic Technologies
Capgemini
CGI
Cognizant
Deloitte
Digital Persona
EFS
Enghouse Interactive
Fiorano
Foranx
Fortress Data Services
GFI Informatique
Wolters Kluwer Financial Services
HID
HP
IBM
Infotech
Inlaks / Global Solutions
Interactive Data
Luup
Jethro
Kurt Salmon
MicroPlanet Technologies
Microsoft
Naqoda
NDC
Optria
Oracle
Page Solutions
Rubik
Sigrade
SISCOM
SOFGEN
Software Group
Syncordis
Systar
TextGenesys
Thakral One
The Core Banking Group
USI
Validata
Verisim
Wipro
45 Degrees

Our strategy
Strategic plan in detail

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

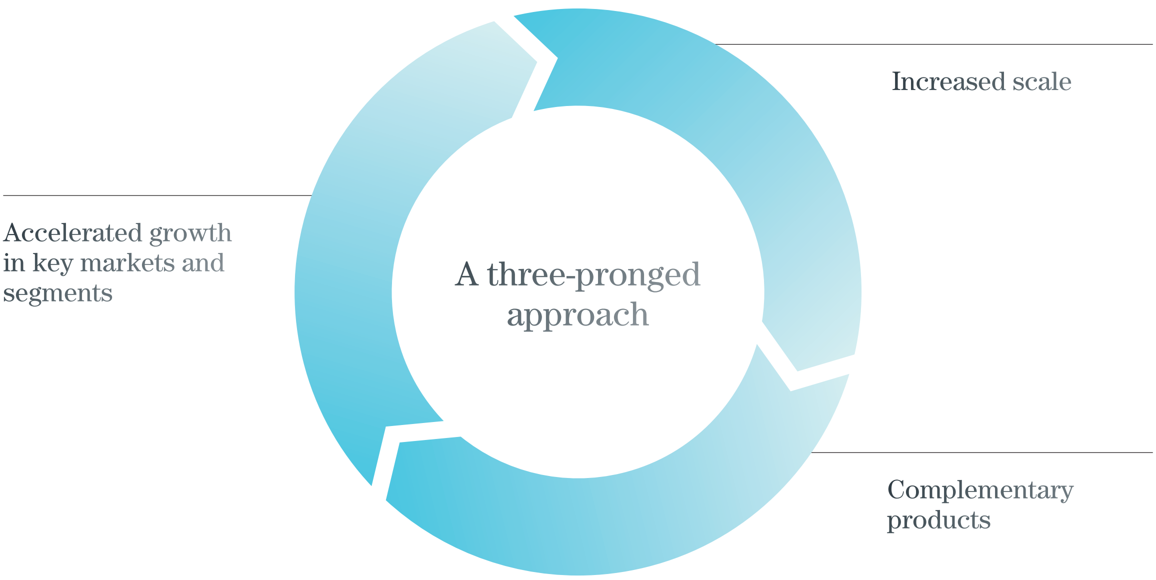
SCALE
2003 TO 2011

- 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	2013
Actisbsp	Financial Objects Lydian Associates Informer	Viveo Group	Fe-mobile Odyssey	Primisyn	edge IPK	TriNovus

Business review
David Arnott

> In February 2013 we set out our guidance for the year and our strategy for the medium term. Our results in 2013 demonstrate that we have delivered on our strategy, with full year software licensing growth of 10% at the top of our guidance and non-IFRS EBIT margin above our expectations.

David Arnott
Chief Executive Officer, Temenos Group AG

18 months as CEO

2013 was my first full year as CEO and I am delighted to be able to report that we delivered on our strategy that we set out in February 2013 and in turn met the key financial targets for the year.

There is no doubt that having a multi-product offering remains the winning model. In 2013, core banking was strong, with several important wins in the year coming as a direct result of being able to offer a full-product solution to our customers.

The market opportunity remains huge and our performance in 2013 has given us even greater confidence in our ability to capitalise on this opportunity and achieve our medium term plan.

The market opportunity

Total annual spending on banking software today is around USD 32bn, with only around USD 7bn of this spent with third parties such as Temenos. There is a significantly lower penetration of application software in banks compared to other industries and this is the opportunity for Temenos.

The industry is undergoing a structural shift with increased regulation, greater price transparency, diminishing customer loyalty, multiple interaction channels and the Cloud breaking the value chain. Banks must have IT which is efficient, agile and omnichannel and which delivers actionable analytics. We have the solutions to meet the industry's needs and are consolidating our leadership position.

Review of 2013

2013 was a strong year both operationally and financially as we saw the fruition of both the changes we made in the latter part of 2012 as well as the sales investment made at the start of the sales cycle.

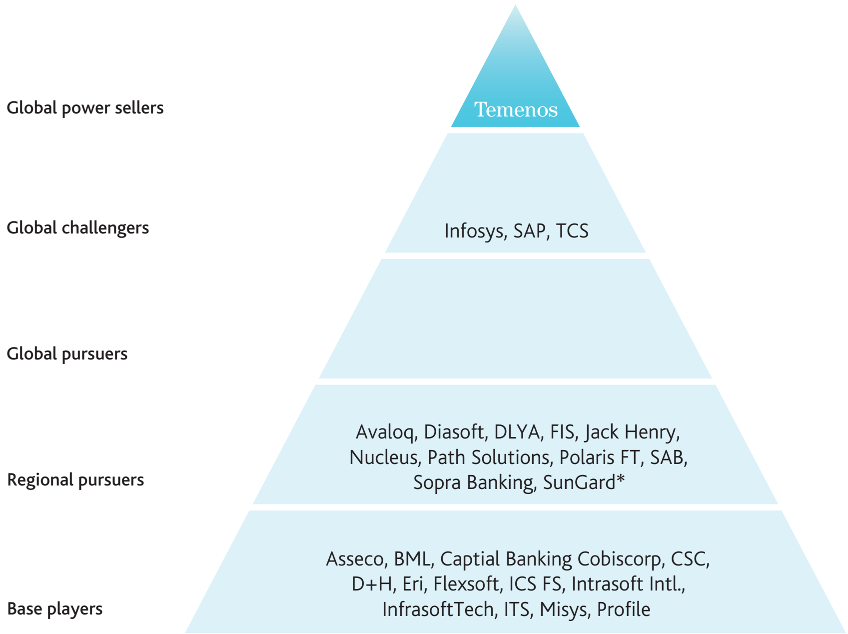
Competition

Looking at the year, we saw strong licence growth, with momentum building all year, and we took market share.

Forrester Research has named Temenos as both a "Global Power Seller" and a "Top Global Player" in its report "Global Banking Platform Deals 2013". The independent survey, conducted annually, assesses both the volume and the geographical spread of banking platform sales to new and existing customers. For the 9th consecutive year, Forrester awarded Temenos the highest status of "Global Power Seller", for new named clients, the only vendor to achieve this status in 2013. Temenos was also the only vendor to be awarded the status of "Top Global Player" in respect of sales to both new and existing customers, with 124 deals, 8% higher than in 2012.

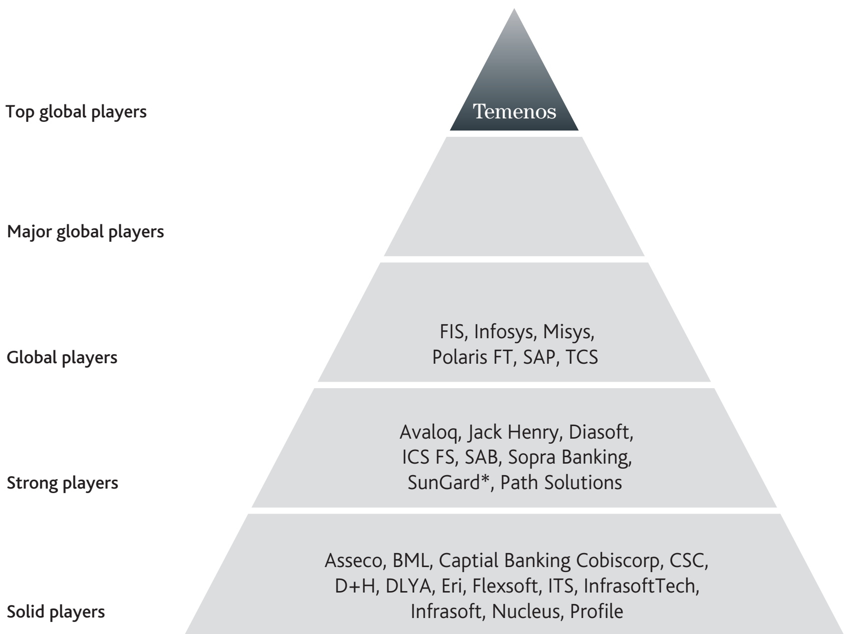
IBS Intelligence ranked Temenos T24, Temenos' core banking solution, in the top position in its 2014 Sales League Table, an annual ranking of core back office systems sales to new name customers across banking and treasury and capital markets. T24 was by a large margin the best-selling core banking product in 2013. While T24 has held one of the top two positions in the league table for 15 consecutive years, its lead over the rest of the market is growing. According to the 2014 league table, Temenos recorded twice the number of deals as its nearest competitor for the second consecutive year.

THE 2013 GLOBAL VENDOR PYRAMID: NEW-NAMED CLIENTS



*SunGard was successful outside of core banking.

THE 2013 GLOBAL VENDOR PYRAMID: FOR ALL COUNTED DEALS



*SunGard had a strong focus outside of core banking.

Source: Forrester Research Inc., webinar – "Global Banking Platform Deals – 2013", Jost Hoppermann, February 2014

Business review
continued

> “Our market opportunity is massive and has increased following the launch of the Temenos Payment Suite. The industry is undergoing a structural shift and to meet the challenges banks must have IT which is efficient, agile and omnichannel and which delivers actionable analytics. We have the solutions to meet the industry’s needs and are consolidating our leadership position.

Banque Raiffeisen, Luxembourg, went live on T24 as part of the bank’s transformation programme to move away from legacy mainframe-based applications to a modern, scalable system.

Banque Raiffeisen selected T24 to provide a centralised, front-to-back office core banking platform. The bank required a single, integrated core banking platform that would allow new and innovative products to be launched in the quickest possible time, to assist in further developing its private banking offering, and to optimise internal processes to ensure banking best practice.

Jean-Michel Hilsenkopf, Temenos Regional Director for Europe, said: "We are delighted that Banque Raiffeisen has gone live with T24 as the platform for its operations. It is already enjoying the significant efficiency improvements that come from running a modern, integrated system. With increased flexibility and product building capabilities, Raiffeisen has the infrastructure to deliver best-in-class customer experience and to out-innovate its peers. We look forward to working in partnership with Raiffeisen to ensure it continues to achieve great results with T24.”

Jean-Luc Martino, CIO Banque Raiffeisen Luxembourg commented: “The success of the implementation is testament to the relationship between Banque Raiffeisen and Temenos. We are delighted to be running a single, fully automated, integrated system which not only provides gains in efficiency but also improves the experience for our customers.”

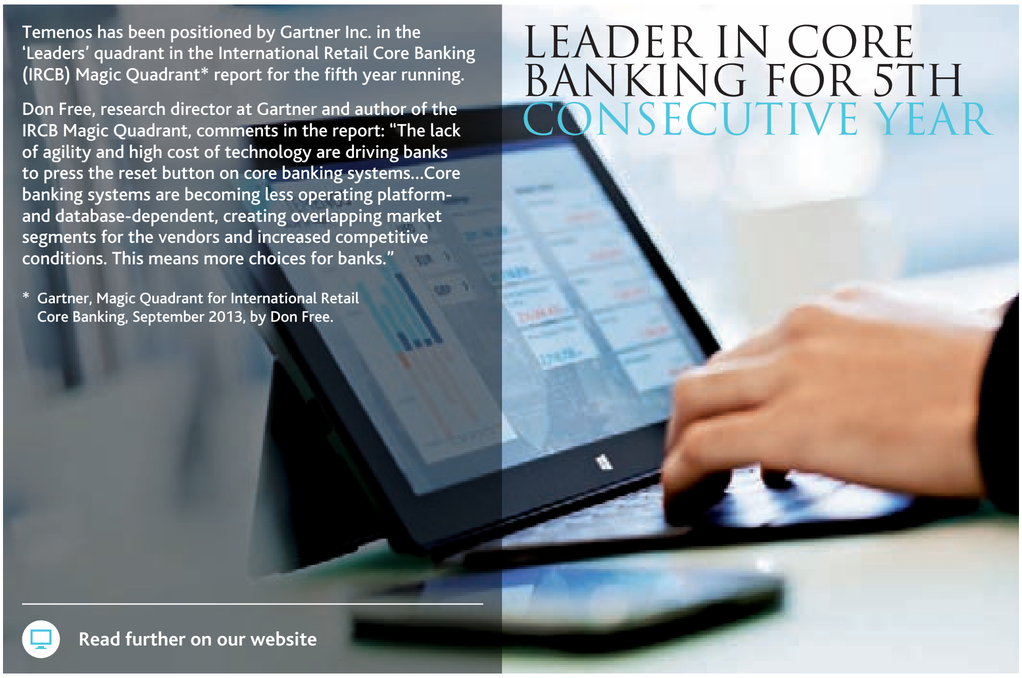
Read further on our website

Software licensing
Europe, our largest market, grew strongly with some high profile wins and the return of larger deals. Due to the larger deal sizes of core banking replacements, we increased our focus on these deals in the year, with around three quarters of our software licensing sales in 2013 coming from core banking and around a quarter from the other products. We would expect our multi product offering to contribute around 30% in 2014. As expected, we also saw strong growth in the Middle East & Africa and in Asia Pacific.

We saw good sales to existing customers, capitalising on the industry’s largest installed base, whilst at the same time seeing good wins to new customers with 34 new names in total, including high profile wins such as KBC Ireland and Aktia.

Product
The structural changes we made to the product group at the end of 2012, notably the integration of our TAM (Temenos Application Management) team into the product organisation, reaped dividends in the year as we saw a significant increase in the number of resaleable product items being produced.

The most significant new product release in the year was the Temenos Payment Suite (TPS), a payment hub that we developed in collaboration with ABN AMRO. We believe that the design of TPS – a linear condition-driven architecture which permits the highest levels of straight-through-processing and which incorporates the best practices of a hub design – sets it apart from other products in the market today. As such, we believe that we can develop a strong, complementary line of business in payments software, on which financial institutions spend more than USD 6bn annually.



LEADER IN CORE BANKING FOR 5TH CONSECUTIVE YEAR

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

Don Free, research director at Gartner and author of the IRCB Magic Quadrant, comments in the report: "The lack of agility and high cost of technology are driving banks to press the reset button on core banking systems...Core banking systems are becoming less operating platform- and database-dependent, creating overlapping market segments for the vendors and increased competitive conditions. This means more choices for banks."

* Gartner, Magic Quadrant for International Retail Core Banking, September 2013, by Don Free.

Read further on our website

Go-to-market activities around TPS start in earnest in 2014 and we expect revenues to only become material in 2015.

In 2013, we continued to place a lot of focus on advancing the architecture of our software, extending what we believe to be a key source of competitive advantage to continue to make our products easier to install, easier to integrate and interact with other applications, capable of being implemented progressively as well as honing their performance. In our industry, the project success ratio and the payback periods have held back wider adoption of third-party software and we have been determined to lead the way in delivering predictable, quick and progressive value through core system renovation. In 2013, we launched the integration framework which allows for code-free integration of our applications within a customer's existing IT estate using standard ESB (Enterprise Service Bus) technology. At Commercial Bank of Africa, we demonstrated that the use of the integration framework during an implementation project can cut implementation times by a factor of three times.

Other notable product enhancements delivered in 2013 included enhanced relationship pricing and the launch of Temenos Connect. At the 2013 Temenos Community Forum, we demonstrated the power of the enhanced relationship pricing module – particularly when used in conjunction with Insight, our business analytics application – as a means of identifying a bank's most valuable customers and personalising products and services to reflect this. In an industry where nearly 90% of profit comes from 20% of customers and where both competitive pressures and customer demands are rising, it is incumbent on financial institutions to reward – and retain – their most loyal and profitable customers. As regards Temenos Connect, this is the name we have given to the range of products we have developed to help customers to monetize and to deliver rich, interactive customer service across digital channels. The Temenos Connect products incorporate – and are strongly differentiated thanks to – edgeConnect, our user experience platform that a recent report from Ovum verified can deliver productivity savings of up to 85% in the development and testing of new digital apps.

Looking into 2014 and beyond, we are confident that we can continue to lead our industry through innovation. We foster a culture of innovation that allows us to attract and retain the best talent in the industry. We have strong processes and governance around the products we develop. And we continue to outspend the industry on R&D. As such, we believe we have the assets to deliver our exciting product roadmap and extend our track record of leading innovation.

Business review
continued

Significant, sustained shareholder returns

Medium term targets presented in Feburary 2013

10%+
Software licencing growth per annum

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

Delivery

2013 was a good year for our services and partner strategy, which is delivering results and remains unchanged. We saw more go-lives than ever before, with Temenos and its partners taking 132 financial institutions live, up from 89 in 2012.

We saw an increase in the contribution from higher margin, higher value added, "premium" services, up to 19% of total services revenues from 11% in 2012, contributing to a significant improvement in the non-IFRS services margin. Implementation times were also further reduced, freeing up resource and contributing to the improvement in DSOs. Our partner ecosystem is growing stronger with over 1,700 partner consultants and our vision of our partners becoming an additional sales channel is also gaining traction, with 20% of software licencing revenue in 2013 brought by partners, up from 14% in 2012.

Temenos US

We announced the acquisition of TriNovus, a highly strategic acquisition in US, in March 2013. The acquisition significantly increased Temenos' customer base in the US as well as providing complementary products and local expertise to accelerate growth and launch a SaaS offering for the US market based on its market-leading, real-time T24 core banking platform, its Insight solution for business analytics and its Profile and Screen Anti-Money Laundering (AML) applications.

By the end of 2013, the combined Temenos and TriNovus offering was delivering with T24 on a SaaS basis sold to 5 financial institutions in the fourth quarter and sales activity gathering momentum.

Financial highlights

Our strong operational performance in 2013 translated into strong financial performance.

Software licensing growth of 10% was at the top of guidance. We saw a significant improvement in non-IFRS services margin which contributed, along with a better revenue mix and lower cost base, to the non-IFRS EBIT margin of 24.1%, above the top of guidance.

Our cash conversion at 119% was also above our target of 100%, driven by a material reduction in DSOs, down 28 days in the year.

We are committed to returning value to our shareholders and we were pleased to declare a 25% increase in the annual dividend for 2013, which followed our successful 2013 share buyback programme.

A FRESH APPROACH TO WEALTH MANAGEMENT

Steadyhand Investment Funds
When Steadyhand was preparing to open for business, it knew that choosing the correct IT partners would be key to enabling its success. Its guiding principle when selecting its IT providers was the same one that underpins so much of its activity; one of specialization. It wanted to use specialist providers who could provide modern, integrated systems that would be hosted by them. In addition, Steadyhand wanted systems that would enable it to offer its customers a superior level of customer service. These criteria ultimately led Steadyhand to choose Temenos' WealthManager product in December 2006.

In early 2007, Steadyhand began the implementation of WealthManager in preparation for the company's launch. As a start-up firm there was no data to migrate from legacy systems but there were still a number of milestones that needed to be achieved before the firm could begin operations, for example, the platform needed to be integrated with the back office system and statements had to be customized and configured to Steadyhand's requirements. The implementation went very smoothly and was completed in time to allow the company to begin operations as planned in April 2007.

Steadyhand's successful journey so far
Given that one of Steadyhand's founding principles is to encourage investors to take a long-term view, it may seem premature to evaluate its own performance so early in its existence. However, now that it has been over 6 years since it opened for business, its early successes can indeed start to be measured.

At the end of 2012, Steadyhand had assets under management of over CAD 245 million and more than 1,500 clients. The company is clearly gaining momentum as the 2012 net inflows were up 350% compared to 2011 and total assets under management grew 53%. These figures are especially impressive given that the global financial crisis impacted the firm's initial growth targets. Despite the crisis, Steadyhand has grown assets in each year of its existence.

> The ability to offer a superior customer experience, the completeness of the solution and the flexibility to run a hosted model led to our choosing Temenos' WealthManager.
>
> Neil Jensen - COO - Steadyhand

The number of IT staff employed by Steadyhand.

Zero

Find out more about SteadyHand's success to date.

Read further on our website

Business review
continued

Delivering on our medium term targets
2013 has given us even greater confidence in our ability to execute on our strategy and to deliver our medium term targets which we first set out in February 2013 and which remain unchanged.

We would expect our plan to deliver:

- Non-IFRS revenue growth of 5%+ on average per annum with:
  - Software licencing growth of 10%+ on average per annum
  - on 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%

It is worth noting that our guidance for 2014, which includes software licensing growth of 10% to 15%, is comfortably within our medium term targets.

Closing thoughts
Although I am delighted to have been able to report such a strong 2013, we will not be resting on our laurels and will continue to execute on our strategy that has served us well: sustainably growing licence and maintenance revenues, having a multi-product offering with a focus on reusable product investment, realising the installed base opportunity, having a higher margin services business supporting the product business, taking the partner strategy to the next phase and seeking strategic acquisitions to complement organic growth.

We will never lose sight that operational outperformance must translate into financial outperformance and deliver strong returns to our shareholders. Year one was delivered on plan – there is much more to come.

Finally I would like to thank all the Temenos staff and our partners who made 2013 such a successful year and who will drive Temenos on to even greater successes in the years to come.

David Arnott
Chief Executive Officer

SWISSQUOTE ACHIEVES EXTREME EFFICIENCY AND SCALABILITY WITH T24

The leading Swiss online financial services provider, has managed to secure extremely high levels of efficiency and scalability throughout its banking value chain by implementing Temenos T24 in Java and the Temenos Platform Framework.

The results are remarkable: as of late 2013, Swissquote served over 205,000 customers with a back- and middle-office office team of only 41 people, and 99.9% of its processes were completely automatized with straight-through-processing (STP).

T24 in Java and the Temenos Platform Framework have played a central role in boosting the bank's cost-efficiency and revenues. By freeing up Swissquote's IT resources from mundane tasks, the bank has been able to re-focus on revenue-generating initiatives, exception management, and keeping its end-user virtual interface at the cutting edge – Swissquote is Switzerland's most visited financial platform with 10 million pages displayed every day.

This outstanding level of efficiency is reflected in the bank's financial performance: in the first half of 2013, the bank's net revenues increased by 5% year over year while operating expenses remained flat, causing the operating margin to improve by 20%.

205,000

As of late 2013, Swissquote served over 205,000 customers.

99.9%

99.9% of its processes were completely automated with straight-through processing (STP).

20%

The operating margin improved by 20%.

> "At a time when Swissquote needed to protect its financial margins, the outstanding level of efficiency and scalability of T24 in Java allowed our IT development team to refocus its energy on revenue-generating initiatives while keeping operating costs in check.

