TEMENOS Group AG

12,718,744 Shares

This is an initial public offering of 12,718,744 registered shares, nominal value CHF5 per share, of TEMENOS Group AG, a Swiss company. We and the selling shareholders are offering the shares to the public in Switzerland and to institutional investors elsewhere, including to qualified institutional buyers (as such term is defined in Rule 144A under the U.S. Securities Act of 1933, as amended) in the United States. We are offering 10,800,000 shares and the selling shareholders identified in this prospectus are offering 1,918,744 shares. We will not receive any of the proceeds from the sale of shares by the selling shareholders.

Prior to this offering, there has been no public market for the shares. We have applied to list the shares on the main segment of the SWX Swiss Exchange under the symbol ''TEMN''.

Investing in our shares involves risks. See ''Risk Factors'' beginning on page 8.

We have not registered the shares under the U.S. Securities Act of 1933, as amended, or the securities laws of any state of the United States. The shares are being offered in the United States only to qualified institutional buyers (as such term is defined in Rule 144A under the U.S. Securities Act of 1933, as amended).

Offering price CHF23 per share

Certain of the selling shareholders have granted the underwriters the right to purchase up to 1,907,811 additional shares to cover over-allotments, if any.

The underwriters expect to deliver the shares in Zurich, Switzerland, against payment in Swiss francs on or about June 29, 2001.