Paolo Buzzi - Chief Technology Officer - Swissquote

Business Review
Governance
Financial Statements

Financial review
Max Chuard

> 2013 has demonstrated that we are focused on turning strong operational delivery into strong financial performance. A better revenue mix combined with good cost control has delivered non-IFRS EBIT margin above the top end of our guidance, and this will provide the new base from which the 2014 non-IFRS EBIT margin will increase. Efficient tax and financing structures have allowed Temenos to deliver non-IFRS EPS growth of 36%, above the 30% growth in non-IFRS EBIT.

Max Chuard
Chief Financial Officer, Temenos Group AG

2013 financial highlights

- Software licensing growth at the top of guidance
- Significant improvement in non-IFRS services margin
- Non-IFRS EBIT margin above the top of guidance
- Cash conversion above guidance
- Material reduction in DSOs
- Refinancing completed
- First ever public bond
- Dividend increased
- Share buyback programme completed

Introduction

Opening thoughts

2013 was a good year for Temenos financially with many achievements throughout the year. The actions taken on costs in the latter part of 2012, combined with strong licensing growth, drove a significant improvement in EBIT margin, above the top end of our guidance for the year. Our focus on cash delivered a material reduction in DSOs with cash conversion ahead of our target. Our balance sheet was strengthened by the refinancing of our existing facilities at the start of the year as well as the highly successful launch of our first ever public bond. Finally, we returned value to shareholders both through our annual dividend and a share buyback programme.

Key Figures December 31

All financial units in millions of US dollars, except non-IFRS operating margin and earnings per share.

	2013	2012
Revenue	**467.8**	450.2
Non-IFRS EBIT	**112.8**	85.5
Non-IFRS EBIT margin %	**24.1%**	19.2%
Cash generated from operations	**169.3**	97.7
Total assets	**919.9**	902.6
Non-IFRS earnings per share	**USD 1.22**	USD 0.90

Highlights

2013 saw Temenos' strong operational performance translated into strong financial performance.

Highlights include:

- Software licencing growth of 10%, at the top end of guidance range of 5% to 10%
- A lower services contribution to group revenues, falling from 27% in 2012 to 24% in 2013, and a 7.8% points improvement in the 2013 non-IFRS services margin
- A better revenue mix and lower costs delivering a full year non-IFRS EBIT up 30% with the non-IFRS EBIT margin up 4.9% points to 24.1%, above the top of guidance
- Efficient below the line management driving non-IFRS EPS up 36%, above EBIT growth
- An operating cash inflow of USD 169.3m with cash conversion of 119%, ahead of our guidance of 100%
- DSOs reduced by 28 days to 198 days, well ahead of our 10 to 15 day annual target
- A 25% increase in the annual dividend from CHF 0.28 to CHF 0.35
- USD 54m returned to shareholders through a share buyback programme

DIGITAL CHANNEL MARKET LEADER

Temenos has been positioned by Ovum, a leading business and technology analyst, as a Market Leader on the Ovum Decision Matrix for next generation banking digital channel platforms.

Jaroslaw Knapik, Senior Analyst at Ovum comments in the report*: "Temenos significantly improved its online banking suite over the last year, resulting in a very sound and competitive offering, not only for existing clients but new ones as well. The major strength of the solution is its approach to the design and deployment of user experience portals. The strong focus on development of online channel technology also has an impact on the product roadmap and the availability of new features with further releases. This aligns well with the current market requirements as banks look more toward vendors to support new technology developments. Therefore, Ovum believes that banks searching for a next-generation digital banking platform should shortlist Temenos Connect/EdgeConnect."

Source
* Ovum Decision Matrix: Selecting a Next-Generation Banking Digital Channel Platform

Read further on our website

Financial review
continued

USDm, except EPS	Non-IFRS 2013	Non-IFRS 2012	Non-IFRS Change	IFRS 2013	IFRS 2012	IFRS Change
Software licencing	137.8	125.1	10%	137.8	125.1	10%
Software-as-a Service	4.8	–	–	4.8	–	–
Total software licencing	**142.6**	**125.1**	**18%**	**142.6**	**125.1**	**14%**
Maintenance	212.5	201.7	5%	212.5	201.7	5%
Services	112.7	123.4	-9%	112.7	123.4	-9%
Total revenues	**467.8**	**450.2**	**4%**	**467.8**	**450.2**	**4%**
EBIT	**112.8**	**86.5**	**30%**	**93.5**	**49.1**	**91%**
EBIT margin	24.1%	19.2%	5%pts	20.0%	10.9%	9% pts
EPS (USD)	**1.22**	**0.90**	**36%**	**0.99**	**0.36**	**180%**

"We have once again delivered cash conversion comfortably over 100%, with DSOs reducing by 28 days in the year. The strength of Temenos' cash generation in 2013, as well as the expected strength of future cashflows, provides financial flexibility to pursue our strategic ambitions as well as providing confidence to declare an increase of 25% over last year's dividend.

IFRS vs non-IFRS
To ensure that the presentation of results reflects the underlying performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Temenos also publishes full reconciliations between IFRS and non-IFRS measures. Full definitions of non-IFRS adjustments can be found on page 37.

Revenue
Total group revenue in 2013 was USD 467.8m, up 4% on 2012 despite a 9% fall in services revenues. Total group revenue was up 2% on a like-for-like basis (excludes contribution from acquisitions and adjusts for currency movements) with the main difference relating to the acquisition of TriNovus.

Software licensing saw growth of 10% in the year on both a reported and like-for-like basis. Europe, our largest market, grew strongly with some high profile wins and the return of larger deals. We also saw good growth in the Middle East & Africa and Asia Pacific as expected. Core banking was strong, supported by multi-product offering, with several important wins in the year coming as a direct result of being able to offer a full-product solution to our customers.

Software-as-a-Service revenues contributed USD 4.8m following the acquisition of Trinovus in March 2013.

Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	FY 2013	FY 2012
IFRS EBIT	93.5	49.1
Deferred revenue write-down	–	–
Discontinued activities	–	–
Acquisition-related charges	0.3	5.5
Amortisation of acquired intangibles	12.3	13.2
Restructuring	6.7	18.8
Non-IFRS EBIT	112.8	86.5

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.

Maintenance revenues grew at a healthy 5%, once again demonstrating the resilience of this revenue stream.

Services revenues fell by 9% as we delivered on our strategy to reduce the contribution of services to total group revenue, falling from 27% to 24% in the year, within our target range of 20% to 25%.

Cost base

IFRS

Full year costs on an IFRS basis were USD 374.3m, down from USD 401.1m in 2012. Costs associated with services, research & development and general & administrative all fell in line with Temenos' strategy with an increase in investment in sales and marketing.

Non-IFRS

On a non-IFRS basis, the cost base in 2013 was USD 355.0m which was lower than expected at the start of the year, driven by a lower services cost base. Of the USD 19.3m difference between the IFRS and non-IFRS cost base, around three quarters related to adjustments made relating to the amortisation of acquired intangibles.

EBIT and Earnings Per Share (EPS)

IFRS

EBIT on an IFRS basis was USD 93.5m, an increase of 91% on 2012. EPS was USD 0.99 compared to USD 0.36 in 2012.

Non-IFRS

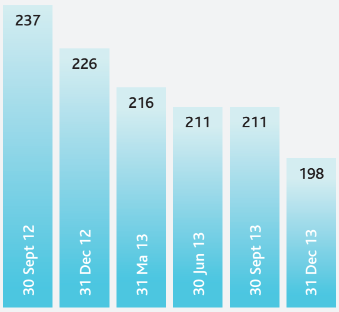
EBIT on a non-IFRS basis was USD 112.8m, an increase of 30%, with EPS up 36% at USD 1.22, driven by efficient below the line management.

We saw a better revenue mix and lower cost base, together with a significant improvement in non-IFRS services margin, contribute to a non-IFRS EBIT margin of 24.1%, above the top of guidance. The non-IFRS services margin was up 8% points in the year due to an increase in premium services, acceleration in our partner strategy and a lower cost base.

The non-IFRS EBITDA margin improved by more than the non-IFRS EBIT margin which is due to the increase in the amortisation of capitalised development costs. Net capitalised development costs were USD 14m in 2013, a fall from USD 19m in 2011 and USD 16m in 2012, and we would expect capitalised development costs to remain around the same level with the amortisation increasing to reduce the net impact to under USD 10m in 2014 and approaching zero in the following years.

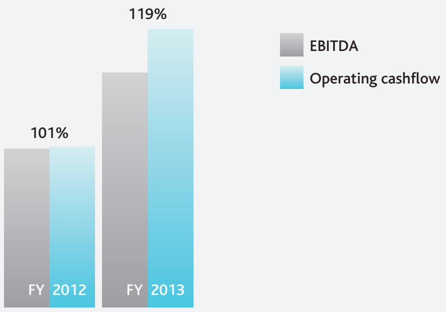
Financial review
continued

DSOs



Continued significant reduction in DSOs

Cash conversion



Continued strong cash conversion driven by DSOs reduction of 28 days

Cashflows

We have committed to 100%+ conversion of EBITDA into operating cashflow driven by quality of earnings with EBITDA growing faster that EBIT and cash growing faster than profit.

2013 was a strong year for cash collection, with DSOs below 200 days at the year end. We still expect to see a 10 to 15 day reduction in DSOs per annum driven by reducing implementation time, higher proportion of sales to existing customers (i.e. cross selling opportunity to drive better terms), continued expansion of the partner programme and recovery of old balances giving confidence in achieving DSOs of around 130 days in the medium term.

The significant growth in operating cash, coupled with an efficient tax and financing structure, will continue to drive free cashflow.

Balance sheet and financing

Temenos is highly cash generative with a strong balance sheet which enables:

- the servicing of our debt obligations; and
- investment in the business, including industry leading R&D spend; and
- funding for targeted acquisitions; and
- the payment of an annual dividend; and
- returning additional value to shareholders

Our preference for is for M&A over returning additional capital to shareholders providing suitable acquisition opportunities exist. However, we are committed to maintaining an efficient balance sheet and, as 2013 demonstrated, we will look for appropriate means of returning capital if we have cash that is surplus to requirements.

Temenos has significant flexibility, being currently under 1.0x leveraged. We believe that 1.0x to 1.5x is optimal but would increase for acquisitions if a clear path to deleveraging can be demonstrated. As would be expected, our leverage is constantly reviewed to ensure efficiency and we may also look to diversify further sources of funding on an opportunistic basis.

BANKING IN THE CLOUD: FROM HYPE TO REALITY

In the longer term, either a bank's information system will run on Infrastructure as a Service (IaaS) or their technology costs will be too high. As a consequence, only the largest banks will run their own banking platforms and only the biggest of them will run their own IaaS, while the rest will buy their technology infrastructure from providers, such as Amazon Web Services. Most banks will not even run their own banking platforms, but will use a Software as a Service (SaaS) platform provided by a service provider.

There are two technical reasons and two business reasons why this is so. The technical reasons are that servers are about to stop getting cheaper; and the number of transactions a bank processes is about to increase dramatically. Together, these mean that banks will have to ensure that they remain cost-competitive by reducing their costs per transaction without relying on technology improvements.

If the banks didn't face competition the technical reasons above would not be disruptive, but there are business reasons to believe that competition may be about to heat up. These are that regulators want to lower the barriers to new banking entrants; and retail customers are no longer loyal.

Together these four reasons for change are enough to force banks to separate their technology infrastructure from their information systems and to run that infrastructure in the Cloud.

Estimated saving to the banking industry from moving core applications to the Cloud.

USD109bn

Financial review
continued

CANADIAN CREDIT UNION CHOOSES TEMENOS' SOCIALCOMPLY

Sunshine Coast has identified increasing social media participation as one of its key strategic priorities for 2014. The credit union intends to use social media to communicate with and service its members, as well as to enhance its community participation through social networking.

SocialComply provides a standard and easy to follow process for employees to participate in social media, whilst ensuring compliance with the institution's communication and risk policies. The product's out-of-the box internet and social media policy will allow Sunshine Coast to implement in the shortest possible time, with the ability to manage postings to social media sites, and to reduce the risks associated with participation in social media.

Russell Taylor, Temenos President for North America, said: "We are delighted that Sunshine Coast Credit Union has chosen SocialComply as its online traffic management solution. Now that financial services regulatory bodies in Canada have started to impose social media compliance guidelines and rules on financial institutions, a tool like SocialComply is becoming a must for any organisation that has a social media presence."

Jodi Fichtner, Marketing Manager, Sunshine Coast Credit Union commented: "We selected SocialComply due to Temenos' sole focus on working with financial services institutions and their experience in monitoring regulatory trends in our industry with respect to social media. SocialComply will allow us to jumpstart our social media presence with minimal investment and risk, to the benefit of our members and community. In addition, SocialComply has the ability to archive the information from key social media sites, providing us with a living picture of our online public interactions either for later reference, an audit trail or trending purposes."

Read further on our website

Dividend

Temenos is highly cash generative with a strong balance sheet which enables investment in the business, including industry leading research & development spend, and funding for targeted acquisitions whilst also providing for returning value to shareholders.

Taking into account the strength of operational performance and cash generation, as well as the expected strength of future cashflows, subject to shareholder approval at the AGM on 28 May 2014, Temenos intends to pay an annual dividend of CHF 0.35 on 5 June 2014, representing an increase of 25% over last year's CHF dividend. Temenos policy is to distribute a sustainable to growing dividend.

Looking at 2014

Guidance for 2014

Our guidance for 2014 on a non-IFRS basis is:

- Total non-IFRS revenue growth of 5% to 10% (implying non-IFRS revenue of USD 491m to USD 515m)
- Software licensing growth of 10% to 15% (implying software licensing revenue of USD 152m to USD 158m)
- Non-IFRS EBIT margin of 25.1% (implying non-IFRS EBIT of USD 123m to USD 129m)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

Delivering on our medium term targets

2013 was a very strong year, and so it is worth looking at what made 2013 so strong, putting us ahead of our medium term targets.

Looking first at software licensing, 2013 saw a faster than expected recovery in Europe as well as the return of larger core banking deals, particularly in Europe, such as KBC Ireland and Aktia. 2013 also saw more licences from relicensing customers than expected.

Our services strategy delivered faster than we expected, with strong growth in higher value, higher valued added, "premium" services and faster shift of implementations to partners.

Our full year non-IFRS group margin was almost a whole percentage point above the top end of our guidance driven by a faster improvement in revenue mix, faster improvement in services margin and a lower cost base.

Finally, both cash collection and DSO reduction came in better than we had expected with faster recovery of old balances, more sales to existing customers and reduced implementation times.

In 2013 AIBK joined six other Egypt-based banks already using T24, the world's leading core banking application, which is also the most widely used core banking system in Egypt. As well as signing for T24, AIBK signed for Insight, Temenos' business intelligence product, and Treasury Trader, Temenos' trading platform, along with Islamic Banking and advanced accounting and compliance products.

AIBK Egypt's purchase of Temenos' products is part of its ambitious expansion plans in Egypt, which include increasing the number of branches from 13 to 18 over the next year, and increasing its market share within deposits, loans, finance companies, as well as developing and financing SMEs and providing retail banking and Islamic products. Temenos' software will also allow AIBK Egypt to achieve IFRS and FATCA compliance.

Read further on our website

AIBK EGYPT ADOPTS TEMENOS T24

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Financial review
continued

Where the growth is expected to come from in 2014?

As evidenced by our performance in 2013, we have multiple levers for growth.

Looking first at growth by geography, even after a strong 2013, we would still expect Europe to grow with the Middle East & Africa and Asia Pacific as the biggest contributors to growth. The Americas should see strong growth, albeit from a lower base.

By product, core banking is still expected to grow even after a strong 2013. Our multi-product offering is expected to increase its contribution to total software licensing from around 25% in 2013 to around 30% in 2014, with strong growth from Private Wealth, Business Intelligence and Channels and a small contribution from Temenos Payment Suite (TPS). Given TPS was only launched in September 2013 and the long sales cycle, we would expect sales to accelerate in the medium term.

We will continue to drive sales to new customers whilst maintaining our focus on the cross-selling opportunity into the installed base, specifically on key strategic accounts.

2014 cost base

At the mid-point of guidance, the 2014 non-IFRS cost base is expected to be around USD 377m, an increase of 6% on 2013. This 6% increase is broadly evenly split between the headwind of lower net capitalisation of R&D, an increase in variable costs and additional investment, primarily in sales and marketing.

Closing thoughts

Temenos ended 2013 with strong momentum with the results of the changes made in the second half of 2012 becoming evident. Taking into account the strong operational performance of the business combined with a flexible balance sheet and a focus on cash, I have great confidence in the financial performance of Temenos in 2014 and beyond.

Max Chuard
Chief Financial Officer

AKTIA BANK CHOOSES T24 TO IMPROVE CUSTOMER SERVICE

Aktia took the decision to replace its core banking system due to changes in customer behaviour, evolving banking regulation as well as the current challenging economic situation. T24 will dramatically increase flexibility and productivity, resulting in improved customer service, including shorter time to market for new products and substantial cost savings.

Aktia chose Temenos for a number of reasons, including the superior functionality and ease of use of T24, as well as Temenos' Implementation Methodology and local expertise, including the availability of the T24 Model Bank which will significantly improve the speed and efficiency of the implementation process and time to value.

Aktia offers a broad range of solutions in banking, asset management, insurance and real estate agencies. It has around 350,000 customers, served by 60 branch offices and via comprehensive internet and telephone services.

Jean-Michel Hilsenkopf, Temenos Regional Director for Europe, said: "We are delighted to have been chosen by Aktia Bank to replace its core banking system with T24. Temenos is committed to driving innovation in Finland and the Nordic countries and we look forward to working with Aktia as it seeks to be the Finnish champion in customer service and to improve its ability to compete. Aktia will also benefit from Temenos' industry-leading levels of research & development which will allow them to continuously improve the functionality and technical performance of their core banking system."

Magnus Weurlander, Director of Banking Products and Processes at Aktia Bank, said: "The renewal of our core banking system will give us the flexibility to develop and launch new products and services across all channels - including branch, phone, internet banking and mobile - much faster than before. We are delighted to be working with Temenos as we look to become the Finnish champion in customer service and improve Aktia's ability to compete."

Board of Directors
Temenos Group AG

FOCUSED EXPERTISE

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

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. Since he joined Temenos, the company has grown from less than 150 employees to more than 3,500 and to more than 1,600 installations 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 engineering degree from the University of Cambridge and is a UK chartered accountant.

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

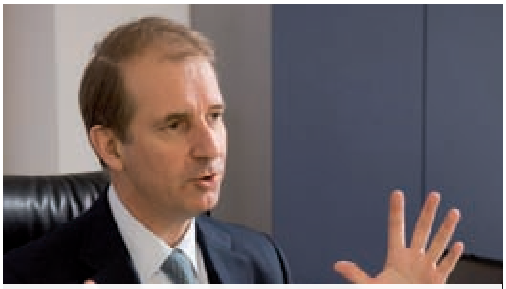
Mr. Chris Pavlou has formerly served as treasurer of Barclays Bank in the UK and the USA as well as treasurer of HSBC in Hong Kong and Japan. On his retirement in 1998 he joined LAIKI bank in Cyprus as a consultant and then member of the board till 2005. Mr. Pavlou is a director of ASBISC computer tablets distributor and Chairman of Investment Bank Greece based in Greece. 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. Mr. Koukis is currently Chairman of the Board of Trustees of The Classical Opera, 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 International Group and provides consulting services to EFG notably in the area of Executive Remuneration. 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, who manages an organization in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M & A, has conducted more than 50 successful acquisitions totalling in excess of USD 4 billion. 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 25 years of experience in the software industry. Thibault de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.

Erik Hansen
Non-Executive & Independent Director
Danish, born in 1952

Mr. Erik Hansen is a recognised software industry veteran with over 30 years of experience as a senior executive at leading software companies. Mr. Hansen is currently Chairman of the Board of Myriad Group AG having previously been CEO and Board Member at Day Software (2008-2011) which was acquired by Adobe in 2010. Prior to this, Mr. Hansen held several senior leadership roles at companies including TIBCO Software (2000-2004), TA Triumph Adler (1994-1997) and Apple (1990-1994), both in Europe and in the United States. Mr. Hansen holds a degree from the business college in Horsens, Denmark.

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

Mr. Sergio Giacoletto-Roggio serves as an Independent Director. His current portfolio of positions includes Chairman of Oberthur Technologies Holding, Senior Independent Director at Colt Technologies SA 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.

Executive Committee
Temenos Group AG

STRONG 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.

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 thirteen years since David joined Temenos, the company has grown from 300 employees to more than 3,500, over 1,600 installations 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, investor relations, compensation and benefits, and internal controls for the company. Mr. Chuard is also responsible for mergers and acquisitions, and has conducted more than 10 successful transactions totaling 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 the University of Lausanne (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
Client Director
British, born in 1968

Mr. Mike Davis has been Client Director of Temenos since January 2014, having been Global Head of Services from July 2011, originally joining Temenos as Regional Services Director for Northern Europe, CIS, and Africa in July 2009. An industry leader with over 25 years' experience, Mr. Davis is responsible for client success and specifically manages the Services, Support and Alliances divisions of Temenos, driving the delivery of 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.

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 2013 we expanded our use of video and audio conferencing still further to cut travel. 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 maintaining a variety of cultures and expertise through our people. Through such diversity we have a dynamic work environment in which we continue to gather a wealth of knowledge that contributes to our commercial success.

Today we employee over 3,500 people across 57 office locations in 38 countries and mandate an equal opportunity approach for all.

We continue to build upon a range of complementary programmes focused on our people's welfare, engagement and satisfaction. One way in which we recognize and reward outstanding individual and team contributions towards the growth and development of Temenos, is through our global Staff Recognition Scheme. This scheme, together with our other programmes are strongly tied to our value system which promotes:

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

Upon reaching the milestone of 20 years, we acknowledge and celebrate the contribution of our people, as the ways in which we work has been a key factor in our continued success. A global workforce, we strive for excellence through professionalism, collaboration across borders and a practical approach. Our people are supported by a strong management team and policies which guide our approach and behaviours to protect the interests of our customers, partners, fellow colleagues and shareholders alike.

We look forward to building upon a successful 2013 and are confident Temenos will continue to achieve great things through our people.

THE GLOBAL FUND FOR CHILDREN

The Global Fund for Children (GFC) envisions a world where all children grow up to be productive, caring citizens of a global society. They work to advance the dignity of children worldwide, pursuing this mission by making small grants to innovative community-based organisations working with many of the world's most vulnerable children and youth.

GFC helps where help is needed the most, working at grassroots level, finding home-grown organisations that are already making a difference on the grounds. They understand their communities' unique needs and have the entrepreneurial vision to meet them. The support of donors enables these organisations to make a lasting impact on children's lives and funds are utilised to help GFC's grantees grow bigger, better and stronger. GFC provides its grantees with capital management support, training and leverage to help them grow and succeed. Then they can reach even more children in need for years to come – and the value of their donors' investment continues for generations.

Last year, GFC awarded USD 4 million in grants to 282 organisations working in 59 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.

GFC awarded USD 4 million in grants to 282 organisations working in 59 countries.

USD 4m

Find out more about The Global Fund for Children (GFC) and see how they transform lives around the world.

Read further on their website

Corporate social responsibility
continued

Customers
End-to-end customer centricity is Temenos' top corporate value, and customer success is our over -riding priority. We have implemented a specific programme to track and analyse customer perception of their experiences of working with Temenos. The programme is critical to Temenos and is sponsored by the Chief Executive Officer. It is supported both at a management board level and regional level with the customer satisfaction process itself being led by a cross departmental team with members from marketing, support and services teams.

The TCLP (Temenos Customer Loyalty Programme), now been renamed the Temenos Customer Voice, was first launched with an initial survey in February 2012. It is based on the 'Net Promoter' methodology which is currently used by many B2B organisations and has proven to be very successful as an approach for firms with multiple B2B relationships. The discipline of Net Promoter goes deeper than tracking a metric, it is a whole system designed to operationalise customer data throughout the organisation to drive change and improve customer experiences.

On an annual basis Temenos invites its entire client base, across its full range of products and platforms, to participate in a detailed satisfaction survey. The survey is hosted by a third party provider and to date we have completed four survey waves, collecting over 1,800 completed surveys. In order to ensure the feedback collected is used to drive change within the organisation an action group has been established.

The action group is a steering committee comprising departmental heads within Temenos. This includes sales functions (Sales and Pre-Sales), product functions (Product Management, Services and Support), relationship functions (Marketing and Strategy) and administration functions (HR, Finance and Legal). The principle behind the action group is that the members have the responsibility of making sure their areas meet the expectations of our customers, and they have the authority to make any changes required as a result of the feedback.

The action group meets a minimum of once a month to review the feedback given by customers, agree concrete actions, and set timelines for completion. Areas which have benefited from this process include Services, Support and Product Quality.

Over the past year the Head of Support held face-to-face discussions with participants to discuss their requirements and offer them tailored support. He was also able to incorporate their feedback into improvements and enhancements actioned to benefit the wider customer base. This initiative has been well received by our customers.

Customers receive updates on Temenos initiatives and activities through various mediums, from specific updates and newsletters to discussion groups, plus the annual Temenos Community Forum. Since the programme was launched, based on the communications and follow-up actions with customers, we have seen a significant improvement in our Net Promoter Score and our customers have showed their support and approval of the programme.

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

TEMENOS EXPANDS PRESENCE IN GHANA

There is strong growth in demand for financial services in Ghana. Firstly, Ghana has a growing middle class demographic – with 46% of Ghanaians now classified as middle class, compared to a continent-wide average of 34.3% – which is demanding increasingly sophisticated products and services. Secondly, with around 50% of potential bank customers in urban areas currently unbanked, there is a need for financial inclusion and a necessity for multi-channel products, such as mobility and biometric security, which are gaining traction in the region.

In 2013, Temenos expanded its presence in Ghana with implementations in three new banks. The three T24 implementations are reflective of a broad need within Ghana's banking industry to upgrade and replace its redundant legacy systems. The systems currently in use in many Ghanaian banks are typically disparate applications which have not been integrated and which have therefore been costly and complex to administer and vulnerable to operational risk. The flexibility of T24 also allows for minimal effort in designing and packaging new products.

Read further on our website

Microfinance

Innovation in microfinance involves finding ever better ways to provide low cost financial services to underbanked communities, creating employment and alleviating poverty. With 2.5 billion working-age adults globally having no access to the types of formal financial services delivered by regulated financial institutions, the opportunities for innovation are unlimited.

Temenos has a decade of experience within the microfinance sector, and, with 215 microfinance customers across 36 countries, this continues to be an important business area for us. Our existing microfinance customers include Kenya Women's Finance Trust, Equitas and ARB Apex Bank.

We have worked with microfinance network partners such as Opportunity International, Vision Fund, ACCION, as well as numerous individual microfinance banks, NGOs, cooperatives and other non-bank financial institutions to develop our microfinance solutions. Temenos has a global partnership with Microsoft, enabling our full T24 core banking system to run on the Microsoft Windows Azure platform. This Cloud-based solution is particularly suited to microfinance and community banks, enabling a significantly lower cost of ownership, while reducing operational risks.

In 2013, we entered into a new global Cloud partnership with the Software Group. This will build on our Cloud solution by implementing Software Group's 'under tree' (UT) switch technology, which allows different devices to communicate with each other across different locations. It is also integrated with mobile technologies, providing a strengthened payment option for local networks.

In October, Temenos took part in the Partnerships against Poverty summit (Microcredit Summit Campaign) in the Philippines, supporting the summit's movement for financial inclusion in microfinance. At the same time, we released a white paper, entitled 'Unleashing the benefits of microfinance', in which we explain how Cloud-based banking is a world-changing opportunity for the underbanked, expanding financial inclusion by combining current financial technologies with better and secure infrastructures.

> "Temenos plays an important role in the provision of technology to address the challenges of financial inclusion and the economic empowerment of the 3 billion people living in poverty. The Microcredit Summit Campaign applauds the innovative steps Temenos is taking in moving this important initiative forward.
>
> Larry Reed - Director of the Microcredit Summit Campaign

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Corporate governance

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 SIX Swiss Exchange (http://www.six-exchange-regulation.com/admission_manual/06_15-DCG/en/index.html).

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 2013.

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 heading and supported by 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
Client Director

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

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 1,814,983,330
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	2,764GBP
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 GmbH	Frankfurt am Main	Germany	25,000 EUR
Odyssey Financial Technologies PLC	London	United Kingdom	50,000 GBP
Odyssey Financial Technologies SA	Luxembourg	Luxembourg	29,500,000 EUR
Odyssey Financial Technologies SA	La Hulpe	Belgium	62,000 EUR
Odyssey Group SA	Luxembourg	Luxembourg	21,904,670 EUR
Quetzal Informatique SAS	Paris	France	235,280 EUR
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	20,000,000 COP
TEMENOS Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
TEMENOS East Africa Limited	Nairobi	Kenya	10,000 KES
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 Romania SRL	Bucharest	Romania	120,000 RON
TEMENOS Singapore Pte Limited	Singapore	Singapore	65,010,000 SGD
TEMENOS Software Canada Limited	Vancouver	Canada	48,000 CAD
TEMENOS Software Shanghai Co. Limited	Shanghai	China	140,000 USD
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

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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
TriNovus LLC	Birmingham	USA	100,000 USD
TriNovus Systems LLC	Lubbock	USA	1,741,651.85 USD
Viveo Group SAS	Paris	France	16,248,900 EUR
Viveo France SAS	Paris	France	5,300,000 EUR
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP

1.2 Significant shareholders
To the best of our knowledge, please find below the list of shareholders who hold more than 3% of the voting rights of all issued shares, as of 31 December 2013.

Name	Number of shares	Percentage of the share capital
Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	8,106,837	11.26%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	4,267,200	5.92%
Alken Luxembourg S.à.r.l	3,638,595	5.05%
Contour Asset Management LLC (Manticore Master Fund Ltd)	2,200,000	3.05%
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%

For more recent information on Temenos major shareholders, please refer to page 135.

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 2013, 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 24 May 2015, 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 quarter (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 quarter (2)), the share capital may be increased by an amount not exceeding CHF 33,039,520, by issuing up to 6,607,904 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, in the amount of CHF 8,386,120, that is 1,677,224 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies; and second, in the amount of CHF 24,653,400, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

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

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

2.3 Changes in capital

Statutory accounts

	31.12.13 CHF 000	31.12.12 CHF 000	31.12.11 CHF 000
Ordinary share capital	**360,116**	360,116	360,005
Conditional share capital	**68,928**	68,928	53,473
Authorised share capital	**71,524**	71,524	71,524
Share premium & capital reserve (incl. reserve for own shares)	**328,951**	317,949	317,949
Profit (loss) carried forward	**161,378**	191,463	73,698
Total equity	**850,445**	869,528	751,652

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 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 Annual General Meeting of Shareholders on 28 May 2014, Temenos intends to pay an annual dividend of CHF 0.35 on 5 June 2014. The dividend record date will be set on 4 June 2014 with the shares trading ex-dividend on 2 June 2014. 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 Bond and options

Regarding stock options please refer to note 26 of the consolidated financial statements.

No warrants have been issued by the Company.

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

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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 By-Laws.

3.1 Members of the Board of Directors

As at 31 December 2013 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
Erik Hansen	Non-Executive and Independent Director

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

Mr. Erik Hansen was elected member of the Board of Directors on 24 May 2013.

3.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 44 and 45, no member of the Board of Directors has any:

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

3.3 Cross-involvement

(repealed)

3.4 Elections and term of office

3.4.1 Principles of the election procedure and term limits

The members of the Board of Directors are elected by the General Meeting of Shareholders for a term of one year (i.e. from one General Meeting of Shareholders until the end of the next Ordinary General Meeting of Shareholders). Upon the expiration of their terms of office the members may be re-elected immediately and without limitations. In compliance with the *Swiss Ordinance against excessive compensation in listed stock companies* dated 20 November 2013 and as from the 2014 Annual General Meeting of Shareholders, the Chairman, Board members and members of the Compensation Committee will be annually and individually (re)-elected.

3.4.2 First election and remaining term of office of each director

Name	First elected	Elected until
Andreas Andreades	2001	2014
Chris Pavlou	2001	2014
George Koukis	2001	2014
Ian Cookson	2012	2014
Thibault de Tersant	2012	2014
Sergio Giacoletto-Roggio	2012	2014
Erik Hansen	2013	2014

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 Vice-Chairman and its 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
Erik Hansen	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			
Chris Pavlou	Member		Member/Chairman
George Koukis			
Ian Cookson	Member	Member	Member
Thibault de Tersant	Member/Chairman		
Sergio Giacoletto-Roggio	Member	Member/Chairman	Member
Erik Hansen		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 supports the Board of Directors in reviewing and making recommendations on compensation practices, policies and procedures 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 supports the Board of Directors in preparing the proposals to the General Meeting of Shareholders regarding the aggregate amounts of compensation of the members of the Board of Directors and Executive Committee, and may submit proposals and recommendations to the Board of Directors in other compensation-related issues.

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 2013, the following numbers of meetings were held:

Board/Committees	Meetings held
Board of Directors	7
Audit Committee	5
Compensation Committee	4
Nomination Committee	3

The attendance at the meetings of the Board of Directors and its Committees was 100% (either physically or by call).

Moreover, both the external and internal auditors attended all the Audit Committee meetings in 2013.

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.

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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.

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 who is heading and supported by the Executive Committee, 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. Implementation of action plans is monitored on monthly basis and status reported to the Audit Committee.
- 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 organizational structure ensures that specialized functions like Quality and IT continuously support the management of risk (e.g. IT security, business continuity, etc).

4. Executive Committee

4.1 Members of the Executive Committee

As at 31 December 2013, the Executive Committee comprises the following members:

Executive Committee

Name	Position
David Arnott	Chief Executive Officer
Max Chuard	Chief Financial Officer
Andre Loustau	Chief Technology Officer
Mark Winterburn	Group Product Director
Mike Davis	Client Director

Please refer to pages 46 and 47 for their biographies.

4.2 Other activities and vested interests
Except those mentioned in the biographies section on pages 46 and 47, no member of the Executive Committee has any:

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

4.3 Management contracts
No management tasks have been delegated to third parties.

5. Compensations, shareholdings and loans
5.1 Content and method of determining the compensation and the share-ownership programmes
Further to the entry into force of the *Swiss Ordinance against excessive compensation in listed stock companies* dated 20 November 2013, the compensation programme for the executive members of the Board of Directors and for the Executive Committee is set out in the Compensation Report from pages 62 to 67. For further details of compensation, equity participation including equity incentives, please also refer to note 11 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).

Each shareholder may be represented at the General Meeting of Shareholders by any other person who is authorized by a written proxy or by 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.

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

The Thirteenth Annual General Meeting of Shareholders of the Company will be held in Geneva on 28 May 2014. 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 16 May 2014 (5p.m.) 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.

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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 24 May 2013 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 24 May 2013.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,471,000 representing audit fees charged to Temenos Group AG by PricewaterhouseCoopers for (i) the audit of the group consolidated financial statements and of statutory accounts in various jurisdictions (USD 1,371,000) and (ii) the issuance of comfort letters required by financial institutions in relation to the bond issued by Temenos Group AG in 2013 (USD 100,000).

8.3 Additional fees

In addition, other fees of approximately USD 813,000 have been incurred through the provision of tax advisory and other professional services by PricewaterhouseCoopers.

Please find below a breakdown of the additional fees:

	USD 000
Tax Compliance	386
Transactions	163
Non Audit Fee – Audit related	**549**
Tax Advisory	41
Other Advisory	223
Non Audit related	**264**
Total Non Audit Fee	**813**

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/en/about-temenos/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 28 May 2014, 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.

Dates of publication of 2014 quarterly results and list of roadshows and conferences Temenos will attend in 2014 are published on the Company's website and updated regularly at http://www.temenos.com/en/about-temenos/investor-relations/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/en/about-temenos/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/en/about-temenos/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 is committed to a sustainable business model that makes it proud of how it interacts with its people, customers and marketplace. For information on corporate social responsibility please refer to http://www.temenos.com/en/about-temenos/corporate-social-responsibility/.

Temenos carefully consider corruption-related risks 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 communicated to all staff and business partners worldwide supported by executive management. The Board of Directors examines compliance with this policy at least once a year. Temenos has instituted controls across the company which ensures 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.

As a company operating internationally Temenos faces a variety of complex legal and operational considerations related to compliance with export controls and sanctions and has to comply with all applicable export control laws and sanctions worldwide when conducting business around the world. In this respect Temenos has published an export control and sanctions policy whose purpose is to (i) set out Temenos responsibilities, and of those working for Temenos, in observing and upholding the manner in which Temenos observes and complies with sanctions and export controls and (ii) provide information and guidance to those working for Temenos on how to recognise and deal with business in countries or with individuals who may be at risk of being subject to sanctions or export controls.

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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 2013. The report also confirms the decisions taken in 2013 that have set compensation policy and plans for 2014.

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 129 to 133.

For 2013, we have extended our report on executive compensation as it is a key communication to shareholders, shareholder representative bodies and advisors to explain our compensation approach and its governance. Our intention is to provide information to meet the compensation disclosure requirements under the:

- Swiss Code of Obligations;
- SIX Directive on Information Relating to Corporate Governance;
- Swiss Code of Best Practice for Corporate Governance.

In addition, in compiling the report, reference is made to shareholder representative body guidelines, including those of Institutional Shareholder Services (ISS) and the Swiss Foundation for Sustainable Development (Ethos).

Compliance with the Ordinance against Excessive Compensation
Where we have already defined our approach to meet the requirements of the new Swiss Ordinance against Excessive Compensation in Listed Stock companies ("the Ordinance"), a "Say on Pay" statute, we have included information to explain the policies that we have adopted. In 2013, we engaged EY (Switzerland) to provide remuneration advisory services. We also engaged the services of Homburger[1] to advise us on setting compensation policy throughout the period from drafting of the Ordinance to its final publication in November 2013. We have taken advice from relevant parties in structuring this compensation report with the inclusion of more information, even though the publication of a compensation report that is compliant with the Ordinance is not required for the fiscal year 2013.

Compensation Governance

The Role of the Compensation Committee
The Board of Directors issues the terms of reference to the Compensation Committee to establish its organisation and decision making process. The Compensation Committee is authorised by the Board to:

- Recommend to the Board of Directors compensation practices and policies for executive directors, including the Executive Chairman, CEO and other members of the Executive Committee;
- Align the interests of executive directors and senior managers to the long-term interests of the company and its shareholders by recommending compensation practices and policies that are equitable and performance based;
- Review the competitiveness of the company's executive compensation programmes and thereby ensure the attraction and retention of executive directors and senior managers who are key in delivering the company's business objectives;
- Confirm that compensation packages for executive directors and senior managers are in line with market norms.

To fulfil its duties, the Compensation Committee typically meets four times during the year on the following cycle and, in addition, as required between these meetings:

- February – to sign-off and recommend performance targets and compensation for the current financial year; to review and approve performance achievements vs. targets for compensation related to the previous year;
- October – to review the competitiveness of compensation by benchmarking against comparators;
- November – to review compensation practices and policies for the new financial year and recommend fixed compensation, together with short and long term performance-based variable compensation;
- December – ratify and recommend any changes to policy and compensation packages for the new financial year.

[1] HOMBURGER AG, Prime Tower, Hardstrasse 201, CH-8005 Zürich, Switzerland

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

- Sergio Giacoletto-Roggio, Chairman of the Compensation Committee;
- Ian Cookson, Member of the Compensation Committee;
- Erik Hansen, Member of the Compensation Committee.

Committee members have been elected by the Board of Directors until the 2014 Annual General Meeting of Shareholders. As of 2014, the Compensation Committee members will be elected annually by shareholders.

Benchmarking Compensation against a Comparator Group

To ensure executive compensation is correctly set in the context of industry practice, the Compensation Committee reviewed benchmark data collated from a range of organisations in the technology sector. The Temenos 2013 Comparator Group has been selected based on the following criteria:

- Companies that we target for hiring talent into Temenos;
- Software organisations that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics and complexity;
- Major European software companies;
- Financial services software companies that industry analysts rank as global top performers.

In total, we have selected 20 companies against which to benchmark Temenos and these are presented in the table below.

The Comparator Group

Organisation	HQ
ACI Worldwide	USA
BMC Software	USA
Broadridge Financial Solutions	USA
Dassault Systemes S.A.	France
Fidelity National Information Services	USA
Fidessa Group plc	UK
Fiserv	USA
Jack Henry & Associates	USA
IGATE	USA
Infosys	India
Intuit	USA
Logitech International	Switzerland
Micro Focus International plc	UK
Netsuite	USA
Quality Systems	USA
Quest Software	USA
SAP	Germany
Software AG	Germany
The Sage Group	UK
Tibco Software	USA

We assimilated and considered data from the entire group, while our comparator methodology accounted for extreme outliers in the group. For 2013, the Chief Executive Officer's and Executive Chairman's compensation aligns approximately with the 30th percentile, significantly below the median of the comparator group excluding extreme outliers.

Executive Officers

The Executive Officers who served for the full 2013 financial year are:

Board of Directors:

- Andreas Andreades, Executive Chairman

Executive Committee:

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

Mark Cullinane served as a member of the Executive Committee from 1 January 2013 to 26 February 2013 in the role of Mergers and Acquisitions Director.

The Non-Executive Directors who served for the full 2013 financial year are:

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

Erik Hansen has served as a Non-Executive and Independent Director since elected by the shareholders, which for the purpose of this report represents the period from 24 May 2013 to 31 December 2013.

Summary of Key Compensation Changes in 2013

The key changes made to compensation in 2013 are summarised below and then expanded on fully in the report:

- Introduction of a company-wide Profit Share scheme for all eligible employees as short-term variable compensation to supersede and replace the previous bonus plans.
- Introduction in October 2012 of a three-year LTIP with vesting conditional on the achievement of annual and cumulative performance targets for the period spanning 2013 to 2015.
- Increase in the level of on target variable cash compensation for two Executive Committee members, with a cap at 200% of variable pay.
- In accordance with the company's LTIP rules, an adjustment to the exercise price of LTIP awards to account for dilution as a result of the dividend approved by shareholders at the 2013 AGM.

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Compensation Principles

Compensation Goals

Temenos' executive compensation programmes are designed with two main goals in mind:

1. To align executives' and shareholders' interests by making the major portion of executive 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.

Executive compensation consists of fixed cash compensation and benefits; variable cash compensation that is linked to performance targets for the current financial year; and equity based variable compensation that is linked to long term performance targets.

Performance criteria are set by the Board of Directors and may include criteria relating to individual performance, performance of the company or parts thereof, as well as performance in relation to the market or other companies. The Board of Directors determines the extent to which the performance criteria impact on variable compensation, including any and maximum achievement, and the relative weight of the performance criteria. The Board of Directors also oversees the conditions linked to the grant, vesting, exercise and the forfeiture of equity based incentive programmes.

Decisions on Compensation Packages

The recommendation and approval of compensation packages are governed as follows:

Compensation of	Recommended by	Approved by
Executive Chairman of the Board	Compensation Committee	Board of Directors
Executive Committee	Compensation Committee	Board of Directors
Non-Executive members of the Board of Directors	Chief Executive Officer	Chairman of the Board
Senior managers	Chief Executive Officer	Compensation Committee

A Summary of Compensation Elements in place for 2013

The elements of executive compensation for 2013, together with their objectives, are:

Fixed salary
To pay executives for their expected day-to-day management, leadership and contribution to the business.

Benefits
To provide a level of security in health and retirement and, should it be required, in disability and death.

Variable salary incentive via Profit Share
To make a significant portion of executive overall annual compensation variable and dependent on delivery of the company's annual key targets of licence revenue, cash collection, non-IFRS EBIT and non-IFRS EPS growth.

For 2013, on the condition that targets are achieved, 50% of the Profit Share is paid in cash and 50% is paid in deferred stock that has a vesting date of 1 January 2016.

Variable long term equity incentive
To provide a balance of total compensation, via long term equity incentives, that is variable and linked directly to long term shareholder value creation.

To incentivise sustainable future performance in non-IFRS EPS growth.

To retain executives for the long term.

Long Term Equity Incentive

The company grants Stock Appreciation Rights (SARs) to executives and senior managers with performance and vesting criteria that conform to ISS recommendations. The table at the top of page 65 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.

For the Board of Directors, the Executive Chairman's compensation is made up of a fixed salary, benefits, variable salary as a near term incentive and SAR awards as a variable long-term incentive. The Non-Executive Directors are compensated with a non-executive fee for their Board duties, together with a supplementary fee should they be elected to Chair any of the company's governance committees.

2013 Compensation

In 2013, the traditional variable cash compensation was replaced with a Profit Share plan which pays out on the achievement of performance targets that include licence revenue, non-IFRS EBIT, operating cash flow and non-IFRS EPS. To reinforce the company's two main compensation goals for the Executive Officers and senior managers 50% of the Profit Share award is made in cash and 50% is made in deferred stock, which vests on 1 January 2016 on the conclusion of the current 3 year plan.

In addition, 2013 saw the first year of a new long term SAR scheme (the 2013-2015 Executive Team SAR scheme) 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.

2013-2015 Executive Team SAR Scheme

Target Population	Performance Criteria	Pricing of Long Term Equity Awards
Executive Officers and Senior Managers	Grant conditions linked to the achievement of annual and 3 year cumulative non-IFRS 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, 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.

The vesting profile of SARs awarded under the scheme is as follows:

% Vesting Profile	2013	2014	2015	On Target Total
On achievement of annual targets	16.7%	16.7%	16.7%	50%
On achievement of the cumulative target	0%	0%	0%	50%

50% of any shares which will be obtained as a result of exercising vested SARs have to be retained for a period of 12 months, i.e. they can only be disposed after the announcement of the full year 2016 results ensuring that executives are incentivised to deliver results and growth over a period of over four years from the date of grant.

In July 2013, we increased the fixed salaries of the Chief Executive Officer and the Chief Financial Officer to align them more closely with corresponding roles in the 2013 comparator group. With the increase in fixed salary, the Chief Executive is aligned to the 31st percentile and the Chief Financial Officer is aligned to the 36th percentile. For both roles, variable cash based compensation remained at 100% of the fixed salary for on target performance, with a maximum cap of 200% of the fixed salary amount.