Global Co-ordinator and Bookrunner

Deutsche Bank

Joint Lead Managers

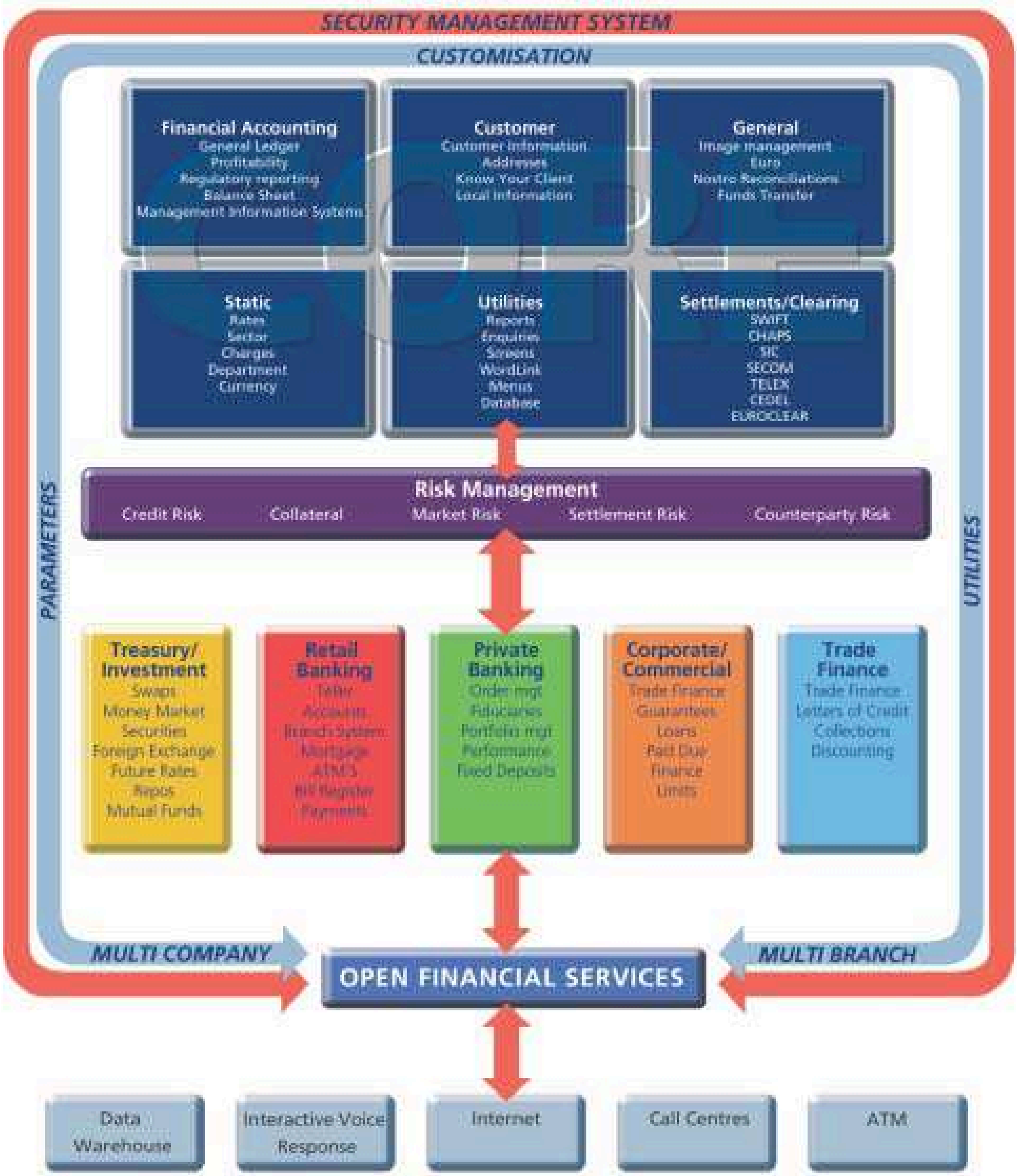
Deutsche Bank **JPMorgan**

Co-Manager

Bank Julius Baer & Co. Ltd.

The date of this prospectus is June 26, 2001

TEMENOS



SECURITY MANAGEMENT SYSTEM
CUSTOMISATION
Financial Accounting
General Ledger
Profitability
Regulatory reporting
Balance Sheet
Management Information Systems
Customer
Customer Information
Addresses
Know Your Client
Local Information
General
Image management
Euro
Nostro Reconciliations
Funds Transfer
Static
Rates
Sector
Charges
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EUROCLEAR
Risk Management
Credit Risk
Collateral
Market Risk
Settlement Risk
Counterparty Risk
PARAMETERS
UTILITIES
Treasury/ Investment
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Money Market
Securities
Foreign Exchange
Future Rates
Repos
Mutual Funds
Retail Banking
Teller
Accounts
Branch System
Mortgage
ATM'S
Bill Register
Payments
Private Banking
Order mgt
Fiduciaries
Portfolio mgt
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Guarantees
Loans
Past Due
Finance
Limits
Trade Finance
Trade Finance
Letters of Credit
Collections
Discounting
MULTI COMPANY
MULTI BRANCH
OPEN FINANCIAL SERVICES
Data Warehouse
Interactive Voice Response
Internet
Call Centres
ATM

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In connection with this offering, the underwriters may effect transactions (including through over-allotments) that stabilize or maintain the market price of the shares at a level that might otherwise not prevail. Such stabilizing, if commenced, may be discontinued at any time. See ''Underwriting''.

No action has been taken in any jurisdiction by us or the underwriters that would permit a public offering of the shares offered hereby in any jurisdiction other than Switzerland where action for that purpose is required. This prospectus does not itself constitute an offer to sell, or a solicitation of an offer to buy, nor shall there be any sale of, any shares to any person in any circumstances or in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale. The distribution of this prospectus and the offering or sale of the shares in certain jurisdictions is restricted by law. This prospectus may not be used for, or in connection with, and does not constitute, an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this prospectus may come are required by us and the underwriters to inform themselves about and to observe such restrictions. Neither we nor any of the underwriters accepts responsibility for any violation by any person, whether or not a prospective purchaser of the shares, of any such restrictions.

This prospectus is being distributed to recipients only in circumstances such that its distribution and this offering do not, and will not, constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended by the Public Offers of Securities (Amendment) Regulations 1999 and the Public Offers of Securities

(Amendment) (No. 2) Regulations 1999. This document is only being distributed to persons of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or to whom it would otherwise be lawful to be distributed.

Further information with regard to the restrictions on offers and sales of the shares and the distribution of this prospectus is set forth under the caption ''Notice to Investors'' and under the caption ''Underwriting''.