At the 2013 AGM, shareholders approved a dividend payment for the first time in Temenos' history. In accordance with the rules of the SAR plans the exercise prices of all outstanding SAR awards have been reduced by a value equivalent to the dividend to compensate for the dilution created by the dividend. This aligns the interests of employees with those of shareholders in the case of payment of a dividend. Likewise, for Performance Shares held, a top up of shares has been made that is equivalent in value to the dividend that would have been paid on the equivalent number of shares. The adjustments to the exercise price and the additional shares are reflected in the detailed compensation tables below.

Characteristics of Compensation Elements in place for 2013

		Fixed Salary and Benefits	Annual Profit Share Variable Incentive	Long Term Equity Based Variable Incentive
Eligible employees		All employees	All employees	Executive Directors, Executive Committee members and senior managers
Basis for funding		Role and experience	Role and experience with a 90% threshold on the target of non-IFRS EBIT to be achieved prior to the fund accumulating	Achievement of 3 year non-IFRS EPS targets and continuity of service over 4 years
Payout		Monthly or bi-weekly depending on jurisdiction	After non-IFRS EBIT performance for the financial year has been audited	After non-IFRS EPS growth has been audited with a further condition to retain 50% of any underlying shares for a further year
Payout affected by	**Forfeiture rules**	No	Yes	Yes
	KPIs	No	Yes	Yes
Performance range for Executive Directors		None	0% to 200% of fixed salary. 0% below 90% target threshold	0% to 350% of fixed salary. 0% below 85% target threshold
Settlement		Cash	Cash and shares deferred until 1 January 2016	Stock Appreciation Rights

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Changes that Affect 2014 Compensation

In 2014, we have reviewed compensation of the Board of Directors and the Executive Committee against our Comparator Group. For the Group Product Director and the Client Director, we shall increase the variable cash based compensation for each of them from 75% to 100% of their fixed salaries to align them with the rest of the Executive Committee. Their maximum variable cash compensation is now 200% of their fixed salaries which is dependent on significant overperfomance on 2014 revenue, cash and non-IFRS EPS targets.

We have reviewed the fee structure of Non-Executive Directors and we shall increase fees in 2014 to align more closely with market practice.

We are also moving to a cycle of annual SAR grants that will vest after three years on the condition that the annual targets for non-IFRS EPS are achieved in each year of the plan, 2014, 2015 and 2016, together with the cumulative target for the three year period. We favour the use of SARs over restricted stock that necessitate a growth in the share price, which itself is dependent on strong company performance, before they have any value to the receiving executives. In this way we incentivise the management team to deliver strong growth in revenue and profitability over the long term.

Compensation of Executive Officers in 2013

2013-2015 Long Term Equity Awards – Targets and Performance

Under the current 2013-2015 Executive Team SAR scheme the non-IFRS EPS performance targets are:

	2013 Target	2014 Target	2015 Target	Cumulative 2013-2015
Non-IFRS EPS Targets, USD	1.19	1.44	1.73	4.36
Growth on Prior Year	35%	21%	20%	25% CAGR

The non-IFRS EPS achievement for 2013 was USD 1.22, representing 38% growth on the previous year. The level of performance means that the target for the year has been exceeded and hence long-term variable earnings linked to this target are currently on target (one sixth of the award has vested as a result of 2013 performance). Five sixths of the full value of the 2013-2015 variable incentive remains conditional on the achievement of the non-IFRS EPS target for 2014, the non-IFRS target for 2015 and/or the cumulative non-IFRS target for the three year period 2013 to 2015.

Compensation Mix in 2013

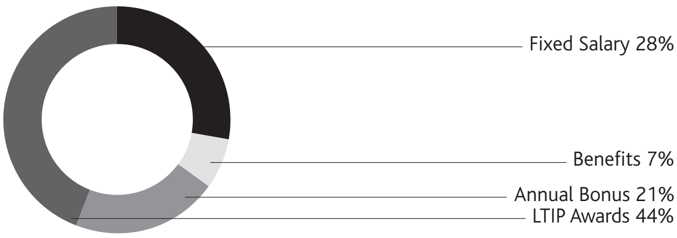
The chart below shows a percentage split on aggregate compensation earned in 2013 by the Executive Committee. SARs are valued by an independent organisation using the Enhanced American Model so as to comply with IFRS2; for a three year SAR award the value that relates to the performance year is included for each year. The fixed salary and benefits are the only fixed components, profit share and SAR awards being "at risk" and dependent on the achievement of results.

2013 Compensation Earned by the Executive Committee

In 2013, 65% of total compensation earned was variable and conditional upon the performance targets that have been achieved. Had these targets not been achieved, then this variable compensation would not have been earned. In 2013, one sixth of the value of the 2013-2015 Executive Team LTIP award has vested while the balance remains conditional on the delivery the 2014 targets, the 2015 targets and the cumulative targets across the three year plan.

Based on the growth delivered in licence revenue, non-IFRS EBIT, non-IFRS EPS and operating cash flow performance in 2013, the compensation earned by the executive committee was made up as follows:

2013 Executive Committee



2013 Aggregate Executive Committee Compensation

The total of all compensation, in US dollars, in 2013 for the Executive Committee is shown below. From the total compensation of USD 10,569,688, only USD 6,425,394 has been earned with the remainder relating to previous members of the committee who have now left the company (USD 1,168,891), or will only be earned if the 2014, 2015 and/or the cumulative three year targets for the period 2013-2015 of non-IFRS EPS as set out in the report are achieved (the value linked to the cumulative target being USD 2,975,403).

		Cash					
Function	**Fiscal year**	**Base Salary**	**Annual Bonus**	**All other Compensation**	**Total Cash Compensation**	**LTIP value**	**Total Compensation**
Executive Committee	2013	2,018,485[1]	1,014,579[2]	1,425,857[3]	**4,458,921**	6,110,767[4]	10,569,688
	2012	2,000,268	37,768	1,568,358[5]	**3,606,394**	5,890,648	9,497,042

1 This includes 2 months of base salary paid to Mr Cullinane (USD 59,431), who is no longer with the company.
2 The Annual Bonus amount is the award to members of the Executive Committee serving as of the 31 December 2013 and relates to a cash element of the Profit Share (50%), together with the US dollar value of the deferred stock (50%), with a relevant stock price as of 27 February 2014. If the value of Temenos stock is higher or lower after 1 January 2016 when the stock can be disposed of, then the corresponding gain by the executives will be correspondingly higher or lower; the incentive to increase the stock value aligns the interests of the executives with that of shareholders.
3 All other compensation includes life, medical, disability, accident insurances, accommodation, pension and car allowance and payments in respect of termination of employment. Out of a total amount of USD 1,425,857 for 2013 USD 969,474 relates to payments for termination of employment made to Mr Cullinane, who is no longer with the company.
4 This corresponds to the value of the 2013-15 SAR awards that accrue for the 2013 financial year and the value gained on all currently held awards (past and present) as a result of the dividend paid to shareholders in 2013. The valuation method, conditions and grant details are explained in the consolidated financial statements on page 119.
5 On 2012 compensation, 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.

Compensation of Board Members

Board Compensation Elements

The Executive Chairman's compensation follows the compensation principles defined above and has been benchmarked and ratified against the 2013 Comparator Group. The constituent elements were fixed salary, benefits, variable cash compensation that, on achievement of targets, is paid in cash and deferred stock and long term variable equity based incentives, which vest only on the attainment of performance targets. The Executive Chairman's compensation for 2013 is reported on page 68.

Compensation of Non-Executive Directors is made up of two components; a fixed fee for carrying out the duties as board members and, where relevant, a fee for carrying out the Vice-Chairman duty and Chairman duties of the Board's committees.

Compensation report
continued

Board Member 2013 Compensation Tables

The compensation, in US dollars, in 2013 for the Board of Directors is shown below. For Mr Andreades, of the total compensation of USD 2,978,400, USD 2,143,900 has been earned as a result of 2013 performance and the remainder will only be earned if the cumulative targets for the period 2013-2015 of non-IFRS EPS as set out in the report are achieved (the value linked to the cumulative target being USD 834,500). For Mr Andreades, of the USD 2,143,900 earned in 2013, 65.8% was variable and conditional upon the 2013 performance targets that have been achieved. Had these targets not been achieved, then this variable compensation (equivalent to USD 1,411,419) would not have been earned.

Name		Cash		All other	Total Cash		Total
Board Function	Fiscal year	Base Salary	Annual Bonus	Compensation[1]	Compensation	LTIP value	Compensation
A. Andreades							
Executive Chairman	2013	606,220	381,919[2]	126,261	**1,114,400**	1,864,000[3]	2,978,400
	2012	599,274	–	117,465	**716,739**	3,752,500	4,469,239
C. Pavlou							
Vice Chairman	2013	100,430[4]	–	–	**100,430**	–	100,430
	2012	93,279[4]	–	–	**93,279**	–	93,279
G. Koukis							
Member	2013	85,365	–	18,335	**103,700**	–	103,700
	2012	85,000	–	18,125	**103,125**	–	103,125
S. Giacoletto-Roggio							
Member	2013	95,408[5]	–	–	**95,408**	–	95,408
Member from 13.06.2012	2012	52,432[5]	–	–	**52,432**	–	52,432
T. de Tersant							
Member	2013	100,430[6]	–	–	**100,430**	–	100,430
Member from 13.06.2012	2012	55,191[6]	–	–	**55,191**	–	55,191
I. Cookson							
Member	2013	85,365	–	–	**85,365**	–	85,365
Member from 13.06.2012	2012	46,913	–	–	**46,913**	–	46,913
E. Hansen							
Member from 24.05.2013	2013	55,271	–	–	**55,271**	–	55,271
	2012	–	–	–	**–**	–	–

(1) All other Compensation includes life, medical, disability, accident insurances, pension and car allowance.

(2) The Annual Bonus amount is the variable compensation earned in 2013 and relates to a cash element of the Profit Share (50%), together with the US dollar value of the deferred stock (50%), with a relevant stock price as of 27 February 2014. If the value of Temenos stock is higher or lower after 1 January 2016 when the stock can be disposed of, then the gain by Mr Andreades will be correspondingly higher or lower; the incentive to increase the stock value aligns the interests of the executive with that of shareholders.

(3) Mr Andreades' long term incentive plan compensation corresponds to the gain provided by the dividend adjustment in 2013 and to one third of the original full fair value from the 2013-2015 Executive Team SAR Award that accrues for 2013. The valuation method, conditions and grant details are explained in note 26 in the consolidated financial statements on page 119. For the 2013-2015 three year award to vest in full, non-IFRS EPS targets must be achieved for each of the years 2013, 2014 and 2015, together with a cumulative non-IFRS EPS target for the 2013 to 2015 period. Should the 2014 and 2015 non-IFRS EPS targets not be achieved or the cumulative non-IFRS EPS target for the years 2013 to 2015 not be achieved, the major portion (five sixths) of the 2013-2015 award will not vest and therefore no further compensation will be derived from this grant.

(4) 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. 2012 fees are prorated for the period of duty.

(5) 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. 2012 fees are prorated for the period of duty.

(6) 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. 2012 fees are prorated for the period of duty.

For executives paid in currencies other than US dollars, the amounts above are converted into US dollars using the average exchange rate for 2013.

Ownership of Shares

Share ownership details are provided in the notes to the unconsolidated financial statements on page 129.

The Year Ahead: Compensation of Executive Officers for 2014

2014 Compensation Plan

For 2014, the split of aggregate compensation for the Executive Committee at the on-target level is shown in the chart to the right. The majority of compensation (81%) is at risk and dependent on achieving the annual total software licensing and annual non-IFRS EPS targets for the 2014 financial and/or the 3 year EPS targets for the period 2013-2015. One sixth of the LTIP value from the 2013-2015 Executive Team SAR scheme is linked to 2014 performance, with the remaining portion being achievable should the 2015 targets and/or the cumulative target for the three year period be achieved by the end of the 2015 financial year. In addition, one third of the value of the 2014 SAR award is linked to 2014 performance and is included in the LTIP value in the chart and will only be earned if the annual targets for non-IFRS EPS are achieved in each year of the plan, 2014, 2015 and 2016 and/or the cumulative target for the three year period. The only fixed compensation which is guaranteed is the fixed salary and benefits amounting to 19% of the on-target total compensation. As per the current plan there is a "clawback" clause whereby in the case of reported numbers needing to be restated, the company reserves the right to receive refund of any profit share that is deemed as overpaid.

2014 Executive Committee

2014 Profit Share

For 2014, we shall maintain the Profit Share plan that will pay out when annual total software licensing, annual operating cashflow and annual non-IFRS EPS targets are achieved. As in 2013, 50% of any Profit Share award will be in cash and 50% will be in deferred stock, which will vest on 1 January 2016 on the conclusion of the current 3 year plan.

In the interest of transparency, in addition to the aggregate data shown above, we table below the 2014 on-target variable payout for Mr Andreades, Mr Arnott and Mr Chuard.

Executive	2014 Target	On Target Cash Compensation	On Target Deferred Stock Value*
A. Andreades	Total software licensing	USD 121,244	USD 121,244
Executive Chairman	Non-IFRS EPS	USD 90,933	USD 90,933
	Operating Cashflow	USD 90,933	USD 90,933
D. Arnott	Total software licensing	USD 160,000	USD 160,000
Chief Executive Officer	Non-IFRS EPS	USD 120,000	USD 120,000
	Operating Cashflow	USD 120,000	USD 120,000
M. Chuard	Total software licensing	USD 94,000	USD 94,000
Chief Financial Officer	Non-IFRS EPS	USD 70,500	USD 70,500
	Operating Cashflow	USD 70,500	USD 70,500

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

2014 Long Term Equity Awards

For the 2014 annual SAR award the three year non-IFRS EPS performance targets are:

	2014 Target	2015 Target	2016 Target	Cumulative 2014-2016
Non-IFRS EPS Targets, USD	1.44	1.73	2.07	5.24
Growth on Prior Year	18%	20%	20%	20% CAGR

For the 2014 annual SAR award to vest fully, the individual annual targets must be achieved for each of 2014, 2015 and 2016, and/or the cumulative target for the three year period 2014 to 2016.

Executive committee contract terms

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

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.

In case of dismissal for cause, all unvested options and stock appreciation rights are forfeited. In case of termination a pro-rata vesting will be applied depending upon the service time performed in the grant period.

Loans granted to members of governing bodies

As of 31 December 2013 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.

Principal risks and uncertainties

PRINCIPAL RISKS AND UNCERTAINTIES

Temenos Risk Function
2013 has seen the Temenos Risk Function develop and grow to be more integrated into the day-to-day operations at Temenos.

Increased risk analysis and reporting has been implemented across all major business areas within Temenos. This has enabled the business decision making process to be increasingly risk focussed towards the desired level of risk exposure to achieve Temenos objectives.

The Risk Board remains the governing body which coordinates and oversees Risk initiatives within Temenos. The Board has had no change of members and continues to represent all major business lines across Temenos.

Economic Environment
The level of market uncertainty in the Eurozone has adversely influenced Banks demand for new core banking software. The Eurozone market continues to show a degree of uncertainty despite strong indication of recovery during 2013. Temenos has continued to achieve greater than expected sales across Europe and increased market share.

The Banking Software industry is highly competitive and continues to evolve and innovate at a rapid rate.

As the approach towards the provision of software changes based on technological improvements in the industry, (i.e. Software as a Service and Platform as a Service models) the rate of potential product obsolescence and level of competition amongst software providers is significant.

Temenos responds to these economic conditions through its commitment to product innovation and new product strategies. By providing packaged software solutions the Customer receives a higher degree of ownership and inherent value in the product without being tied to long term and potentially onerous service contracts.

Temenos target strategic opportunities with key customers to provide software that excels within the target marketplace and remains relevant to customer needs. This approach based on strategic relationships and customisable packaged products, creates scalable value to Temenos, our strategic customer partners and in turn Temenos' entire customer base.

Temenos' global exposure also enables us to leverage growth from all corners of the globe so as not to be reliant on a single market demographic.

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, time commitment, damage to our reputation and relationships with both customers and strategic partners.

Risks relating to IP infringement through packaged Temenos solutions are assessed as part of the initial risk assessment of any prospective deal. This allows for the careful treatment and clear documentation around of the use of any 3rd party product to limit the potential for IP infringement claims.

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.

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 also review and provide guidance on complex customer contracts to ensure contractual agreements align to local commerce laws and regulations. This is covered further in Foreign Operating Environments on page 71.

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 controls, 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.

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.

Given the constantly changing environment of information technology, a process of continuous review and assessment is required. This periodic assessment aims to minimise any underutilised systems and equipment reducing exposure to potential attacks, system faults and failures.

This focus on streamlining the underlying IT infrastructure acts to minimise potential vulnerabilities, improve performance and strengthen the resilience to attacks through a tightly controlled low complexity IT environment. The reduction in underutilised systems also generates increased savings due to reduced maintenance and monitoring.

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 significant risk consideration 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 in the event of litigation.

Product Quality

Banks are under continued pressure to improve their internal systems to meet the increasingly demanding needs of their customers as well as ensuring conformity to increasingly strict regulatory requirements. Technological changes such as mobile phone and internet banking as well as anti-money laundering, Basel 3 and intensive reporting requirements across various regional jurisdictions mean that Temenos products are continuously required to be modified and updated to meet the requirements of its customers.

The quality specifications of Temenos products are under continuous pressure to perform to the detailed and specific quality standards of the banking industry. The development and modification of this highly complex and sophisticated software is inherently subject to errors, defects and potentially inefficient or ineffective code due to the continuous modification and enhancement of the software.

Failure to meet and 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 packaged products is one of Temenos' primary objectives. Temenos maintain their position as a product leader through our dedication to our software portfolio and investment in research and development. Temenos has committed over 80 million USD to research and development initiatives in 2013.

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

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 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.

Key Personnel

Having effectively managed the organisational changes in 2012 a refreshed focus on staff reward, recognition and incentive programs has been introduced in 2013. This initiative aligns to career progression planning and Temenos business objectives.

Through a regionally aligned approach to market Temenos has been able to focus on performance improvement, capitalise on opportunities in local market segments and achieve a closer alignment to our customers. 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 utilise workforce planning and mapping of skills and qualifications to ensure operational requirements are met.

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 utilised to align staff efforts to organisational objectives. Staff receive product specific and implementation methodology training to ensure they have the necessary skills to perform their duties.

Foreign Operating Environments

Due to Temenos' global customer base our people operate in various locations worldwide. Conducting operations in foreign jurisdictions require that social, political and cultural sensitivities, local laws and regulations be observed and respected.

Exposure to potential physical health and safety hazards including foreign disease, poor sanitary condition, civil unrest, terrorism and increased exposure to natural disasters in certain regions must 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. Temenos take great care to assess the legal, taxation, political, cultural and personal implications of working inforeign 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. The initiation of all implementation projects in foreign jurisdictions requires the assessment of these risks and the identification of appropriate mechanisms to minimise disruption to our staff.

Our Business Partners are often utilised to provide a strong understanding of the local environment and awareness of customs. This is reinforced at a group level through provision of informative guidance to staff travelling to locations where they may encounter potential hazards.

As Temenos expands into new markets and legislative and political environments continue to change, the focus on ensuring safety and compliance is continuously reviewed and developed to address the potential hazards in foreign operating environments.

Managing Customer Relationships

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.

Temenos has increased its focus on assessing customer satisfaction and proactively seeking and responding to customer feedback.

Prior to entering into new customer relationships Temenos are taking additional steps to develop a customer profile which assists in clearly identifying and articulating customer requirements as well as providing a mechanism to identify and mitigate any potential areas for concern which may materialise into disagreements at a late date.

Improved mechanisms for tracking and oversight of contract clauses are utilised by the global contract team to provide additional comfort over the effective management of customer contractual arrangements.

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

Principal risks and uncertainties
continued

Strategic Partnerships
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 and maximise benefits from the arrangement.

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

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.

Temenos is 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 are investing in the further development of the Cloud Solutions Business within Temenos as well as continued development and enhancement of the product. Temenos Cloud Business is being enhanced through a dedicated strategic risk and governance team to analyse and assess issues of product liability, legal implications and market adoption. Temenos are also investing in accreditation programs to provide a greater degree of assurance to potential customers.

Temenos acquired an American company called Trinovus which operates a SaaS model for a number of services including core banking and internet banking.

Software Implementation Project Management
The implementation of Temenos software and integration of various product components is a complex procedure requiring skilled and experienced personnel. 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 product customisation 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.

Temenos Implementation Methodology is periodically reviewed and updated in order to maintain high standards to Temenos staff and our Business Partners. During 2013 the methodology has been enhanced to incorporate processes to identify and mitigate risk exposure through initial Risk Profiling, Customer requirements analysis and an improved resource allocation model which incorporates a number of risk-assessed ancillary and strategic considerations. Identified initial project risks receive an increased level of review and analysis in order to more effectively mitigate and monitor them throughout the life of the Implementation Project.

Mergers and acquisitions
Temenos has a continued focus on growing and developing 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 fail to provide expected value, merging and integrating operations, and achieving continued profitability. 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

Cyber security threats are treated as a serious risk factor due to the potential severity of their impact on Temenos Products. Maintaining a secure network and IT assets is achieved through various controls to prevent undesirableaccess to Temenos data and systems.

As part of the periodic Risk Assessment of IT infrastructure, potential physical vulnerabilities are factored into the process for developing a resilient and robust IT infrastructure.

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

The governance framework around BCPs has been updated in alignment with recently updated international standards on Business Continuity. The framework focusses on achieving a balanced and cost effective model based on a consideration of potential business impact resulting from loss of critical functions or services.

The Business Continuity Framework currently provides contingency planning for all mission critical business functions and process within the organisation.

Temenos carries out periodic testing, review and reassessment of Business Continuity and Disaster Recovery Plans to ensure relevance and sufficient coverage of business critical operations and core business units.

IT Disaster Recovery Plans are also being modified and improved to keep up with changes to the IT environment and business support requirements. All major IT Systems within the organisation are covered by a Disaster Recovery Plan designed to minimise the amount of downtime if there were to be an incident.

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 provide sufficient coverage.

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 that the company, our offices and employees are sufficiently covered and that the policies provide value for money.

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 statement of profit or loss, 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 2013.

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 2013 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.