The shares offered hereby have not been and will not be registered under the U.S. Securities Act of 1933, or with any securities regulatory authority of any state or other jurisdiction in the United States. They may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Any representation to the contrary is a criminal offense in the United States. The shares are being offered (a) in the United States only to qualified institutional buyers, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States only in ''offshore transactions'' as defined in, and in accordance with, Regulation S under the Securities Act. Prospective purchasers are hereby notified that sellers of the shares may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For certain restrictions on resales, see ''Notice to Investors.''

Notice To New Hampshire Residents: Neither the fact that a registration statement or an application for a license has been filed under RSA 421-B with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial statements contained in this prospectus have been prepared in accordance with International Accounting Standards (''IAS'') issued by the International Accounting Standards Committee. IAS differs in certain significant respects from U.S. generally accepted accounting principles (''U.S. GAAP''). For an explanation of the material differences as they relate to us and a reconciliation to U.S. GAAP of our net profit and shareholders' equity, see note 21 to the consolidated financial statements.

The consolidated financial statements contained in this prospectus are those of TEMENOS Holdings NV. Prior to the incorporation of TEMENOS Group AG on June 5, 2001, TEMENOS Holdings NV was our ultimate holding company.

Historically, our financial year ended on June 30, and, unless otherwise indicated, references in this prospectus to any specific financial year are to the 12-month period ended June 30 of such year. The financial statements as of and for the years ended June 30, 2000, 1999, 1998 and as of and for the six months ended December 31, 2000 included in this prospectus are those of our prior parent company, TEMENOS Holdings NV, and have been audited by BDO International, Athens and Zurich, independent public accountants. The report of BDO International dated June 2, 2001 is included on page F-2 of this prospectus. The unaudited financial information as of and for the six-month period ended December 31, 1999 and as of and for the nine-month periods ended March 31, 2001 and 2000 is also that of TEMENOS Holdings NV. We prepare our consolidated financial statements in U.S. dollars.

The financial year end of TEMENOS Group AG is December 31, while the financial year end of TEMENOS Holdings NV was June 30. TEMENOS Holdings NV has compiled consolidated financial statements as of and for six months ended December 31, 2000 which were subjected to an independent audit. TEMENOS Group AG will compile its first consolidated financial statements, which will be subjected to an independent audit, as of and for the year ending December 31, 2001.

TEMENOS Group AG was incorporated under Swiss law on June 5, 2001 as the new ultimate holding company of all TEMENOS group companies. The shares of our prior parent company, TEMENOS Holdings NV, were exchanged for shares in TEMENOS Group AG at a ratio of one common share of TEMENOS Holdings NV for each share of TEMENOS Group AG. In connection with this reorganization, we also acquired I.T. Services Ltd., a Cypriot company, and issued shares of TEMENOS Group AG to its previous shareholders, as described more fully under ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview''.

Unless otherwise stated or the context otherwise requires, the terms ''TEMENOS group'', ''TEMENOS'', ''we'', ''us'' and ''our'' as used in this prospectus refer to TEMENOS Group AG and its subsidiaries, except that references to ''TEMENOS'', ''we'', ''us'' and ''our'' prior to the creation of TEMENOS Group AG refer to the TEMENOS group as then constituted.

Unless otherwise stated, all information in this prospectus assumes that the underwriters' over-allotment option is not exercised. For your convenience, certain information in this prospectus has been translated from Swiss francs into U.S. dollars, or U.S. dollars into Swiss francs, at the noon buying rate of the Federal Reserve Bank of New York on June 25, 2001 of $1.00 = CHF1.7655.

Information or other statements presented in this document regarding market growth, market size, industry forecasts, development of the market and other industry data pertaining to our business are estimates based on data and reports compiled by industry professionals or organizations and analysts. We have not independently verified market data provided by third parties or industry or general publications and take no responsibility for the accuracy of such data.

''TEMENOS GLOBUS'', the TEMENOS logo and combined name and logo, and ''Radar'' are registered trademarks of our subsidiary TEMENOS Holdings NV. ''TEMENOS jBASE'', ''TEMENOS e-Merge'' and ''TEMENOS VDN'' are trademarks of our subsidiary TEMENOS Holdings NV. This prospectus also includes trademarks, trade names and service marks of other organizations.