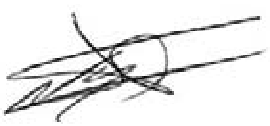
Report on other legal requirements

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, 18 February 2014

Consolidated statement of profit or loss
For the year ended 31 December

	2013 USD 000	Restated 2012 USD 000
Revenues		
Software licensing	**137,758**	125,141
Software-as-a-Service	**4,822**	–
Total software licensing	**142,580**	125,141
Maintenance	**212,496**	201,653
Services	**112,726**	123,415
Total revenues (note 7)	**467,802**	450,209
Operating expenses		
Cost of sales	**140,215**	142,893
Sales and marketing	**79,635**	78,900
General and administrative	**60,130**	69,539
Other operating expenses	**94,323**	109,806
Total operating expenses (note 8)	**374,303**	401,138
Operating profit	**93,499**	49,071
Finance income	**5,050**	7,585
Finance costs	**(16,134)**	(18,924)
Finance costs – net (note 10)	**(11,084)**	(11,339)
Profit before taxation	**82,415**	37,732
Taxation (note 20)	**(14,200)**	(12,617)
Profit for the year	**68,215**	25,115
Attributable to:		
Equity holders of the Company	**68,215**	25,115
Non-controlling interest	**–**	–
	68,215	25,115
Earnings per share (in USD) (note 11):		
basic	**0.99**	0.36
diluted	**0.98**	0.36

Notes on pages 80 to 122 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income
For the year ended 31 December

	2013 USD 000	Restated 2012 USD 000
Profit for the year	**68,215**	25,115
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations (note 22)	**(2,672)**	(5)
	(2,672)	(5)
Items that are or may be subsequently reclassified to profit or loss		
Available-for-sale financial assets (note 25)	**197**	53
Cash flow hedges (note 25)	**(1,339)**	2,579
Currency translation differences (note 25)	**6,858**	2,424
	5,716	5,056
Other comprehensive income for the year, net of tax	**3,044**	5,051
Total comprehensive income for the year	**71,259**	30,166
Attributable to:		
Equity holders of the Company	**71,259**	30,166
Non-controlling interest	**–**	–
	71,259	30,166

Notes on pages 80 to 122 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December

	2013 USD 000	Restated 2012 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 12)	**115,649**	117,734
Trade and other receivables (note 13)	**254,639**	261,423
Other financial assets (note 14)	**2,444**	1,615
Total current assets	**372,732**	380,772
Non-current assets		
Property, plant and equipment (note 15)	**12,945**	13,798
Intangible assets (note 16)	**475,269**	436,124
Trade and other receivables (note 13)	**27,454**	41,629
Other financial assets (note 14)	**6,688**	–
Deferred tax assets (note 20)	**24,817**	30,326
Total non-current assets	**547,173**	521,877
Total assets	**919,905**	902,649
Liabilities and equity		
Current liabilities		
Trade and other payables (note 17)	**94,857**	111,285
Other financial liabilities (note 14)	**3,784**	1,475
Deferred revenues	**171,830**	156,742
Income tax liabilities	**13,903**	11,916
Borrowings (note 18)	**11,598**	10,735
Provisions for other liabilities and charges (note 21)	**2,244**	6,540
Total current liabilities	**298,216**	298,693
Non-current liabilities		
Trade and other payables (note 17)	**–**	273
Other financial liabilities (note 14)	**1,681**	–
Income tax liabilities	**1,848**	1,544
Borrowings (note 18)	**201,487**	203,625
Provisions for other liabilities and charges (note 21)	**1,661**	1,318
Deferred tax liabilities (note 20)	**2,781**	6,318
Retirement benefit obligations (note 22)	**4,063**	3,102
Total non-current liabilities	**213,521**	216,180
Total liabilities	**511,737**	514,873
Capital and reserves attributable to the Company's equity holders		
Share capital	**239,798**	239,798
Treasury shares	**(131,775)**	(105,264)
Share premium and capital reserves (note 24)	**16,442**	20,398
Fair value and other reserves (note 25)	**(59,225)**	(64,941)
Retained earnings	**342,928**	297,785
	408,168	387,776
Non-controlling interest	**–**	–
Total equity	**408,168**	387,776
Total liabilities and equity	**919,905**	902,649

Notes on pages 80 to 122 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December

	2013 USD 000	Restated 2012 USD 000
Cash flows from operating activities		
Profit before taxation	**82,415**	37,732
Adjustments:		
Depreciation, amortisation and impairment of financial assets	**58,619**	59,808
Impairment charge of property, plant and equipment (note 15)	**460**	55
Operating profit on disposal of subsidiary, business and non-current assets	**(529)**	–
Cost of share options (note 26)	**14,053**	9,408
Foreign exchange gain on non-operating activities	**(1,213)**	(6,499)
Interest expenses, net (note 10)	**6,222**	6,177
Net loss from financial instruments (note 10)	**6,514**	10,266
Other finance costs (note 10)	**2,709**	1,656
Other non-cash items	**2,282**	7,251
Changes in:		
Trade and other receivables	**7,795**	(5,468)
Trade and other payables, provisions and retirement benefit obligations	**(23,866)**	(34,170)
Deferred revenues	**13,839**	11,481
Cash generated from operations	**169,300**	97,697
Income taxes paid	**(7,838)**	(10,719)
Net cash generated from operating activities	**161,462**	86,978
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,334)**	(5,541)
Disposal of property, plant and equipment	**9**	23
Purchase of intangible assets	**(5,124)**	(4,178)
Capitalised development costs (note 16)	**(41,872)**	(41,782)
Acquisitions of subsidiary, net of cash acquired (note 6)	**(12,710)**	(16,674)
Disposal of subsidiary or business, net of cash disposed (note 8)	**316**	–
Settlement of financial instruments	**(6,395)**	(10,136)
Interest received	**224**	250
Net cash used in investing activities	**(68,886)**	(78,038)
Cash flows from financing activities		
Acquisition of treasury shares	**(53,647)**	–
Proceeds from borrowings	**100,000**	178
Repayments of borrowings	**(213,608)**	(40,000)
Proceeds from issuance of bond	**104,080**	–
Interest payments	**(5,031)**	(6,212)
Dividend paid	**(20,400)**	–
Payment of other financing costs	**(5,842)**	(819)
Payment of finance lease liabilities	**(291)**	(353)
Net cash used in financing activities	**(94,739)**	(47,206)
Effect of exchange rate changes	**78**	1,050
Decrease in cash and cash equivalents in the year	**(2,085)**	(37,216)
Cash and cash equivalents at the beginning of the year	**117,734**	154,950
Cash and cash equivalents at the end of the year	**115,649**	117,734

Notes on pages 80 to 122 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 24) USD 000	Fair value and other reserves (note 25) USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 January 2012	**239,677**	**(113,473)**	**19,367**	**(69,997)**	**272,607**	**348,181**
Effect of application of IAS 19 revised (note 2)	–	–	–	–	68	68
Balance at 1 January 2012 (restated)	**239,677**	**(113,473)**	**19,367**	**(69,997)**	**272,675**	**348,249**
Profit for the year	–	–	–	–	25,115	25,115
Other comprehensive income for the year, net of tax	–	–	–	5,056	(5)	5,051
Total comprehensive income	–	–	–	5,056	25,110	30,166
Cost of share options (note 26)	–	–	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	25,110	39,527
Balance at 31 December 2012 (restated)	**239,798**	**(105,264)**	**20,398**	**(64,941)**	**297,785**	**387,776**
Profit for the year	–	–	–	–	68,215	68,215
Other comprehensive income for the year, net of tax	–	–	–	5,716	(2,672)	3,044
Total comprehensive income	–	–	–	5,716	65,543	71,259
Dividend paid (note 27)	–	–	–	–	(20,400)	(20,400)
Shares issued related to business combination (note 6)	–	15,558	(6,285)	–	–	9,273
Cost of share options (note 26)	–	–	14,053	–	–	14,053
Exercise of share options	–	11,583	(11,583)	–	–	–
Share issuance costs	–	–	(141)	–	–	(141)
Acquisition of treasury shares	–	(53,652)	–	–	–	(53,652)
	–	(26,511)	(3,956)	5,716	45,143	20,392
Balance at 31 December 2013	**239,798**	**(131,775)**	**16,442**	**(59,225)**	**342,928**	**408,168**

Notes on pages 80 to 122 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
31 December 2013

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, marketing and sale 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 13 February 2014.

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.

2.1 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 except for certain financial assets and financial liabilities that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique.

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 relevant to the Group's operation and adopted by the Group as at 1 January 2013.

- IFRS 7 (amendment) 'Financial instruments: Disclosures',
- IFRS 10 (standard) 'Consolidated financial statements',
- IFRS 12 (standard) 'Disclosures of interests in other entities',
- IFRS 13 (standard) 'Fair value measurement',
- IAS 1 (amendment) 'Presentation of Financial Statements',
- IAS 19 (revised standard) 'Employee benefits',
- IAS 19 (amendment) 'Employee benefits'. This amendment is not mandatory until 1 July 2014 but the Group has decided to early adopt the amendment at 1 January 2013.
- IAS 27 (amendment) 'Separate financial statement',
- IAS 32 (amendment) 'Financial instruments: Presentation'. This amendment is not mandatory until 1 January 2014 but the Group has decided to early adopt the amendment at 1 January 2013.
- IAS 36 (amendment) 'Impairment of assets'. This amendment is not mandatory until 1 January 2014 but the Group has decided to early adopt the amendment at 1 January 2013.
- Annual improvements 2009-2011.

The adoption of these standards, amendments has not resulted in a significant impact on the Group's consolidated financial statements except as described below:

- IAS 19 (revised standard) 'Employee benefits'. The application of this amendment in accordance with its transitional provisions has resulted in the following retrospective effects:
  - USD 68 thousand gain in the opening balance of the consolidated statement of changes in equity at 1 January 2012.
  - USD 956 thousand gain in the consolidated statement of profit or loss (General and administrative line) for the period ended 31 December 2012.
  - USD 5 thousand loss in the 2012 comparatives of the consolidated statement of other comprehensive income.
  - USD 1,019 thousand gain in the opening balance of the consolidated statement of changes in equity at 1 January 2013.
  - Prepaid asset reported as part of the trade and other receivables has been restated from USD 451 thousand to USD 519 thousand at 1 January 2012 and from USD 1,448 thousand to USD 1,490 thousand at 31 December 2012.
  - "Retirement benefit obligations" liability has been restated from USD 4,079 thousand to USD 3,102 thousand at 31 December 2012.
  - Movement in trade and other payables in the consolidated statement of cash flows at 31 December 2012 has been restated from USD 33,214 thousand to USD 34,170 thousand.
  - The effect on the earnings per share (basic and diluted) at 31 December 2012 was USD 0.01.

Given that the effect of the retrospective application of this amendment is not material, the Group has decided not to present a third statement of financial position at 1 January 2012.

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

The following standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but the Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

- IFRS 9 (standard) 'Financial instruments'. This new standard introduces new requirements for the classification, recognition and measurement of financial assets and financial liabilities. It also introduces a set of amendments regarding hedge accounting and accounting for changes in credit risk when measuring liabilities at fair value. 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.
- IFRS 10 (amendment) 'Consolidated financial statements', IFRS 12 (amendment) 'Disclosure of interests in other entities', IAS 27 (amendment) 'Separate financial statement' effective for annual periods beginning on or after 1 January 2014. These amendments give an exception and additional disclosures to entities that meet the definition of "investment entity" and which display particular characteristics. Since the Group does not meet the definition of "investment entity", these amendments will have no impact on the Group's financial statements. The Group will apply these amendments for the financial reporting period commencing on 1 January 2014.
- 2010-2012 cycle annual improvements (amendments), effective for annual periods beginning on or after 1 July 2014. The Group will apply these amendments for the financial reporting period commencing on 1 January 2015.
- 2011-2013 cycle annual improvements (amendments), effective for annual periods beginning on or after 1 July 2014. The Group will apply these amendments for the financial reporting period commencing on 1 January 2015.

2.2 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 (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

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 also 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 profit or loss.

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 in profit or loss. 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, 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 are reclassified to profit or loss.

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2. Accounting policies continued

2.3 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 reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Results and financial position of the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) with a different functional currency than the presentation currency are translated as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income are translated on a monthly basis at the average exchange rates of the month (unless the 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);
- equity items are translated at the historical rates; and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss 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). The gains or losses recognised in the separate financial statements of the subsidiary are reclassified as cumulative translation adjustment to other comprehensive income in the Group's consolidated financial statements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity. They are recognised in the functional currency of the acquired entity and translated to the presentation currency using the closing rate.

2.4 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 18).

2.5 Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision 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 the receivable. 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. Given the complexity, the size and the length of certain implementation service projects, a delay in the settlement of an open trade receivable does not constitute an objective event that the trade receivable is 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 future recovery. The impairment loss is recognised in profit or loss. Subsequent recoveries are credited in the same account previously used to recognise the impairment charge.

Non-current trade and other receivables represent balances expected to be recovered after 12 months.

2.6 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 item. 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

*IT equipment is depreciated over the lesser of the license term, if any, or four years.

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 necessary at each reporting 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 profit or loss 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 profit or loss unless otherwise specified.

2.7 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree 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 amount 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

Software licenses separately acquired are capitalised when the Group can demonstrate that:

- it controls the asset;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be reliably measured.

The cost of the asset comprises its purchase price (including non-refundable purchase taxes) and any directly attributable cost of preparing the asset for its intended use. The cost of the asset is amortised using the straight-line method over its estimated useful life.

Software technologies acquired through business combinations are initially measured at fair value and then amortised using the straight line method over its estimated useful live.

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.

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.

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2. Accounting policies continued

2.8 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 purpose 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.

2.9 Taxation
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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 reporting 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 reporting 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 to assess 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 not recoverable.

2.10 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.

When the effect of the time value is material, 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 an 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 the obligations under the contract.

2.11 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Effective interest costs are recognised within "Finance costs" in profit or loss.

Fees directly attributable to the conclusion of the borrowing facility are recognised as a prepayment for liquidity services that is subsequently amortised within "Finance costs" over the life of the borrowing facility.

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 reporting date.

2.12 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 statement of financial position. The interest elements of the lease obligations are charged to profit or loss 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 2.6) and the remaining lease term.

All other leases are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.13 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 share premium (note 24).

2.14 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. 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 profit or loss within "Finance costs".

2.15 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 profit or loss, 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.

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2. **Accounting policies** continued

2.16 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, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position 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. 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

When a surplus in a plan exists, the Group measures the net benefit asset at the lower of the surplus and the present value of the future economic benefits available to the Group in the form of a reduction in future contributions or a cash refund.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

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. gratuities). 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 actuarial assumptions. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. 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.

2.17 Revenue recognition
The Group derives revenues from the following sources: (1) software licences , software development services and hosting arrangements; (2) software maintenance (help desk services and rights to future product enhancements); and (3) software implementation and support services.

The Group recognises revenues 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'.

Revenues are recognised net of any tax collected on behalf of local tax authorities.

Software licence
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 reliably measured and is not subject to future adjustments (i.e. fixed and determinable);
- The associated costs can be reliably measured;
- Collection is probable.

Portion of revenue that are due after 12 months is deferred until 1) the collection becomes due within 12 months, 2) there were no delinquency in prior payments, 3) the remaining balance is free from any uncertainties and future adjustments.

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. Generic developments relating to country-specific requirements or functionalities that are re-usable in future sales but not yet readily available at the time of the sale are deferred and recognised upon delivery. Non-generic development fees are recognised on a percentage-of-completion basis over the period when the service is performed.

Revenue from "Software-as-a Service" relates to hosting arrangements that provide the customer with the right to use Temenos' products over a certain period of time. Fees for the ongoing hosting service are recognised either on a usage basis (if this can be reliably measured) or over the contractual term of the arrangement. Non-refundable one-time upfront fees consisting of standardisation set-up, initiation or activation services are recognised over the term of the arrangement unless related costs can be reliably measured and revenue can be separately determined based on market pricing for the same obligation. Other professional services such as consulting or training constitute separate obligation and are recognised when revenue recognition criteria for services, as described below, are met. When the hosting arrangement is combined with a license sale of the software, the license revenue is recognised according to the revenue criteria above when, and only when, the customer can take possession of the product without significant penalties. Otherwise, license revenue is recognised on the same terms of the related hosting arrangement.

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, training 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.

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.

Revenue from multiple-element arrangements is allocated to the different elements based on their fair value. Fair value for professional service and software development service is determined by market pricing for equivalent performance obligation sold separately or the "cost-approach plus reasonable margin" methodology when market data does not exist. When revenue is objectively determined for all undelivered elements with the exception of one delivered element, the residual method is used to allocate revenue to the delivered element. Revenue for delivered elements is recognised when the revenue recognition criteria described above are met and revenue is free from any future uncertainties or adjustments attributable to the undelivered elements from which a portion of the fees have been allocated. Revenue for any undelivered elements is deferred and recognised when the product is delivered or over the period in which the service is performed.

Fees collected in advance are reported within "deferred revenues" and then subsequently recognised as revenue when the performance obligation starts. Fees that have been earned but not yet invoiced are reported under "trade and other receivables".

2.18 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.

2.19 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").

2.20 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.

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2. Accounting policies continued

2.21 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.

All financial assets are initially recognised at fair value plus, in the case of financial assets not subsequently reported at fair value through profit or loss, transactions costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at fair value through profit or loss (FVTPL)

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

- acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- a derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within "Finance costs – net".

FVTPL financial assets are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents (notes 2.4 and 2.5).

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 profit or loss within "Finance costs – net".

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 periods. 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.

Available-for-sale financial assets (AFS)

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 after the reporting date.

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

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 reporting 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 receivables, where the carrying amount may be reduced through the use of an allowance account (note 2.5).

2.22 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised costs, net of directly attributable costs.

Subsequent measurement

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss are financial liabilities held for trading and contingent consideration incurred in a business combination. A financial liabilities is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- a derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within “Finance costs – net”.

FVTPL Financial liabilities are reported as current liabilities except for contingent consideration that is expected to be settled after 12 months.

Financial liabilities measured at amortised costs

Financial liabilities measured at amortised costs are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The resulting discounted interest charge is recognised in profit or loss within “Finance costs”.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired.

2.23 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at each reporting 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 derivatives as either:

(a) held for trading, or
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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”. Related cash-flows are reported as cash flows from investing activities.

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 liabilities 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 14. Movements on the hedging reserve in shareholders’ equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item has a remaining maturity of more than 12 months. Derivatives not designated for hedge accounting are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in other comprehensive income are reclassified to profit or loss in the period when the hedged item affects profit or loss. 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 other comprehensive income remains in equity and is recognised when the hedge item is ultimately recognised in profit or loss. 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.

Notes to the consolidated financial statements
31 December 2013

2. Accounting policies continued

2.24 Fair value measurement
The Group measures certain financial instruments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to or by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group's consolidated financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: Inputs for the asset or liability that are not based on observable market data.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period when the event or change in circumstances occurred.

For items categorised within level 3, the Group's finance team reviews and assesses on a regular basis but, in all cases, at each interim period the unobservable inputs and reports to the Chief Financial Officer ("CFO") any changes that may have a significant effect on the reported fair value.

The Group has elected to use the exception provided by paragraph 48 of IFRS 13 'Fair Value Measurement' to measure the credit risk element attributable to the Group's own credit risk (net short position) or the counterparty's credit risk (net long position) on a net basis for the financial assets and financial liabilities governed by a master netting agreement.

2.25 Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Group:

- currently has a legally enforceable right to set-off the financial assets and financial liabilities; and
- intends either to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

A enforceable right to offset financial assets and financial liabilities must not be contingent on future event and must be currently legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy.

2.26 Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial instruments

3.1 Accounting classifications

The following table shows the financial instruments by category to which the accounting policies and disclosures according to IFRS7 "Financial Instruments: Disclosures" applies:

	2013 USD 000	2012 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	**755**	474
Derivatives instruments used for hedging	**8,130**	1,055
Available-for-sale financial assets	**247**	86
Loans and receivables (including cash and cash equivalent)	**379,158**	407,469
Total	**388,290**	409,084

	2013 USD 000	2012 USD 000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	**810**	257
Contingent consideration	**1,609**	–
Derivatives instruments used for hedging	**3,046**	1,218
Financial liabilities measured at amortised cost	**307,436**	325,918
Total	**312,901**	327,393

3.2 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 Chief Financial Officer. 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 revenues 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 future cash flows foreign exposure risk by aligning the revenue streams to currencies that match the cost base and hedge the residual exposure by using derivatives instruments whenever hedge accounting is applicable. At any point in time, the Group's policy is to mitigate the next 18 -24 months of cash flows foreign exposure risk. The Group uses forward contracts as hedging instruments.

Forecasted transactions designated as hedged items under cash flow hedge relationship mainly comprises of future revenue streams as well as future recurring operating costs such as personnel costs and office related costs. They are expected to occur each month during the next 24 months. With the exception of future maintenance streams for which gains or losses affect profit or loss over the subsequent periods after the cash flows occur (straight line basis over the maintenance period), gains or losses are recognised during the same period when the related cash flows occur.

The Group has entered into a cross currency swap to hedge the foreign exchange risk attributable to the bond issued in 2013. The terms of the cross currency swap match those of the bond. Expected cash flows occur on 25 July every year till 2017 and affect profit or loss every month during the life of the swap.

There was no ineffectiveness recognised during the period (2012: USD nil).

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 profit or loss 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.

Notes to the consolidated financial statements
31 December 2013

3. Financial instruments continued

3.2 Financial risk factors continued

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

	Net exposure	
	2013 FCY* 000	2012 FCY* 000
EURO	**1,640**	(1,407)
UK Pounds	**(429)**	(5,257)
Swiss Francs	**5,893**	(14,528)
India rupee	**38,873**	41,670

*Foreign currency

A negative value represents a future net cash outflow.

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

A reasonable 10% shift of the exchange rates of the currencies above against all the other currencies of the Group to which they are measured would have affected equity and profit or loss by the amounts below. The sensitivity assumes that all the other variables remain constant.

2013	**EURO USD 000**	**UK Pounds USD 000**	**Swiss Francs USD 000**	**India rupee USD 000**
Currencies strengthen by 10%				
Profit or (loss):	**217**	**(399)**	**657**	**63**
Other comprehensive income: *	**(3,032)**	**3,155**	**1,675**	**5,106**
Equity	**(2,815)**	**2,756**	**2,332**	**5,169**
Currencies weaken by 10%				
Profit or (loss):	**(217)**	**399**	**(657)**	**(63)**
Other comprehensive income: *	**3,032**	**(3,155)**	**(1,675)**	**(5,106)**
Equity	**2,815**	**(2,756)**	**(2,332)**	**(5,169)**

*Derivatives qualified as cash flow hedge (excluding cross currency swap).

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 as cash flow hedge.

(ii) Price risk

The Group is exposed to price risk arising from equity securities classified as available-for-sale (note 14).

An increase of 10% in the quoted price would increase the equity by USD 25 thousand. An equal opposite change would decrease the equity by USD 25 thousand.

(iii) Cash flow and fair value interest risk

The Group is exposed to cash flow interest rate risks arising from cash and cash equivalents and borrowings at variable rates.

The Group is not exposed to fair value interest risk as it does not hold any fixed interest financial assets or liabilities measured at fair value with the exception of the cross currency swap, which is qualified as a hedging instrument of the bond foreign exchange risk.

The primary objective of the Group's policy is to minimise the effect of the interest expenses in the statement of profit or loss by the use of derivatives when the risk is deemed to be material. At 31 December 2013, 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 of financial instruments with variable rates. With all other variables held constant, an increase of the interest rate by 100 basis point was tested. The result of the sensitivity analysis was USD 1.1 million (2012: USD 2.3 million) additional finance expense to profit or loss and, consequently, a reduction of equity for a similar amount.