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SUMMARY

Investors should read the following summary together with the more detailed information, including the consolidated financial statements and related notes, appearing elsewhere in this prospectus.

TEMENOS

We are a leading provider of banking software systems for financial institutions. We develop, market, implement and support TEMENOS GLOBUS, a mission-critical, real-time enterprise software solution specifically designed for banks. TEMENOS GLOBUS is an integrated solution that manages key front, middle and back office activities for our clients, which include commercial, private, retail and investment banks, as well as asset managers, brokers and other financial service providers.

TEMENOS GLOBUS offers a broad range of functionality and is designed for flexibility. Its open, modular architecture enables our clients to purchase additional product modules as their needs evolve, and its structure permits rapid implementation and ease of customization and use. Our solution is scaleable and can be deployed on a site-by-site basis or enterprise-wide. We offer a high level of service and local support to enable our clients to maximize the benefits provided by our solution. We license TEMENOS GLOBUS as a standard solution and also customize it to the specific requirements of individual clients.

TEMENOS GLOBUS supports specialized business functions that process accounts, transactions and contracts in five main categories of financial services:

- *Treasury and investment.* TEMENOS GLOBUS provides banks with real-time information on various aspects of their operations, including cash flow, foreign exchange positions and interest rate exposure.
- *Private banking and asset management.* Our asset management and securities modules are designed to respond to the needs of sophisticated private banks by facilitating the order processing, trade, administration, safe custody and settlement of a broad range of securities.
- *Corporate and commercial banking.* Our corporate and commercial functionality allows banks to manage the complete workflow and lifecycle of various debt and credit financial instruments, including loans, mortgages, commercial paper and guarantees, as well as trade finance transactions.
- *Retail banking.* TEMENOS GLOBUS enables banks to manage their retail business functions such as teller services, retail and savings account management and lending products.
- *E-banking.* Our e-banking solution enables banks to offer comprehensive, real-time Internet banking services that are fully integrated into their transaction processing and other back-office systems.

TEMENOS GLOBUS' range of functionality is supported by an integrated core system incorporating powerful end-user utilities, including accounting, customer profiling, settlements and clearing and risk management.

Our revenues have grown from $20.9 million in financial year 1998 to $69.4 million in financial year 2000, a compound annual growth rate of 82%, and increased further to $86.0 million in the nine months ended March 31, 2001. We had a net profit of $8.7 million in financial year 2000 and $5.3 million in the six months ended December 31, 2000. Our installed client bases have grown from approximately 150 in June 1998 to more than 250 at May 15, 2001. Our clients operate in more than 80 countries. According to reports published by International Banking Systems, a banking software industry research firm, TEMENOS GLOBUS was licensed to more new clients in each of 1998, 1999 and 2000 than any other single international banking software solution.

We entered into a strategic alliance with IBM in June 2000 covering cooperation in the areas of technology, marketing, sales, and services. IBM has agreed to position and promote TEMENOS as a ''strategic provider'' of wealth management and private banking software for financial institutions and to support TEMENOS with branding and service offerings in the universal banking (both retail and corporate banking) marketplace. IBM has agreed to include TEMENOS GLOBUS in its integrated marketing efforts to the financial services sector. Through this alliance, we are working with IBM to develop products for the banking and financial services industry, including e-banking capabilities in the areas of electronic private banking, electronic investment and straight-through processing of electronic transactions.

We market, implement and support TEMENOS GLOBUS through sales and support offices located in 18 countries, as well as through local distributors and strategic alliances with leading IT service providers and systems integrators. In addition to IBM, our alliance partners include EDS, with whom we have a sales and implementation partnership. Our current clients include Banco Santander, Barclays Bank, Commerzbank, Crédit Lyonnais, Crédit Suisse Private Banking, Dresdner Bank Lateinamerika, Deutsche Bank Private Banking, ING, Lloyds TSB Offshore, MeritaNordbanken, Merrill Lynch and Raiffeisen Zentral Bank.

Over the past decade, the banking industry has become increasingly dependent on its IT systems. The ability of banks to deliver new products quickly, achieve broad geographic reach and provide real-time customer service requires a constant cycle of technological innovation implemented in a cost effective manner. According to an April 2000 report by Dataquest, a market research firm, worldwide expenditure by the financial services industry on all third-party software and services was expected to be $170 billion in 2000, rising to $250 billion in 2003. Of these amounts, financial institutions were expected to spend $80 billion in 2000 for licenses and associated maintenance for third-party applications software, with this amount reaching $115 billion in 2003. Some of the key factors fuelling this increased IT spending by banks are:

- heightened competition,
- consolidation among financial institutions,
- growth of the Internet,
- a greater need for risk management, and
- the inadequacy and high maintenance costs of legacy IT systems.

With an investment of over 750 person-years of software development since 1993, we believe that we are well positioned to continue to benefit from the growth in applications software spending by banks.

Our goal is to be the leading provider of integrated software solutions for the banking industry. To achieve this goal, we intend to:

- further penetrate global banks and key markets;
- leverage our existing client base to generate additional revenues from those clients;
- expand our direct sales and strategic alliances;
- strengthen our customer support and implementation capabilities;
- pursue strategic acquisitions to expand the functionality of TEMENOS GLOBUS and enhance our marketing, service and support capabilities; and
- maintain our one-product strategy by continuing to offer TEMENOS GLOBUS as a single, integrated, modular solution for the banking industry.

The registered offices of TEMENOS Group AG are located c/o Hansjuerg Rhyner, Bahnhof, CH-8750 Glarus, Switzerland. Through our subsidiary TEMENOS Headquarters SA, we maintain our principal executive office at 18, Place des Philosophes, CH-1205 Geneva, Switzerland, and our telephone number is +41-22-708-1150. The address of our United States headquarters is One World Trade Center, Suite 5263 New York, NY 10048 and our telephone number at that location is +1-212-432-0020. Our world wide web address is *http://www.temenos.com.* Information contained on our website is not part of this prospectus.

Reorganization

Prior to the restructuring effected for the purposes of this offering, TEMENOS Holdings NV was the ultimate parent company of the TEMENOS group. TEMENOS Group AG was incorporated on June 5, 2001 as a stock corporation *(Aktiengesellschaft)* in Glarus, Switzerland. Upon its incorporation, a total of 40,104,336 of its registered shares were issued to the existing shareholders of TEMENOS Holdings NV in exchange for all the outstanding share capital of TEMENOS Holdings NV, reflecting an exchange ratio of one common share of TEMENOS Holdings NV for each share of TEMENOS Group AG. Simultaneously with the incorporation of TEMENOS Group AG, we acquired I.T. Services Ltd., a Cypriot company, in exchange for 20,300 registered shares of TEMENOS Group AG. The opening unconsolidated balance sheet of the newly formed TEMENOS Group AG as of June 5, 2001 was as follows:

	At June 5, 2001
Opening balance sheet:	
Cash and cash equivalents	CHF 0
Total assets	CHF200,623,180
Shareholders' equity	CHF200,623,180

At an extraordinary meeting of our shareholders held on June 19, 2001, a resolution was passed to increase our share capital in connection with this offering by CHF54,000,000 to CHF254,623,180 by issuing an aggregate of 10,800,000 registered shares of TEMENOS Group AG, nominal value CHF5 per share. Upon the closing of this offering, TEMENOS Group AG will have an issued share capital of CHF258,554,780 divided into 51,710,956 registered shares, nominal value CHF5 per share. See ''Description of Share Capital—Share Capital.''

The existing shareholders, who will be subject to lock-up arrangements for 360 days following the date of this prospectus, will continue to hold collectively 75% of our outstanding share capital (exclusive of options), or 72% if the over-allotment option is exercised in full by the underwriters (exclusive of options).