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 trade receivables.

The carrying amount of the financial assets, as reported in the section 3.1 above, 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 equivalents and derivative financial instruments by conducting all the transactions with major reputable financial institutions.

Derivatives are concluded with major reputable financial institutions and the related credit risk is mitigated through legally enforceable master netting agreements.

As at 31 December 2013 and 2012, 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 receivables" 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's policy is to maintain the lowest level of cash and cash equivalents to meet its liabilities expected to be settled in the near term, under both normal and stressed conditions, while maintaining sufficient headroom on the undrawn portion of the credit facility (note18) at all times so that the Group does not breach any limits or covenants. The Group continuously monitors forecast and actual cash flows and seeks to align the maturity profiles of its financial assets with its financial liabilities.

Surplus of cash held are primarily used to repay any drawn portion of the credit facility and then invested in short term time deposit or money market deposit.

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Notes to the consolidated financial statements
31 December 2013

3. Financial instruments continued

3.2 Financial risk factors continued

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 2013				
Trade and other payables	86,728	5,922	–	–
Onerous lease provision	171	171	90	1,270
Borrowings	10,121	3,182	13,186	198,681
Contingent consideration	–	–	–	966
Total non-derivatives financial liabilities	**10,292**	**3,353**	**13,276**	**200,917**

	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**

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	Between 2 and 5 years USD 000
At 31 December 2013					
Cross currency swap (inflow)	–	–	867	895	(5,150)
Outflow foreign exchange derivatives	79,903	2,768	4,070	13,439	–
Inflow foreign exchange derivatives	(80,115)	(2,983)	(4,357)	(13,597)	–
Net settled foreign exchange derivatives	438	599	1,021	32	–
Total derivatives	**226**	**384**	**1,601**	**769**	**(5,150)**

	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	Between 2 and 5 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**	**–**	**–**

3.3 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 (note 18). 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 interest expenses.

The capital structure of the Group consists of borrowings (note 18), cash and cash equivalents (note 12) and equity attributable to equity holders of the parent.

3.4 Fair value measurement

The following table provides the level of the fair value hierarchy within which the carrying amounts of the financial assets and liabilities measured at fair value are categorised.

Year ended 31 December 2013

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	755	–	755
Equity securities	247	–	–	247
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,885	–	1,885
Cross currency swap	–	6,245	–	6,245
Total	247	8,885	–	9,132

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Forward foreign exchange contracts	–	810	–	810
Contingent consideration	–	–	1,609	1,609
Derivatives used for hedging				
Forward foreign exchange contracts	–	3,046	–	3,046
Total	–	3,856	1,609	5,465

Year ended 31 December 2012

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	474	–	474
Equity securities	86	–	–	86
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,055	–	1,055
Total	86	1,529	–	1,615

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Forward foreign exchange contracts	–	257	–	257
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,218	–	1,218
Total	**–**	**1,475**	–	1,475

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

Notes to the consolidated financial statements
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3. Financial instruments continued

3.4 Fair value measurement continued

Assets and liabilities in level 2

- Forward foreign exchange contracts: The fair value is based on forward exchange rate (provided by brokers) with the resulting value discounted using a free risk curve plus appropriate credit risk.
- Cross currency swap: The fair value is measured by discounting the contractual cash flows using observable curves for both currencies that reflect currency basis spreads and counterparties credit risk. The resulting value from the leg in foreign currency is translated using the spot exchange rate at the reporting date.

Assets and liabilities in level 3

- Contingent consideration (note 6): The fair value is based on a discounted cash flow approach. Future revenue projection is based on the expectation of the future signings from the evaluation of the acquiree's pipeline as well as the observable development of the market. Future projections are based on a risk-adjusted discount rate of 9%. No gains or losses were recognised in profit or loss since initial recognition. Unless any downturn is particularly severe and pervasive, change in the unobservable inputs would not have significant effect on the fair value of the contingent consideration.

3.5 Offsetting financial assets and financial liabilities

Derivatives transactions entered into by the Groups are governed by ISDAs or equivalent. Such agreements allow the Group for net settlement of the cash flows related to financial assets and liabilities with the same counterparty in the normal course of business and, also, give the right to set-off exposure with the same counterparty in the event of default, insolvency or bankruptcy of the entity and the counterparty.

Year ended 31 December 2013

	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set off USD 000	Net amount USD 000
Financial assets					
Derivatives financial assets	8,885	–	8,885	2,347	6,538
Total	**8,885**	**–**	**8,885**	**2,347**	**6,538**
Financial liabilities					
Derivatives financial liabilities	3,856	–	3,856	2,347	1,509
Total	**3,856**	**–**	**3,856**	**2,347**	**1,509**

Year ended 31 December 2012

	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set off USD 000	Net amount USD 000
Financial assets					
Derivatives financial assets	1,529	–	1,529	1,200	329
Total	**1,529**	**–**	**1,529**	**1,200**	**329**
Financial liabilities					
Derivatives financial liabilities	1,475	–	1,475	1,200	275
Total	**1,475**	**–**	**1,475**	**1,200**	**275**

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 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

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 2013 the carrying amount of the goodwill amounts to USD 342.6 million (2012: USD 313.8 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 956 thousand, if favourable; or
- decrease the deferred tax asset by USD 956 thousand if unfavourable.

At 31 December 2013 the carrying amount of the deferred tax asset amounts to USD 24.8 million (2012: USD 30.3 million).

Critical judgements in applying the Group's accounting policies

Revenue recognition

As detailed in note 2.17, 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 regards to the total mandays remaining to complete the implementation.

Internally generated software development

As detailed in note 2.7, 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 96.7 million (2012: USD 98.4 million) and the total capitalised development costs was USD 41.9 million (2012: USD 41.8 million).

Notes to the consolidated financial statements
31 December 2013

5. Group companies

The consolidated financial statements include the accounts of Temenos Group AG and the following entities as of 31 December 2013:

Company name	Country of incorporation	Ownership interest
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.	Canada	100%
TEMENOS SOFTWARE CANADA LIMITED	Canada	100%
TEMENOS SOFTWARE SHANGAI CO. LIMITED	China	100%
TEMENOS COLOMBIA SAS	Colombia	100%
TEMENOS COSTA RICA SA	Costa Rica	100%
TEMENOS (RUSSIA) LIMITED	Cyprus	100%
TEMENOS MIDDLE EAST 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%
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%
TEMENOS POLSKA SP.ZOO	Poland	100%
TEMENOS ROMANIA SRL	Romania	100%
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%
TEMENOS AFRICA PTY LIMITED	South Africa	100%
DBS GLOBAL SOLUTIONS (PTY) LIMITED	South Africa	100%

Company name	Country of incorporation	Ownership interest
TEMENOS 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.	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%
TRINOVUS LLC	U.S.A.	100%
TRINOVUS SYSTEMS LLC	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%
FINO SOFTWARE SERVICES LIMITED	United Kingdom	100%
RAFT INTERNATIONAL LIMITED	United Kingdom	100%
RAFT (OVERSEAS) LIMITED	United Kingdom	100%
WEALTH MANAGEMENT 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).

Significant restrictions
Other than those described in note 12, there is no significant restriction on the Group's ability to access or use assets, and settle liabilities, of the above subsidiaries.

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6. Business combinations

Prior years acquisitions

FE-MOBILE LIMITED
Included in outflow from acquisition in the current year, is USD 385 thousand for settlement of contingent consideration.

EDGE IPK LIMITED
The finalisation of the initial accounting has resulted in no adjustment to the initial assets acquired and liabilities assumed.

Current year acquisition

TriNovus Capital LLC
On 21 March 2013, the group acquired 100% of the share capital of TriNovus Capital LLC based in USA.

TriNovus is a Software-as-a-Service (SaaS) technology provider that develops and delivers Compliance and Core Banking solutions to community banks and credit unions.

The acquisition will significantly increase Temenos' customer base in the US market as well as provide it with the complementary products and local expertise to accelerate growth and launch a SaaS offering for the US market based on its market-leading, real-time T24 core banking platform, its Insight solution for business analytics and its Profile and Screen Anti-Money Laundering (AML) applications.

The goodwill arising from the acquisition is mainly attributable to the cross-selling opportunities with the acquired customer base, the penetration into the US SaaS banking market and to the enhancement of the solutions panel offered by the Group.

Fair value of the consideration transferred at acquisition date:

	USD 000
– Cash Consideration	13,125
– Equity instruments (408,877 treasury shares)	9,273
– Contingent consideration	1,609
Total purchase consideration	24,007

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	800
Trade and other receivables	1,688
Property, plant and equipment (note 15)	881
Intangible assets (note 16)	7,284
Trade and other payables	(1,748)
Deferred revenues	(2,193)
Borrowings	(149)
Total identifiable net assets	6,563
Goodwill	17,444
Acquisition-related costs included in "General and administrative" line in the statement of profit or loss	284
Consideration paid in cash	13,125
Cash and cash equivalents acquired	(800)
Cash outflow on acquisition	12,325

The fair value of the equity instruments issued as part of the consideration was based on the published closing price of CHF 21.45 on 21 March 2013.

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

The goodwill recognised is expected to be tax deductible for income tax purposes.

The revenue and profit or loss contributed by the acquiree in the period between the date of acquisition and the reporting date are USD 4.8 million and USD 935 thousand loss, respectively.

If the acquisition had occurred on 1 January 2013, the estimated contribution by the acquiree to the Group's revenues and profit or loss would have been USD 6.4 million and USD 1 million loss, respectively.

The contingent consideration arrangement requires the Group to pay in cash and shares an earn-out contribution based on the completion of a revenue target over the earn out period ending 21 March 2016. The potential undiscounted consideration value is between nil and USD 1,875 thousand.

The fair value of the contingent consideration arrangement was estimated by applying a discounted cash flow approach. Future projections are based on a risk-adjusted discount rate of 9%. This is a level 3 fair value measurement.

The initial accounting has been provisionally completed at 31 December 2013. The Group is still evaluating the fair value of certain acquired intangible assets as well as certain liabilities.

7. 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 providing hosting arrangements. 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 table below summarises the primary information provided to the Group's Chief Executive Officer:

	Product		Services		Total	
	2013 USD 000	2012 USD 000	**2013 USD 000**	2012 USD 000	**2013 USD 000**	2012 USD 000
Revenue	**355,076**	326,794	**112,726**	123,415	**467,802**	450,209
Operating contribution	**155,864**	131,845	**7,454**	1,374	**163,318**	133,219
Total assets	**163,042**	170,335	**90,423**	108,774	**253,465**	279,109

All revenues are 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	**2013 USD 000**	Restated 2012 USD 000
Total operating contribution from the reportable segments	**163,318**	133,219
Depreciation and amortisation (note 8)	**(48,997)**	(47,468)
Unallocated expenses	**(20,822)**	(36,680)
Finance costs – net (note 10)	**(11,084)**	(11,339)
Profit before taxation	**82,415**	37,732

Total assets	**2013 USD 000**	Restated 2012 USD 000
Total assets allocated to the reportable segments	**253,465**	279,109
Unallocated items:		
Trade and other receivables	**28,628**	23,943
Cash and cash equivalents	**115,649**	117,734
Other financial assets	**9,132**	1,615
Property, plant and equipment	**12,945**	13,798
Intangible assets	**475,269**	436,124
Deferred tax assets	**24,817**	30,326
Total assets per the statement of financial position	**919,905**	902,649

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7. Segment information continued

Geographical information

Revenue from external customers	2013 USD 000
Switzerland (country of the Group's domiciliation)	**26,401**
United Kingdom	**36,344**
France	**27,582**
Luxembourg	**27,769**
Other countries	**349,706**
Total	**467,802**

	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

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	2013 USD 000
Switzerland (country of the Group's domiciliation)	**84,042**
Luxembourg	**149,310**
United Kingdom	**75,915**
France	**75,850**
U.S.A.	**24,724**
Other countries	**78,373**
Total	**488,214**

	2012 USD 000
Switzerland (country of the Group's domiciliation)	83,477
Luxembourg	140,324
United Kingdom	76,541
France	75,065
Other countries	74,515
Total	449,922

8. Expenses by nature

	2013 USD 000	Restated 2012 USD 000
Third party licences and commissions	**18,934**	11,813
Personnel costs and external consultants	**264,301**	284,565
Depreciation and amortisation (note 15 and 16)	**48,997**	47,468
Travel expenses	**29,081**	29,524
Rent and other occupancy costs	**16,532**	16,631
Marketing and other professional costs	**12,926**	21,306
Other costs	**25,404**	31,613
Capitalised expenditure (note 16)	**(41,872)**	(41,782)
	374,303	401,138

Included in "Other costs", is USD 529 thousand gain as a result of the disposal of unsubstantial business. The net gain including the effect of tax amounted to USD 393 thousand. The net consideration received amounted to USD 316 thousand and related net liabilities disposed of amounted to USD 77 thousand. There was no cash disposed of.

9. Employee benefit expenses

	2013 USD 000	Restated 2012 USD 000
Wages and salaries	**180,365**	192,791
Termination benefits	**5,110**	12,394
Social charges	**25,279**	24,961
Defined contribution pension costs	**5,023**	5,530
Defined benefit pension costs (note 22)	**2,103**	2,761
Cost of employee share option scheme (note 26)	**14,053**	9,408
	231,933	247,845

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

	2013 USD 000	2012 USD 000
Key management personnel of Temenos Group AG		
– short-term cash compensation and benefits	**3,575**	3,352
– post-employment benefits	**297**	547
– termination benefits	**109**	1,939
– share-based payment	**4,897**	5,908
	8,878	11,746
Non-executive directors		
– short-term benefits	**541**	429

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 11 of the unconsolidated Financial Statements of Temenos Group AG.

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10. Finance costs – net

	2013 USD 000	2012 USD 000
Finance income:		
– Interest income on short-term bank deposits and investments	**220**	266
– Unwinding of discount on non-current trade and other receivables	**469**	559
– Foreign exchange gain, net	**4,361**	6,760
Total finance income	**5,050**	7,585
Finance costs:		
– Unwinding of discount on provisions and trade and other payables	**–**	(10)
– Interest expense	**(6,911)**	(6,992)
– Other financing costs*	**(2,709)**	(1,656)
– Net loss on derivatives not designated as hedging instruments	**(6,514)**	(10,266)
Total finance costs	**(16,134)**	(18,924)
Finance costs – net	**(11,084)**	(11,339)

*Other financing costs mainly comprise of fees incurred for the conclusion of the credit facility and the commitment fees attributable to the undrawn portion of the credit facility.

11. Earnings per share

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.

	2013 USD 000	Restated 2012 USD 000
Profit attributable to equity holders of the Company	**68,215**	25,115
Weighted average of ordinary shares outstanding during the year (in thousands)	**68,621**	68,971
Basic earnings per share (USD per share)	**0.99**	0.36

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 these consolidated financial statements, the Group has only one category with a potential dilutive effect: “Share options”.

For the period ended 31 December 2012 and 31 December 2013, this category was fully dilutive.

	2013 USD 000	Restated 2012 USD 000
Profit used to determine diluted earnings per share	**68,215**	25,115
Weighted average of ordinary shares outstanding during the year (in thousands)	**68,621**	68,971
Adjustments for:		
– Share options (in thousands)	**1,116**	770
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**69,737**	69,741
Diluted earnings per share (USD per share)	**0.98**	0.36

12. Cash and cash equivalents

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

	2013 USD 000	2012 USD 000
Cash at bank and in hand	**88,228**	35,951
Short term deposits with banks	**27,421**	81,783
	115,649	117,734

Included in the above amount, is USD 2.8 million (2012: USD 2.9 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.

13. Trade and other receivables

	2013 USD 000	Restated 2012 USD 000
Trade receivables	**272,659**	295,952
Less: provision for impairment of trade receivables	**(19,194)**	(16,843)
Trade receivables – net	**253,465**	279,109
VAT and other taxation recoverable	**10,060**	8,145
Other receivables	**3,153**	3,730
Prepayments	**15,415**	12,068
Total trade and other receivables	**282,093**	303,052
Less non-current portion	**(27,454)**	(41,629)
Total current portion of trade and other receivables	**254,639**	261,423

Included in "Trade receivables" line, are USD 175.2 million of accrued income (2012: USD 152.2 million).

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 after the reporting 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.

Fair values of the trade and other receivables

	Carrying amount		Fair value	
	2013 USD 000	2012 USD 000	2013 USD 000	2012 USD 000
Current trade and other receivables	**254,639**	261,423	**254,639**	261,423
Non-current trade and other receivables	**27,454**	41,629	**26,920**	41,282
	282,093	303,052	**281,559**	302,705

The carrying amounts of current trade and other receivables approximate their fair value. Fair value of non-current trade and other receivables is based on a discounted cash flow approach using the LIBOR plus appropriate credit risk at the reporting date and is within level 2 of the fair value hierarchy.

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13. Trade and other receivables continued

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

	2013 USD 000	2012 USD 000
Current (less than 30 days)	**17,466**	17,826
Past due 31-90 days	**8,561**	8,892
Past due 91-180 days	**8,303**	12,431
Past due 181-360 days	**10,864**	13,928
More than 360 days	**17,882**	21,941
	63,076	75,018

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.

	2013 USD 000	2012 USD 000
At 1 January	**16,843**	12,503
Provision for receivables impairment	**5,107**	7,594
Used amounts	**(2,372)**	(2,955)
Unused amounts	**(406)**	(337)
Exchange gain or loss	**22**	38
At 31 December	**19,194**	16,843

Management acknowledges that 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 9.6 million (2012: USD 12.3 million) of net impairment loss related to trade receivables. The Group has provided for the adverse probable outcome on a limited number of projects that are facing some implementation difficulties or funding issues.

14. Other financial assets and liabilities

	2013		2012	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cash flow hedges	**1,885**	**3,046**	1,055	1,218
Forward foreign exchange contracts – held for trading	**755**	**810**	474	257
Cross currency swap – cash flow hedges	**6,245**	**–**	–	–
Contingent consideration (note 6)	**–**	**1,609**	–	–
Available-for-sale investment	**247**	**–**	86	–
At 31 December	**9,132**	**5,465**	1,615	1,475
Reported as follows:				
Current	**2,444**	**3,784**	1,615	1,475
Non-current	**6,688**	**1,681**	–	–
At 31 December	**9,132**	**5,465**	1,615	1,475

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

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

15. Property, plant and equipment

Year ended 31 December 2013	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings & equipment USD 000	Land and buildings USD 000	Total USD 000
Cost					
At 1 January 2013	11,522	392	32,846	2,502	47,262
Foreign currency exchange differences	(199)	(32)	(872)	(279)	(1,382)
Acquisition of subsidiary (note 6)	34	–	341	506	881
Additions	826	61	2,796	–	3,683
31 December 2013	**12,183**	**421**	**35,111**	**2,729**	**50,444**
Depreciation and impairment					
At 1 January 2013	9,637	190	23,402	235	33,464
Foreign currency exchange differences	(73)	(11)	(609)	(28)	(721)
Charge for the year	645	67	3,534	50	4,296
Impairment loss	400	–	60	–	460
31 December 2013	**10,609**	**246**	**26,387**	**257**	**37,499**
Net book value					
31 December 2013	**1,574**	**175**	**8,724**	**2,472**	**12,945**
Year ended 31 December 2012					
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	–	–	48	–	48
Additions	243	210	4,592	–	5,045
Reclassification	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	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

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

	Fixtures fittings & equipment USD 000
Net book value at 31 December 2013	**116**
Net book value at 31 December 2012	340

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

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16. Intangible assets

Year ended 31 December 2013	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 2013	212,228	313,804	60,981	47,116	634,129
Foreign currency exchange differences	1,834	11,383	937	1,746	15,900
Acquisition of subsidiary (note 6)	–	17,444	5,331	1,953	24,728
Additions	41,872	–	4,375	–	46,247
31 December 2013	**255,934**	**342,631**	**71,624**	**50,815**	**721,004**
Amortisation					
At 1 January 2013	119,539	–	37,953	40,513	198,005
Foreign currency exchange differences	424	–	1,162	1,443	3,029
Charge for the year	27,714	–	10,673	6,314	44,701
31 December 2013	**147,677**	**–**	**49,788**	**48,270**	**245,735**
Net book value					
31 December 2013	**108,257**	**342,631**	**21,836**	**2,545**	**475,269**
Year ended 31 December 2012					
Cost					
At 1 January 2012	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	–	11,247	5,462	1,205	17,914
Additions(1)	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

(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 40.0 million (2012: USD 38.7 million) is included in the "Cost of sales" line; USD 0.2 million (2012: USD 0.1 million) in "Sales and marketing" line; USD 0.9 million (2012: USD 1.1 million) in "Other operating expenses" line and USD 3.6 million (2012: USD 3.0 million) in "General and administrative" line.

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

	2013			2012		
	Carrying amount USD 000	**Growth rate %**	**Discount rate %**	Carrying amount USD 000	Growth rate %	Discount rate %
Product	**342,631**	**1**	**12.51**	313,804	1	13.77
	342,631			313,804		

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 two-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 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.

17. Trade and other payables

	2013 USD 000	2012 USD 000
Trade payables	**14,198**	37,138
Accrued expenses	**61,568**	52,266
Other payables	**19,091**	22,154
Total trade and other payables	**94,857**	111,558
Less non-current portion	**–**	(273)
Total current portion of trade and other payables	**94,857**	111,285

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 after the reporting 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.

Fair values of the trade and other payables

	Carrying amount		Fair value	
	2013 USD 000	2012 USD 000	**2013 USD 000**	2012 USD 000
Current trade and other payables	**94,857**	111,285	**94,857**	111,285
Non-current trade and other payables	**–**	273	**–**	270
	94,857	111,558	**94,857**	111,555

The carrying amounts of current trade and other payables approximate their fair value. Fair value of non-current trade and other payables is based on a discounted cash flow approach using the LIBOR plus appropriate credit risk at the reporting date and is within level 2 of the fair value hierarchy.

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18. Borrowings

	2013 USD 000	2012 USD 000
Current		
Obligations under finance leases (note 19)	**136**	242
Other loans	**64**	44
Unsecured bond	**1,371**	–
Bank borrowings	**10,027**	10,449
	11,598	10,735
Non-current		
Obligations under finance leases (note 19)	**30**	70
Other loans	**113**	181
Unsecured bond	**111,344**	–
Bank borrowings	**90,000**	203,374
	201,487	203,625
Total borrowings	**213,085**	214,360

Fair values of the borrowings

	Carrying amount		Fair value	
	2013 USD 000	2012 USD 000	**2013 USD 000**	2012 USD 000
Current borrowings	**11,598**	10,735	**11,598**	10,735
Non-current borrowings:				
Obligations under finance leases (note 19)	**30**	70	**30**	69
Other loans	**113**	181	**112**	179
Unsecured bond	**111,344**	–	**116,552**	–
Bank borrowings	**90,000**	203,374	**84,451**	201,680
	213,085	214,360	**212,744**	212,663

The carrying amounts of current borrowings approximates their fair value. Fair value of non-current obligations under finance leases, non-current other loans and non-current bank borrowings are based on a discounted cash flow approach using the LIBOR and Swap curve plus appropriate credit risk at the reporting date and are within level 2 of the fair value hierarchy. Fair value of the bond is derived from its quotation at the reporting date and is within level 1 of the fair value hierarchy.