The Offering

The offering	We and the selling shareholders are offering the shares to the public in Switzerland and to institutional investors in other jurisdictions, including to qualified institutional buyers in the United States.
Total shares offered	12,718,744 shares
Shares offered by TEMENOS	10,800,000 shares
Shares offered by the selling shareholders	1,918,744 shares
Over-allotment option	The underwriters have the right to purchase up to an additional 1,907,811 shares from certain selling shareholders identified in ''Principal and Selling Shareholders'', solely to cover over-allotments, if any.
Shares to be outstanding after this offering(1)	51,710,956 shares
Preliminary offer price range	CHF25 to CHF29 per share
Offer price	CHF23 per share
Use of proceeds	The net proceeds to us from this offering, after expenses, are anticipated to be approximately CHF231 million (approximately $131 million at the exchange rate on June 25, 2001 of $1.00=CHF1.7655). We will not receive any of the proceeds from the sale of shares by the selling shareholders. We intend to use the net proceeds to us to: • repay at least $30.0 million of indebtedness, plus interest, outstanding under a term loan facility arranged by Deutsche Bank and described under ''Indebtedness''; • repay amounts drawn down under our $17.0 million working capital facility; • pay $1.5 million in remaining consideration for our acquisition of jBASE Software Limited; • acquire complementary technologies and businesses and fund capital expenditures; and • meet general working capital needs as we expand.

(1) Excludes 4,648,355 shares reserved for issuance upon exercise of options outstanding at May 15, 2001 at a weighted average exercise price of $2.42 per share.

Lock-ups	All of our existing shareholders and all of our directors and senior executive officers who have share options that have vested or that will vest in the 360 days following the date of this prospectus have agreed not to, directly or indirectly, sell, offer to sell, pledge or otherwise dispose of any of our shares during the 360 days following the date of this prospectus without the written permission of Deutsche Bank AG London. We have also agreed not to issue any additional shares for a period of 360 days following the date of this prospectus without the written permission of Deutsche Bank AG London. During this period we may, however, issue shares in connection with the exercise of options under our share option plan and in connection with acquisitions, provided that the persons to whom we issue shares in connection with acquisitions agree to be bound by a lock-up restriction for the remainder of this 360-day period. Deutsche Bank AG London may, in its sole discretion, and at any time, without notice, release all or any portion of the securities subject to the lock-up agreements.
Directed allocation	We have asked the underwriters to reserve up to 1% of the offered shares for sale at the initial public offering price to selected clients and business partners.
Book-entry	The shares of TEMENOS Group AG will be held in book-entry form. Shareholders will not be entitled to receive physical share certificates.
Listing and trading	We have applied to list all of our registered shares on the SWX Swiss Exchange (SWX). The listing on the main segment of SWX is expected to become effective and dealings in the shares are expected to commence on June 26, 2001.
Clearance and settlement	We expect that delivery of our shares in book-entry form will be made through the facilities of SIS SegaInterSettle AG, either to an account with a Swiss bank at SIS SegaInterSettle AG or to an account with Euroclear or Clearstream, on or about June 29, 2001, against payment in immediately available funds.
SWX Swiss Exchange market symbol	TEMN
Paying agent	Deutsche Bank AG, Zurich Branch
Dividends	We do not expect to pay dividends in the foreseeable future.
Security codes	Swiss security number 124 5391 ISIN CH 00124 53913 Common Code 13169144

Summary Financial Data

The financial data presented below are those of our subsidiary TEMENOS Holdings NV, which, prior to the incorporation of TEMENOS Group AG in June 2001, was our ultimate parent company. This information should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and our consolidated financial statements and the related notes included elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with IAS and include a reconciliation of selected line items to U.S. GAAP. IAS differs in certain significant respects from U.S. GAAP. See note 21 to our consolidated financial statements for this reconciliation and an explanation of the material differences as they relate to us.

Summary Consolidated Financial Data

The summary consolidated financial data as of and for each of the financial years ended June 30, 2000, 1999 and 1998 and as of and for the six-month period ended December 31, 2000 are derived from, and are qualified by reference to, our audited consolidated financial statements and the related notes included elsewhere in this prospectus. The summary consolidated financial data as of and for the six-month period ended December 31, 1999 are derived from, and are qualified by reference to, our unaudited consolidated financial statements and the related notes included elsewhere in this prospectus.

We purchased jBASE Software Limited in December 1999 and Vol-de-Nuit S.A. in March 2000. Our consolidated statement of operations data include the results of operations of jBASE and Vol-de-Nuit from their respective dates of acquisition.

	Six months ended December 31,		Year ended June 30,		
	2000	1999	2000	1999	1998
		(unaudited)			
	(in thousands of U.S. dollars, except per share amounts)				
Consolidated statements of earnings data:					
IAS					
Total revenues	$ 54,723	$28,844	$69,371	$43,580	$20,889
Total operating costs and expenses	45,778	24,976	58,862	38,452	21,545
Operating profit (loss)	8,945	3,868	10,509	5,128	(656)
Profit (loss) before taxes	7,087	3,493	10,242	5,044	(845)
Net profit (loss)	5,349	2,791	8,651	4,154	(1,297)
Basic net profit (loss) per share					
Basic	0.20	0.09	0.15	0.06	(0.05)
Diluted	0.19	0.09	0.15	0.06	(0.05)
U.S. GAAP					
Net income	$ 4,907	$ 2,500	$ 7,900	$ 4,154	$ (1,297)
Other operating data:					
EBITDA(1)	$ 11,483	$ 5,306	$13,995	$ 7,642	$ 1,959

(1) We define EBITDA as income (loss) before taxes plus net financing costs, depreciation of tangible assets, amortization of intangible assets and capitalized development costs, and foreign exchange gains (losses). EBITDA is not a measure of performance under IAS or generally accepted accounting standards and it should not be considered in isolation or as a substitute for net profit or cash flows from operating activities or as a measure of liquidity or profitability. Moreover, EBITDA is not a standardized measure and may be calculated in a number of ways. Accordingly, the EBITDA information provided might not be comparable to other similarly titled measures provided by other companies.

	At December 31,		At June 30,		
	2000	1999	2000	1999	1998
		(unaudited)			
	(in thousands of U.S. dollars)				
Consolidated balance sheets data:					
IAS					
Cash and cash equivalents	$ 1,413	$ 6,484	$ 7,812	$ 7,001	$ 1,341
Other current assets	46,025	17,577	28,840	13,418	8,210
Long-term assets	18,021	10,134	14,133	5,100	6,280
Total assets	65,459	34,195	50,785	25,519	15,831
Current liabilities	(24,740)	(13,569)	(19,243)	(9,827)	(6,753)
Deferred revenues	(19,993)	(13,663)	(21,743)	(11,730)	(5,144)
Non-current liabilities	(62,410)	(20)	(143)	(82)	(164)
Minority interest	(676)	(181)	(52)	(31)	—
Shareholders' equity (deficit)	(42,360)	6,762	9,604	3,849	3,770
U.S. GAAP					
Shareholders' equity (deficit)	$(43,553)	$ 6,089	$ 8,853	$ 1,387	$ 2,288

Recent Financial Results

The summary consolidated financial data as of and for each of the nine-month periods ended March 31, 2001 and 2000 presented below are derived from our unaudited financial information not included in this prospectus.

	Nine months ended March 31,	
	2001	2000
	(unaudited) (in thousands of U.S. dollars)	
Consolidated statements of earnings data:		
IAS		
Total revenues	$86,012	$46,063
Total operating costs and expenses	72,566	40,215
Operating profit	13,446	5,849

	At March 31,	
	2001	2000
	(unaudited) (in thousands of U.S. dollars)	
Consolidated balance sheets data:		
IAS		
Cash and cash equivalents	$ 2,557	$ 4,534
Other current assets	47,842	20,846
Long-term assets	18,445	11,874
Total assets	68,844	37,254
Current liabilities	(28,801)	(16,098)
Deferred revenues	(19,918)	(12,639)
Non-current liabilities	(60,897)	(189)
Minority interest	(947)	(120)
Shareholders' equity (deficit)	(41,719)	8,208

RISK FACTORS

You should consider carefully the following risks before you decide to buy our securities. If any of the following events actually occur, our business, operating results and financial condition would likely suffer. In addition, the risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties may also adversely impair our business operations.

Risks Associated with our Business

We are substantially dependent upon our TEMENOS GLOBUS product.