Bank borrowings under the credit facility are at variable rates and mature until 2017. The carrying amounts are all denominated in USD .

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

Bank facilities

On March 21 2013, The Group concluded a combined term loan and revolving credit facility with a pool of five large financial institutions, replacing existing 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 plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. Utilised amounts are repayable in fixed installments between March 2014 and March 2017.

As at 31 December 2013, USD 100 million (2012: USD 80 million) was drawn under the refinancing facility.

Multicurrency revolving credit facility (“RCF”):
USD 250 million bearing interest at LIBOR/EURIBOR 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 21 March 2017.

As at 31 December 2013, a total of nil (2012: USD 133.6 million) was drawn under the RCF and guarantees totaling USD 15.1 million (2012: USD 22.7 million) were in issue.

Commitment fees are due on the undrawn portion of the revolving credit facility.

The facilities granted are subject to various financial covenants which have been adhered to during the year 2013 and 2012.

19. Obligations under finance leases

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2013 USD 000	2012 USD 000	**2013 USD 000**	2012 USD 000
Obligations under finance leases:				
repayable within one year	**147**	260	**136**	242
repayable between one and five years	**33**	76	**30**	70
	180	336	**166**	312
Included in the financial statement as:				
Current borrowings (note 18)			**136**	242
Non-current borrowings (note 18)			**30**	70
			166	312

The interest charge on obligations under finance leases is recognised in the statement of profit or loss within "Finance costs".

20. Taxation

Tax expense	**2013 USD 000**	2012 USD 000
Current tax on profits for the year	**13,443**	13,586
Adjustments in respect of prior years	**(1,120)**	(795)
Total current tax	**12,323**	12,791
Deferred tax – origination and reversal of temporary differences	**1,877**	(174)
Total tax expense	**14,200**	12,617

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:

	2013 USD 000	2012 USD 000
Profit before tax	**82,415**	36,776
Tax at the domestic rate of 25%	**20,604**	9,194
Non-taxable income and expenses	**1,884**	2,188
(Utilisation) generation of unrecognised losses – net	**(3,248)**	1,190
Tax adjustments related to prior periods	**(1,120)**	(795)
Reversal of deferred tax assets on intellectual property	**5,840**	5,839
Non-taxable consolidation adjustment on intellectual property amortisation	**(12,693)**	(12,693)
Other movement on deferred tax assets and liabilities, including rate changes	**(1,306)**	(2,616)
Effects of different tax rates	**(1,549)**	2,250
Overseas withholding tax	**3,735**	6,024
Other tax and credits	**2,053**	2,036
Total tax expense	**14,200**	12,617

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2012: USD nil) and no income tax charged or credited directly to equity (2012: USD nil). No deferred tax has been calculated on the prior year IAS 19 adjustment due to the existence of tax losses on which no deferred tax asset has been recognised in the entities affected.

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20. Taxation continued

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 statement of financial position are as follows:

	2013 USD 000	2012 USD 000
Deferred tax assets – to be recovered after more than 12 months	**17,084**	23,354
Deferred tax assets – to be recovered within 12 months	**7,733**	6,972
Deferred tax assets	**24,817**	30,326
Deferred tax liabilities – to be recovered after more than 12 months	**(955)**	(4,017)
Deferred tax liabilities – to be recovered within 12 months	**(1,826)**	(2,301)
Deferred tax liabilities	**(2,781)**	(6,318)
Net deferred tax assets	**22,036**	24,008

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 52,206 thousand (2012: USD 61,721 thousand) in respect of losses amounting to USD 230,430 thousand (2012: USD 287,441 thousand) that can be carried forward against future taxable income. Losses amounting to USD 56,764 thousand (2012: USD 75,002 thousand) will expire within the next 5 years, USD 19,062 thousand (2012: USD 28,983 thousand) will expire within 5 to 10 years and USD 22,251 thousand (2012: USD 7,603 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 12,429 thousand (2012: USD 18,269 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 (2012: nil).

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

	2013 USD 000	2012 USD 000
At 1 January	**24,008**	25,366
Statement of profit or loss credit/(charge)	**(1,877)**	174
Foreign currency exchange differences	**(95)**	4
Acquisition of subsidiaries	**–**	(1,536)
At 31 December	**22,036**	24,008

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 2012	7,670	24,108	829	1,207	33,814
Credited/(charged) to the statement of profit or loss	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
Credited to the statement of profit or loss	196	(5,840)	(295)	508	(5,431)
Foreign currency exchange differences	(29)	–	4	(53)	(78)
At 31 December 2013	**11,054**	**12,429**	**134**	**1,200**	**24,817**

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 2012	(7,776)	–	(672)	(8,448)
Credited/(charged) to the statement of profit or loss	3,848	–	(86)	3,762
Acquisition of subsidiary	(1,536)	–	–	(1,536)
Foreign currency exchange differences	(76)	–	(20)	(96)
At 31 December 2012	(5,540)	–	(778)	(6,318)
Credited to the statement of profit or loss	3,015	–	539	3,554
Foreign currency exchange differences	(57)	–	40	(17)
At 31 December 2013	**(2,582)**	**–**	**(199)**	**(2,781)**

21. Provisions for other liabilities and charges

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2013	895	2,560	4,035	368	7,858
Foreign currency exchange differences	62	21	68	(24)	127
Increase in provisions recognised in the income statement	876	95	1,703	–	2,674
Used during the year	(644)	(869)	(4,849)	–	(6,362)
Unused during the year	–	(105)	(287)	–	(392)
31 December 2013	**1,189**	**1,702**	**670**	**344**	**3,905**
Reported as follows:					
2013					
Current	1,189	385	670	–	2,244
Non-current	–	1,317	–	344	1,661
31 December 2013	**1,189**	**1,702**	**670**	**344**	**3,905**
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

Legal provision
The amounts represent provisions for certain legal claims brought against the Group. The balance at 31 December 2013 is expected to be utilised in 2014. Management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2013.

Property provision
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. Provision for dilapidations represents the estimated costs to be incurred at the date of exit.

The non-current portion has not been discounted as the effect of the time value was not material.

Included in the non-current portion, are USD 161 thousand of onerous lease that will be utilised over the period from 2015 to 2017 and USD 1,156 thousand of dilapidation costs that will be settled when the related leases are terminated which is not expected in the short and medium term.

Termination benefits
The amounts represent the benefits payable for the period with no future economic benefits to the Group. The carrying amount is expected to be fully utilised in 2014.

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 was disposed of to an entity outside Canada. The carrying amount is expected to be fully utilised in the medium term. Given the uncertainty of the period when the settlement will occur, the Group has decided to report the carrying amount as non-current.

The non-current portion has not been discounted as the effect of the time value was not material.

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22. 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 statement of profit or loss when incurred. No assets or liabilities are recognised in the Group's statement of financial position in respect of such plans, apart from prepayments and accruals of the contributions withheld from employees' wages and salaries and of the Group's contributions.

In certain countries, the Group has a legal obligation to make one-time payments to employees reaching retirement age or departing. Such gratuities are based on the amount of the employees' final salary and their length of service. With the exception of India, these plans are unfunded. These plans are categorised as defined benefit plans.

The Group also operates funded defined benefit pension plans in Switzerland that represent the most significant portion of the Group's defined benefit obligation at 31 December 2013.

Pension plans in Switzerland
Swiss based plans entitle retired employees to receive either a capital or an annual pension payment. Final benefit is based on retirement savings accumulated over the working life period of the employees. The plans are administrated by separate funds that are legally separated from the entity. Two Swiss plans are funded through institutional investments and one plan is funded by the conclusion of an insurance contract.

Swiss based pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), which stipulates that pension plans are to be managed by independent, legally autonomous units. Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the LPP specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case the plan's statutory funding falls below a certain level, various measures can be taken such as the increase of the current contribution, lowering the interest rate on the retirement account balances or a reduction of the additional prospective benefits. The employer can also make additional restructuring contributions.

The Swiss based pension plans are administrated by a legal foundation under the supervision and management of one of the largest insurance company for pension plans based in Switzerland. The Board of Trustee is composed of equal numbers of employee and employer representatives. Its responsibilities are to set-out the strategy of the plans, approve the budget for the administrative expenses etc. Each individual plan is then governed by a sub-committee that is equally composed of representatives of employer and plan participant. The primary objective of this committee is to implement the investment strategy set out by the Board of Trustee. It mainly consists of determining the asset allocation, the investment structure and approving the delegation to an asset manager. The committee is also responsible for the appropriation of the prospective result within the framework set out by the LPP.

As all the plans within the Group are not exposed to materially different risks and as a significant portion of the Group's obligation is contributed by the Swiss plans, the management has decided not to present additional disaggregation of the disclosures presented below unless explicitly required by IAS 19 "Employee Benefits".

The amounts recognised in the statement of financial position at 31 December are as follows:

	2013 USD 000	Restated 2012 USD 000
Present value of funded obligations	**22,704**	20,943
Fair value of plan assets	**(22,063)**	(21,832)
Surplus/(deficit) of funded plans	**641**	(889)
Present value of unfunded obligations	**1,670**	1,409
Impact of asset ceiling	**1,752**	1,092
Net liability in the statement of financial position	**4,063**	1,612

Represented by:		
Accrued liabilities	**4,063**	3,102
Prepaid asset	**–**	(1,490)
Net liability in the statement of financial position	**4,063**	1,612

The movement in the net defined benefit liability (asset) over the year is as follows:

	Present value of obligation USD 000	Fair value of plan assets USD 000	Total USD 000	Effect of asset ceiling USD 000	Total USD 000
Balance at 1 January 2013	22,352	(21,832)	520	1,092	1,612
Current service cost	2,022	–	2,022	–	2,022
Interest expense/(income)	603	(572)	31	50	81
	2,625	(572)	2,053	50	2,103
Remeasurements (included in OCI):					
Return on plan assets, excluding interest income	–	46	46	–	46
Actuarial loss (gain) from:					
– demographic assumptions	52	–	52	–	52
– financial assumptions	1,037	–	1,037	–	1,037
– experience adjustment	932	–	932	–	932
Change in asset ceiling	–	–	–	605	605
	2,021	46	2,067	605	2,672
Exchange differences	397	(403)	(6)	5	(1)
Contributions:					
– Employers	–	(2,323)	(2,323)	–	(2,323)
– Plan participants	1,038	(1,038)	–	–	–
Payment from plans:					
– Benefit paid	(4,059)	4,059	–	–	–
– Settlements	–	–	–	–	–
	(2,624)	295	(2,329)	5	(2,324)
Balance at 31 December 2013	**24,374**	**(22,063)**	**2,311**	**1,752**	**4,063**
Balance at 1 January 2012	21,381	(18,505)	2,876	454	3,330
Current service cost	2,319	–	2,319	–	2,319
Past service cost and settlement gains and losses	345	–	345	–	345
Interest expense/(income)	711	(627)	84	13	97
	3,375	(627)	2,748	13	2,761
Remeasurements (included in OCI):					
Return on plan assets, excluding interest income	–	(1,379)	(1,379)	–	(1,379)
Actuarial loss (gain) from:					
– demographic assumptions	–	–	–	–	–
– financial assumptions	1,600	–	1,600	–	1,600
– experience adjustment	(800)	–	(800)	–	(800)
Change in asset ceiling	–	–	–	584	584
	800	(1,379)	(579)	584	5
Exchange differences	482	(473)	9	41	50
Contributions:					
– Employers	–	(4,534)	(4,534)	–	(4,534)
– Plan participants	1,588	(1,588)	–	–	–
Payment from plans:					
– Benefit paid	(1,899)	1,899	–	–	–
– Settlements	(3,375)	3,375	–	–	–
	(3,204)	(1,321)	(4,525)	41	(4,484)
Balance at 31 December 2012	22,352	(21,832)	520	1,092	1,612

Two Swiss plans have a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

The defined benefit obligation is calculated using the projected unit credit method. This reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions primarily regarding discount rates used and projected rates of remuneration growth. 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 or government bonds in countries where there is not a deep market in corporate bonds.

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22. Retirement benefit obligations continued

Plan assets comprise:

	2013	2012
Equity securities:		
– Quoted	**14%**	12%
– Unquoted	**0%**	0%
Fixed income securities:		
– Quoted	**22%**	18%
– Unquoted	**0%**	0%
Real estate	**10%**	9%
Insurance contracts	**51%**	50%
Other	**4%**	11%
	100%	100%

The fair value of the assets has not materially changed due to the adoption of IFRS 13 'Fair Value Measurement'.

The committee of each plan annually performs an asset-liability assessment. The objective of such assessment is to select an appropriate asset allocation to match cash flows of the assets with the plan obligations while maximising the return and minimising the risk.

Actuarial assumptions:
These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk and market risk (investment risk).

Actuarial assumptions are based on the requirement set out by IAS 19 "Employee Benefits". They are unbiased and mutually compatible estimates of variables that determine the ultimate cost of providing post-employment benefits. They are based on market expectations at the reporting date for the period over which the obligations are to be settled. They are set on an annual basis by independent actuaries.

Actuarial assumptions consist of demographic assumptions such as employee turnover and financial assumptions such as interest rates, salary growth and consumer price inflation. The actuarial assumptions vary based upon local economic and social conditions.

Discount rate is determined by reference to high-quality corporate bonds or government bonds in countries where there is not a deep market in corporate bonds.

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2013	2012
Discount rate	**2.93%**	2.73%
Future salary growth	**1.99%**	0.95%

Sensitivity analysis:
The sensitivity of the defined benefit obligation to change in the weighted principal assumption is:

		Defined benefit obligation	
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(968)	1,037
Future salary growth	0.50%	349	(329)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur since some of the assumptions are correlated. The sensitivity analyses have been calculated using the same methodology as applied when determining the pension liability in the financial statements.

Expected contributions to post-employment benefit plans for the year ending 31 December 2014 are USD 2,071 thousand.

At 31 December 2013, the weighted-average duration of the defined benefit obligation was 8 years.

23. Share capital

As at 31 December 2013, 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 2013 are summarised below:

	Number
Total number of shares issued, as at 31 December 2012	72,023,148
Treasury shares	(2,911,562)
Total number of shares outstanding, as at 31 December 2012	69,111,586
Movement in treasury shares	(1,422,859)
Total number of shares outstanding, as at 31 December 2013	**67,688,727**

As at 31 December 2013, the number of treasury shares held by the Group amounted to 4,334,421 (2012: 2,911,562).

In March 2013, the Group issued 408,877 treasury shares as part of the purchase of TriNovus Capital LLC. The fair value of these treasury shares amounted to USD 9,273 thousand.

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

Authorised shares available until 24 May 2015	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

24. 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 2012	138,511	87,320	(138,008)	(68,456)	19,367
Cost of share options (note 26)	–	9,408	–	–	9,408
Exercise of share options	(5,075)	–	(3,261)	–	(8,336)
Share issuance costs	(41)	–	–	–	(41)
Balance at 31 December 2012	133,395	96,728	(141,269)	(68,456)	20,398
Cost of share options (note 26)	–	14,053	–	–	14,053
Exercise of share options	(4,034)	–	(7,549)	–	(11,583)
Loss on issuance of treasury shares related to business combination	(6,285)	–	–	–	(6,285)
Share issuance costs	(141)	–	–	–	(141)
Balance at 31 December 2013	**122,935**	**110,781**	**(148,818)**	**(68,456)**	**16,442**

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24. 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 determined at the issuance of the convertible bond in 2006 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 issuance of own shares.

Share options reserve
As detailed in note 26, the Group has issued instruments to employees. The fair value of these instruments is charged to the statement of profit or loss 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 26, the Group has issued instruments to employees. When the instruments are exercised, the Group fulfills 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 Limited (previously known as Temenos Holdings NV) were exchanged shortly before the initial public offering for Temenos Group AG shares, thus rendering Temenos Holdings Limited a wholly owned subsidiary of Temenos Group AG. The number of shares acquired was 40,104,336 which prior to the exchange had a nominal value of USD 0.001 per share, totaling USD 39 thousand. The new shares in Temenos Group AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113,538 thousand. Expenses related to the initial public offering of Temenos Group AG, and share premium items arising prior to the creation of Temenos Group AG, were recorded against this account.

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

25. 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 2012	(67,198)	(57)	(2,742)	(69,997)
Currency translation differences	2,424	–	–	2,424
Transfer to profit or loss within "Personnel costs"	–	–	3,104	3,104
Transfer to profit or loss within "Software licensing revenue"	–	–	(1,873)	(1,873)
Transfer 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)
Currency translation differences	5,871	–	–	5,871
Transfer to profit or loss within "Personnel costs"	–	–	1,567	1,567
Transfer to profit or loss within "Software licensing revenue"	–	–	603	603
Transfer to deferred revenues	–	–	811	811
Transfer to finance income	987	–	(7,164)	(6,177)
Net fair value gain	–	197	2,844	3,041
Balance at 31 December 2013	**(57,916)**	**193**	**(1,502)**	**(59,225)**

26. 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 for the unvested options is a minimum of three 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:

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	**1,088,062**	**$16.56**	1,385,170	$16.79
Forfeited during the year	**(118,972)**	**$25.28**	(195,608)	$24.99
Exercised during the year	**(276,700)**	**$10.60**	(101,500)	$4.20
Outstanding at the end of the year	**692,390**	**$17.14**	1,088,062	$16.56

670,000 of the outstanding options (2012: 1,043,701) were exercisable at the reporting date with a weighted average exercise price of USD 16.58 (2012: USD 15.98). The options exercised during the year had a weighted average share price at the time of exercise of USD 25.06 (2012: USD 17.15).

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. The vesting period for the unvested share appreciation rights ranges is a minimum of three years and the share appreciation rights have a maximum contractual term of eleven and a quarter years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

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

	2013		2012	
	Number of rights	**Weighted average exercise price**	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	**9,937,751**	**$17.17**	6,323,656	$20.50
Granted during the year	**1,374,360**	**$22.22**	6,964,376	$16.43
Forfeited during the year	**(1,024,224)**	**$17.13**	(3,173,293)	$22.54
Exercised during the year	**(287,686)**	**$13.59**	(176,988)	$10.81
Outstanding at the end of the year	**10,000,201**	**$17.66**	9,937,751	$17.17

2,072,684 of the outstanding share appreciation rights (2012: 2,256,097) were exercisable at the reporting date with a weighted average exercise price of USD 19.58 (2012: USD 18.69). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 24.95 (2012: USD 17.87).

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. 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 (2012: nil). As at 31 December 2013 there were 7,471,576 remaining share appreciation rights (2012: 7,113,132) that may be subject to the overachievement provisions with a weighted average exercise price of USD 17.15 (2012: USD 16.48).

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26. Share based payments continued

Share options 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:

2013 **Exercise price**	**Number**	**Remaining contractual life (years)**
$5.71-$7.67	**122,500**	**0.84**
$8.23-$9.78	**393,939**	**2.80**
$12.19	**266,788**	**5.17**
$14.93-$16.18	**6,107,947**	**8.59**
$17.03-$18.93	**840,814**	**8.10**
$19.71-$22.61	**1,458,967**	**8.47**
$23.22-$25.68	**1,176,104**	**5.73**
$26.26-$27.50	**303,142**	**5.05**
$31.27-$34.53	**22,390**	**7.28**
	10,692,591	

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	

Fair value of stock options and share appreciation rights
The fair value of options and share appreciation rights granted during the period 2013 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 6.03 (2012: USD 5.19). The significant inputs into the model were weighted average share price at grant date of USD 21.80 (2012: USD 16.43), weighted average exercise price of USD 22.23 (2012: USD 16.43), standard deviation of expected share price returns of 42.71% (2012: 42.87%), weighted average option lives of 4.0 years (2012: 5.91 years), weighted average annual risk-free interest rate of 1.20% (2012: 1.04%) and weighted average expected dividend yield of 2.04% (2012: nil). 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 and Loyalty shares

	2013 Number of shares	2012 Number of shares
Outstanding at the beginning of the year	**762,781**	1,239,294
Granted during the year	**162,931**	18,000
Forfeited during the year	**(169,034)**	(388,696)
Exercised during the year	**(10,057)**	(105,817)
Outstanding at the end of the year	**746,621**	762,781

Loyalty shares
A grant of 156,062 Loyalty shares was made in 2013 (2012: nil). 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 21.92 (2012: USD nil). None of the Loyalty shares were exercisable at the reporting date (2012: nil) but 63,577 of the Loyalty shares became exercisable on 1 January 2014.

Performance shares
A grant of 6,869 (2012: 18,000) 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 25.55 (2012: USD 17.74). None of the Performance shares were exercisable at the reporting date.

Profit share plan
For the year ended 31 December 2013 a profit share plan was in place for the group's employees. Under the terms of the plan, part of the amount due to certain employees is not paid in cash but will instead be satisfied by the award of restricted shares. These restricted shares will only vest unconditionally after a further two years period of service. The Group has no legal or constructive obligation to repurchase or settle the shares in cash. As at the reporting date the number of restricted shares to be granted had not been determined.

The total expense recorded in the statement of profit or loss in respect of employee share options, share appreciation rights, performance and loyalty shares and the profit share plan is USD 14,053 thousand (2012: USD 9,408 thousand).

27. Dividend per share

Dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of the Shareholders. The dividend proposed for the 2013 financial year is amounting to CHF 23.7 million (CHF 0.35 per share) and it is not yet recorded as a liability. This amount may vary depending on the number of treasury shares as of the ex-dividend date.

The dividend paid in 2013 related to 2012 financial year amounted to CHF 19.5 million (CHF 0.28 per share).

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 2013, operating lease payments recognised in profit or loss relating to office premises amounted to USD 12.2 million (2012: USD 12.9 million) and operating lease payments recognised in profit or loss relating to leased equipment were USD 0.9 million (2012: USD 1.2 million).

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

	2013 USD 000	2012 USD 000
No later than 1 year	**11,010**	13,678
Later than 1 year and no later than 5 years	**26,513**	32,582
Later than 5 years	**2,385**	8,003
Total	**39,908**	54,263

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business (note 18). 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 21.

29. Related party transactions and balances

Remuneration of executive and non-executive directors is described in note 9. Equity compensation for executive and non-executive directors granted in the form of options, SARSs and shares is described in note 26.

There were no other significant transactions with related parties during the year ended 31 December 2013.

Notes to the consolidated financial statements
31 December 2013

30. Events after the reporting period

There are no reportable events that occurred after the reporting period.

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 corporate 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 2013.

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 2013 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 comply 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, 18 February 2014

Unconsolidated balance sheet
As at 31 December 2013

	2013 CHF 000	2012 CHF 000
Assets		
Current assets		
Prepayments and other assets	**217**	220
Treasury shares	**50,035**	–
Liquid funds	**947**	934
Total current assets	**51,199**	1,154
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	**859,067**	859,091
Receivable from other Group entities	**143,974**	55,619
Total non-current assets	**1,003,041**	914,710
Total assets	**1,054,240**	915,864
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**14**	880
Other liabilities	**714**	854
Borrowings (note 7)	**100,238**	–
Tax payable	**1,027**	683
Total current liabilities	**101,993**	2,417
Non-current liabilities		
Payable to other Group entities	**101,802**	43,919
Total non-current liabilities	**101,802**	43,919
Shareholders' equity		
Share capital (note 3)	**360,116**	360,116
General legal reserve (note 4)	**11,187**	5,164
General reserve from capital contributions (note 4)	**196,837**	216,326
Reserve for Treasury shares from capital contributions (note 4)	**120,927**	96,459
Retained earnings (note 4)	**161,378**	191,463
Total shareholders' equity	**850,445**	869,528
Total shareholders' equity and liabilities	**1,054,240**	915,864

Unconsolidated income statement
For the year ended 31 December

	2013 CHF 000	2012 CHF 000
Income from investments in subsidiaries	**5,000**	126,383
Financial (expense)/income	**499**	(10)
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(4,717)**	(8,289)
Profit before taxation	**782**	118,084
Taxation	**(376)**	(319)
Profit of the year	**406**	117,765

Notes to the unconsolidated financial statements
31 December 2013

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 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:

	2013 number	2012 number
Total number of Temenos Group AG shares issued, as at January 1	**72,023,148**	72,000,930
Shares issued and alloted on exercising of employee share options	**–**	22,218
Total number of Temenos Group AG shares issued, as at December 31	**72,023,148**	72,023,148

Temenos Group AG also has conditional and authorised 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 24 May 2015)	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, 2013 are as follows:

Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	11.26%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	5.92%
Alken Luxembourg S.à.r.l	5.05%
Contour Asset Management LLC (Manticore Master Fund Ltd)	3.05%
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 2012	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)	–	–
Profit of the year	–	–	–	117,765	117,765
Balance at 31 December 2012	5,164	216,326	96,459	191,463	509,412
Appropriation of available earnings:					
– to General legal reserve	6,023	–	–	(6,023)	–
Reserve for Treasury shares from retained earnings	–	–	24,468	(24,468)	–
Repayment of "General Reserve from Capital Contribution" as per 2013 Annual General Meeting ("AGM") resolution.	–	(19,488)	–	–	(19,488)
Profit of the year	–	–	–	406	406
Balance at 31 December 2013	**11,187**	**196,837**	**120,927**	**161,378**	**490,329**

Notes to the unconsolidated financial statements
31 December 2013

5. Treasury Shares

Temenos Group AG holds directly or through a subsidiary a total of 4,334,221 shares at 31 December 2013 (2012: 2,911,562) out of which 2,199,635 may be used in conjunction with M&A, for resale or for allotting to members of the Temenos Employee Share Option Scheme at the time that they exercise their options and 2,134,786 shares are intended to be cancelled subject to approval by the shareholders at the 2014 ordinary annual general meeting (capital reduction).

6. Contingent liabilities

Temenos Group AG is a guarantor under the Group facility agreement concluded by Temenos Finance Luxembourg Sarl as borrower, in March 2013 for a total amount of USD 350 million.

7. Borrowings

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

8. Income from investments in subsidiaries

Temenos Group AG decided to recognize an income from investments in subsidiaries of CHF 5 million following the decision of one of its direct subsidiaries made in January 2014 to distribute a dividend in relation to the 2013 fiscal year.

9. Proposal for the appropriation of available earnings

Based on the approved and audited financial statements for the financial year 2013, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.35 per share, for a total amount of CHF 23,691,054 (this amount may vary 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 2013 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 2013, amounting to CHF 196,837,276, will be reduced as follows :

	2013 CHF 000	2012 CHF 000
Reserves from capital contributions		
Balance before distribution	**196,837**	216,326
Repayment of general reserve from capital contributions*	**(23,691)**	(19,488)
Balance after distribution	**173,146**	196,837
Retained earnings		
Retained earnings brought forward	**185,440**	73,698
Transfer to Reserve for Treasury shares	**(24,468)**	–
Net income	**406**	117,765
Retained earnings available for appropriation	**161,378**	191,463
Appropriation to legal reserves	**(20)**	(6,023)
Retained earnings to be carried forward	**161,357**	185,440

*2012 comparative has been corrected from CHF 19’351’976 to CHF 19’488’402 to reflect the actual payment made in 2013. The dividend paid was CHF 0.28 per share as approved by the General Meeting. The difference is explained by the amount of treasury shares as of the ex-dividend date.

Provided that the proposal of the Board of Directors is approved, the last trading day with entitlement to receive the dividend will be 30 May 2014. The shares will be traded ex-dividend as of 2 June 2014 (Ex date). The dividend record date will be set on 4 June 2014 (Record date). The dividend will be payable as of 5 June 2014 (Payment date).

Temenos treasury shares are not entitled to dividends.

10. 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).

11. Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations

Summary Compensation Tables
The total of all compensation, in US dollars, earned in 2013 and 2012 by each member of the Board of Directors is shown below. The Long Term Incentive Plan (LTIP) Value in column seven represents the fair value at time of grant based on IFRS2 expense accounting, rather than the potential value that may be received by the individual. Unvested SARs will only start to have a value after non-IFRS EPS targets are achieved which trigger vesting and when the stock price rises above the grant price.

For Mr Andreades, of the total 2013 compensation of USD 2,978,400 USD 2,143,900 has been earned and the remainder will only be earned if the three year targets for the period 2013-2015 of non-IFRS EPS as set out in the report are achieved (the value linked to the cumulative target being USD 834,500).

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	2013	606,220	381,919(2)	126,261	**1,114,400**	1,864,000(3)	2,978,400
	2012	599,274	–	117,465	**716,739**	3,752,500	4,469,239
C. Pavlou							
Vice Chairman	2013	100,430(4)	–	–	**100,430**	–	100,430
	2012	93,279(4)	–	–	**93,279**	–	93,279
G. Koukis							
Member	2013	85,365	–	18,335	**103,700**	–	103,700
	2012	85,000	–	18,125	**103,125**	–	103,125
S. Giacoletto-Roggio							
Member	2013	95,408(5)	–	–	**95,408**	–	95,408
Member from 13.06.2012	2012	52,432(5)	–	–	**52,432**	–	52,432
T. de Tersant							
Member	2013	100,430(6)	–	–	**100,430**	–	100,430
Member from 13.06.2012	2012	55,191(6)	–	–	**55,191**	–	55,191
I. Cookson							
Member	2013	85,365	–	–	**85,365**	–	85,365
Member from 13.06.2012	2012	46,913	–	–	**46,913**	–	46,913
E. Hansen							
Member from 24.05.2013	2013	55,271	–	–	**55,271**	–	55,271
	2012	–	–	–	**–**	–	–

(1) All other Compensation includes life, medical, disability, accident insurances, pension and car allowance.
(2) The Annual Bonus amount is the variable compensation earned in 2013 and relates to a cash element of the Profit Share (50%), together with the US dollar value of the deferred stock (50%), with a relevant stock price as of 27 February 2014. If the value of Temenos stock is higher or lower after 1 January 2016 when the stock can be disposed of, then the gain by Mr Andreades will be correspondingly higher or lower; the incentive to increase the stock value aligns the interests of the executive with that of shareholders.
(3) Mr Andreades' long term incentive plan compensation corresponds to the gain provided by the dividend adjustment in 2013 and one third of the original full fair value from the 2013-2015 Executive Team SAR Award. The valuation method, conditions and grant details are explained in the notes to the consolidated financial statements on page 119. For the 2013-2015 three year award to vest in full, non-IFRS EPS targets must be achieved for each of the years 2013, 2014 and 2015, together with a cumulative non-IFRS EPS target for the 2013 to 2015 period. Should the 2014 and 2015 non-IFRS EPS targets not be achieved, the major portion (five sixths) of the 2013-2015 award will not vest and therefore no further compensation will be derived from this grant.
(4) 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.
(5) 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.
(6) 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.

As individuals are paid in currencies other than US dollars, the amounts above are converted into US dollars using the average exchange rate for 2013 and the average exchange rate for 2012. Comparison between these 2 years may be distorted through the exchange rate fluctuations.

Notes to the unconsolidated financial statements
31 December 2013

11. Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations continued

The total of all compensation, in US dollars, earned in 2013 and 2012 by the Executive Committee is shown below.

Function	Fiscal year	Cash: Base salary	Cash: Annual Bonus	All other compen-sation(1)	**Total cash compen-sation**	LTIP value	Total compen-sation
Executive Committee	2013	2,018,485	1,014,579(2)	1,425,857(3)	**4,458,921**	6,110,767(4)	10,569,688
	2012	2,000,268	37,768	1,568,358(5)	**3,606,394**	5,890,648	9,497,042

(1) All other compensation includes life, medical, disability, accident insurances, accommodation, pension and car allowance and payments in respect of termination of employment.
(2) The Annual Bonus amount is the variable compensation earned in 2013 and relates to a cash element of the Profit Share (50%), together with the US dollar value of the deferred stock (50%), with a relevant stock price as of 27 February 2014. If the value of Temenos stock be higher or lower after 1 January 2016 when the stock can be disposed of, then the gain by the executives will be correspondingly higher or lower; the incentive to increase the stock value aligns the interests of the executives with that of shareholders.
(3) This includes USD 969,474 in respect of payments relating to termination of employment made to Mr Cullinane, who is no longer with the company.
(4) This corresponds to the value of the 2013-15 SAR awards that relate to the 2013 financial year; and the value gained on all currently held awards (past and present) as a result of the dividend paid to shareholders in 2013. In accordance with the rules of the SAR plans the exercise prices of all outstanding SAR awards have been reduced by a value equivalent to the dividend to compensate for the dilution created by the dividend. This aligns the interests of employees with those of shareholders in the case of payment of a dividend. Likewise, for Performance Shares held, a top up of shares has been made that is equivalent in value to the dividend that would have been paid on the equivalent number of shares.
(5) 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 Executive Committee members for 2013 were Mr Arnott, Mr Chuard, Mr Loustau, Mr Davis, Mr Winterburn and Mr Cullinane for two months. In 2012 the named Executive Officers were Mr Arnott, Mr Chuard, Mr Loustau, Mr Davis, Mr Winterburn, Mr Cullinane, Mr Dubois and Mr Rumpf. 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.

Highest Paid Member of the Executive Committee
As CEO, Mr Arnott was the highest paid executive in 2013 and of his total compensation of USD 3,432,658, USD 2,320,500 has been earned as a result of 2013 performance and the remainder will only be earned if the cumulative targets for the period 2013-2015 of non-IFRS EPS as set out in the report are achieved (the value linked to the cumulative target being USD 1,112,158). For Mr Arnott, of the USD 2,320,500 earned in 2013, 68.1% was variable and conditional upon the 2013 performance targets that have been achieved. Had these targets not been achieved, then this variable compensation (equivalent to USD 1,580,750) would not have been earned.

Name Function	Fiscal year	Cash: Base salary	Cash: Annual Bonus	All other compen-sation(1)	**Total cash compen-sation**	LTIP value	Total compen-sation
D. Arnott							
Chief Executive Officer	2013	661,147	460,136(2)	78,603	**1,199,886**	2,232,772(3)	3,432,658
	2012	522,559	–	41,690	**564,249**	1,816,500	2,380,749

(1) All other compensation includes life, medical, disability, accident insurances, pension and car allowance.
(2) The Annual Bonus amount is the variable compensation earned in 2013 and relates to a cash element of the Profit Share (50%), together with the US dollar value of the deferred stock (50%), with a relevant stock price as of 27 February 2014. If the value of Temenos stock is higher or lower after 1 January 2016 when the stock can be disposed of, then the gain by Mr Arnott will be correspondingly higher or lower; the incentive to increase the stock value aligns the interests of the executives with that of shareholders.
(3) This corresponds to the value of the 2013-15 SAR awards that relate to the 2013 financial year; and the value gained on all currently held awards (past and present) as a result of the dividend paid to shareholders in 2013. In accordance with the rules of the SAR plans the exercise prices of all outstanding SAR awards have been reduced by a value equivalent to the dividend to compensate for the dilution created by the dividend. This aligns the interests of employees with those of shareholders in the case of payment of a dividend. Likewise, for Performance Shares held, a top up of shares has been made that is equivalent in value to the dividend that would have been paid on the equivalent number of shares.

As individuals are paid in currencies other than US dollars some of the variation from year to year is due to foreign exchange fluctuations. All amounts, including the "fair value" of benefits, are shown on an accrual basis and before taxation.

Shareholdings and Equity Incentives
Independent Directors' Shares

Name	Position	**31 December 2013 Shares**	31 December 2012 Shares
C. Pavlou	Vice-Chairman	**50**	50
I. Cookson	Member	**9,250**	4,750
S. Giacoletto-Roggio	Member	**10,000**	10,000
T. de Tersant	Member	**3,000**	3,000
E. Hansen	Member	**11,000**	–

Executive Officers and non-independent Directors, Shares and Outstanding Equity Awards

As of 31 December 2013

			SARs, Options and Performance Shares				
Name	Position	Shares	Grant year	Exercise price USD	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares
A. Andreades	Executive Chairman	929,982	2010	23.71	750,000	–	–
			2012	16.03	–	750,000	–
			2013	22.11	–	150,000	–
G. Koukis	Member	55,111	2007	15.27	74,144	–	–
			2009	24.26	6,441	–	–
D. Arnott	CEO	133,000	2008	12.19	6,915	–	–
			2011	17.16	–	26,431	101,305[1]
			2012	16.03	–	1,050,000	–
			2013	22.11	–	150,000	–
M. Chuard	CFO	30,000	2007	19.71	169,000	–	–
			2008	12.19	20,960	–	–
			2009	24.26	8,541	–	–
			2011	17.16	–	9,436	50,654[2]
			2012	16.03	–	680,000	–
			2013	22.11	–	150,000	–
A. Loustau	CTO	24,373	2007	23.22	20,000	–	–
			2007	27.50	150,000	–	–
			2007	15.27	90,606	–	–
			2008	12.19	68,021	–	–
			2009	24.26	13,593	–	–
			2011	17.16	–	17,344	101,305[1]
			2012	16.03	–	450,000	–
M. Winterburn	Group Product Director	–	2011	17.16	–	11,502	50,654[2]
			2012	16.03	–	450,000	–
M. Davis	Client Director	–	2009	24.26	1,214	–	–
			2011	17.16	–	11,502	20,261[3]
			2012	16.03	–	174,999	–
			2013	22.11	–	100,000	–

(1) 1,305 of the number of shares for this award relates to the top up adjustment due to the dividend, the shares were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.
(2) 654 of the number of shares for this award relates to the top up adjustment due to the dividend, the shares were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.
(3) 261 of the number of shares for this award relates to the top up adjustment due to the dividend, the shares were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.

Notes to the unconsolidated financial statements
31 December 2013

11. Disclosure of compensation and participations as per articles 663bbis and 663c of the Swiss Code of Obligations continued

As of 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	12.48 to	110,355	–	–
			2009	24.55	–	–	–
D. Arnott	CEO	133,000	2008	12.48	6,915	–	–
			2011 &	17.45 &	–	1,076,431	100,000
			2012	16.32			
M. Chuard	CFO	30,000	2007 to	12.48 to	198,501	–	–
			2009	24.55			
			2011 &	17.45 &	–	689,436	50,000
			2012	16.32			
A. Loustau	CTO	24,373	2007 to	12.48 to	342,220	–	–
			2009	27.79			
			2011 &	17.45 &	–	467,344	100,000
			2012	16.32			
M. Winterburn	Group Product Director	–	2011 &	17.45 &	–	461,502	50,000
			2012	16.32			
M. Davis	Client Director	–	2009	24.55	1,214		
			2011 &	17.45 &	–	186,501	20,000
			2012	16.32			
M. Cullinane	COO	–	2008	12.48	5,470	–	–
			2011 &	17.45 &	–	624,719	100,000
			2012	16.32			

No options and/or shares were held on 31 December 2013 and 2012 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.

SARs are valued on a fair value basis by an independent organisation using the Enhanced American Model so as to comply with IFRS2. The value apportioned to each executive relates to amount vested in the current financial year or an amount spread over the service period to which targets and vesting conditions relate.

1. The 2013-2015 SARs plan awarded 4,154,999 SARs (reduced to 3,554,999 as a result of forfeiture linked to Mr Cullinane leaving the company) at a grant price of USD 16.32 (reduced to USD 16.03 after adjustment(1)), and grant date of 31 October 2012, and 550,000 SARs at a grant price of USD 22.40 (reduced to USD 22.11 after adjustment(1)) and a grant date of 1 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 non-IFRS EPS targets for the years 2013 to 2015 inclusive. 50% of the award is linked to annual non-IFRS EPS targets being achieved, divided equally (16.7%) for achievement in each year, 2013, 2014 and 2015, of the plan. There is no overachievement element on the awards linked to annual targets. The remaining 50% of the award is linked to the achievement of a cumulative non-IFRS EPS target for the three year period, 2013 to 2015. For this 50%, if the cumulative non-IFRS EPS achievement 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 non-IFRS EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant.

The vesting profile of SARs awarded under the 2013-2015 Executive Team scheme is as follows:

% Vesting Profile	2013	2014	2015	On Target Total
On achievement of annual targets	16.7%	16.7%	16.7%	50%
On achievement of cumulative targets	0%	0%	0%	50%

Fifty per cent (50%) of the underlying net shares derived from the grant after vesting must be retained for a period of 12 months from the Vesting Date.

Proportion due to vest	Vesting Date	Performance Criteria
50% on achievement of annual targets or cumulative target if compensating for a one or two year miss 50% on achievement of cumulative target	On Board approval of the results for the year ending 31 December 2015	Annual & cumulative non-IFRS EPS targets 2013 USD 1.19 2014 USD 1.44 2015 USD 1.73 Cumulative non-IFRS EPS target USD 4.36

2. The 2012 SARs plan, granted in November 2011, has a grant price of USD 17.45 (reduced to USD 17.16 after adjustment[(1)]), with vesting subject to active employment to the end of the vesting period and achievement of annual and cumulative non-IFRS 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 non-IFRS 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 31 December 2012, reduced to 76,215 as of the 31 December 2013 as a result of Mr Cullinane leaving the company and forfeiting his SARs.

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

The non-IFRS EPS achievements for 2012 and 2013 were 0.88 and 1.22 respectively and hence the 2012 SARs plan is likely to be largely forfeited with minimal, if any, value accruing to executives.

3. 420,000 2012 Performance Shares, granted in November 2011 (reduced to 320,000 as of the 31 December 2013 as a result of Mr Cullinane leaving the company and forfeiting his shares), the vesting of which is subject to active employment to the end of the vesting period and achievement of annual and cumulative non-IFRS EPS targets for the years 2012 to 2014 inclusive. If the cumulative non-IFRS 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 non-IFRS 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 50% on achievement of cumulative target	February 2015	Annual & cumulative non-IFRS EPS targets 2012 USD 1.14 2013 USD 1.37 2014 USD 1.80 Cumulative non-IFRS EPS target USD 4.31

The non-IFRS EPS achievements for 2012 and 2013 were 0.88 and 1.22 respectively and hence the 2012 Performance Shares plan is likely to be largely forfeited with minimal, if any, value accruing to executives.

(1) In 2013 Temenos paid a dividend to shareholders for the first time. As per the rules of the SAR plans, the exercise price of SARs was reduced by a value equivalent to the dividend to compensate for the dilution created by the dividend. Likewise, for Performance Shares held a top up of shares was awarded equivalent in value to the dividend that would have been paid on the equivalent number of shares.

Loans granted to members of governing bodies
As of 31 December 2013 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

	2013	Restated 2012	2011	2010	2009
Revenues	**467.8**	450.2	473.5	448.0	370.3
Operating expenses	**374.3**	401.1	475.5	374.3	290.1
Operating profit/(loss)	**93.5**	49.1	(2.0)	73.7	80.2
Profit/(Loss) before taxation	**82.4**	37.7	(16.1)	61.8	68.8
Net profit/(loss) after tax	**68.2**	25.1	(28.3)	61.4	68.5
EBITDA	**142.5**	96.6	44.7	113.6	110.3
Diluted earnings per share (in USD)	**0.98**	0.36	(0.41)	0.93	1.07
Cash generated from operations	**169.3**	97.7	102.0	125.8	117.9
Current assets	**372.7**	380.8	416.7	490.7	444.4
Non-current assets	**547.2**	521.9	501.1	495.3	364.7
Total assets	**919.9**	902.7	917.8	986.0	809.1
Current liabilities (excluding deferred revenues)	**126.4**	142.0	165.5	227.1	130.3
Deferred revenues	**171.8**	156.7	142.7	156.2	118.6
Total current liabilities	**298.2**	298.7	308.2	383.3	248.9
Non-current liabilities	**213.5**	216.2	261.4	110.0	259.2
Total liabilities	**511.7**	514.9	569.6	493.3	508.1
Total equity	**408.2**	387.8	348.2	492.7	301.0
Total equity and liabilities	**919.9**	902.7	917.8	986.0	809.1

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 2014.

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Annual general meeting

28 May 2014

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2013
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 31.12.2013	72,023,148
Number of registered shares at 31.12.2013	72,023,148
Market price high/low	25.45/16.00
Market Price 31.12.2012	16.00
Market Price 31.12.2013	25.20
Market Capitalisation high/low (CHF m)*	1,833/1,152
Share capital nominal value at 31.12.2013 (CHF m)	360

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

Key figures per share	2013
Basic earnings per share (USD)	0.99
Diluted earnings per share (USD)	0.98
Non-IFRS earnings per share (USD)	1.22
Consolidated shareholders' equity (USD m)	408.2
Consolidated shareholders' equity per share (USD)	5.67

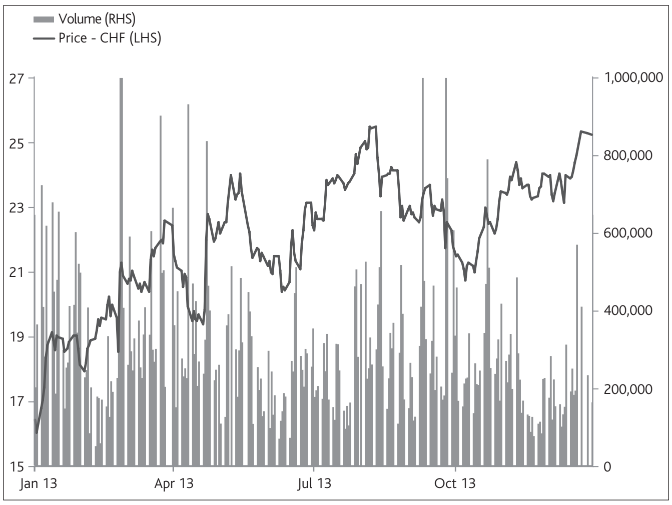
Major shareholders of Temenos Group AG* (10.03.2014)

Name	Number of shares	Percentage of the share capital
Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	8,106,837	11.26%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	4,267,200	5.92%
Alken Luxembourg S.à.r.l	3,638,595	5.05%
Contour Asset Management LLC (Manticore Master Fund Ltd)	2,200,000	3.05%
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 54 for the status as of 31.12.2013

* 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



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