Substantially all of our revenues are derived from licenses and services related to TEMENOS GLOBUS. We anticipate that this product will continue to account for substantially all of our revenues for the foreseeable future. Consequently, our future success will depend on continued demand for and market acceptance of TEMENOS GLOBUS, as well as our ability to introduce enhancements and add functions to TEMENOS GLOBUS that meet the evolving needs of our customers. Competition, technological change or other factors could reduce demand for, or market acceptance of, this product and could have a material adverse effect on our business, operating results and financial condition.

We depend on the banking and financial services industry.

We derive substantially all of our license and services revenues from banks. Accordingly, our future success depends upon continued demand for our product in the banking industry. In recent years, we believe there have been substantial changes in this industry, including continuing consolidation, decreasing profit margins in certain sectors, regulatory changes, technological innovation and other trends. We believe these changes have led to increased IT spending by banks and driven replacement of legacy systems, leading to increased demand for our banking solution. If the pace of this change were to slow, we could experience reduced demand for TEMENOS GLOBUS. In addition, the banking industry is sensitive to changes in economic conditions and is highly susceptible to unforeseen 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, or increased pressure on banks to develop, implement and maintain solutions in-house, could have a material adverse effect on our business, operating results and financial condition.

We depend on the continued employment of a limited number of key employees.

Our success depends to a significant extent upon the efforts and abilities of our senior management, in particular our Chairman and Chief Executive Officer, George Koukis, our Vice Chairman and Marketing Director, Kim Goodall, and our Deputy Chief Executive Officer, Andreas Andreades. Although we attempt to mitigate the risks associated with the loss of the services of these senior managers by requiring them to sign employment agreements that contain notice and non-competition provisions, the loss of the services of any key employee could have a material adverse effect on our business, operating results and financial condition. We do not maintain key man life insurance on any of our employees. See ''Management.''

We must attract and retain skilled personnel with knowledge of the banking software industry.

Our future success and ability to increase our revenues will depend in significant part upon our ability to attract and retain highly skilled management, sales, support, service, marketing and software development personnel, particularly those with expertise in the banking software industry. There is intense competition for such skilled personnel. As our installed client base shifts towards larger financial institutions, we believe that our support services will continue to play a significant role in our business. We have in the past experienced difficulty in hiring personnel with the requisite skills and software expertise to support our growing client base, which has acted as a constraint on our growth. Therefore, we expect that the hiring and retaining of client support and development services personnel will remain one of our most significant challenges in managing our growth. We cannot assure you that we will be successful in attracting and retaining skilled personnel, and any failure to do so could have a material adverse effect on our business, operating results and financial condition.

Our business could be adversely affected if we fail to successfully integrate acquired businesses.

We acquired jBASE, a database and conversion tool, in December 1999, Radar, our enhanced asset management module, in March 2000, and Alphametrics, a treasury software business, in April 2001. We intend to continue to pursue strategic acquisitions. 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 we have no or limited prior experience and the potential loss of the key employees of the acquired company. Moreover, future acquisitions by us 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 goodwill and other intangible assets. Failure to successfully integrate any acquired businesses could materially adversely affect our business, results of operations and financial condition.

We rely on third parties for sales and implementation services.

We sell our product directly through our direct sales team and indirectly through distributors and strategic alliances with IT service providers and systems integrators. Approximately 29% of the value of all of our license contracts signed in each of financial year 2000 and the nine months ended March 31, 2001 were generated by sales made by our distributors and IT service providers and systems integrators with which we have relationships. We also intend to expand our reliance on the resources of IT service providers and systems integrators to provide implementation services for TEMENOS GLOBUS. If we fail to maintain and expand our relationships with distributors, IT service providers and systems integrators, our business, results of operations and financial condition could be materially adversely affected.

Our sales cycle is long and may cause our 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 our product successfully, we generally must educate our potential clients regarding its use and benefits, which can require significant time and resources. Consequently, the period between initial contact and the purchase of TEMENOS GLOBUS is often long and subject to delays associated with the lengthy budgeting, approval and competitive evaluation processes that typically accompany significant capital expenditures. Our sales cycles typically range between six and nine months from our initial contact with a potential customer to the signing of a license agreement. Sales delays could cause our operating results to vary widely from period to period.

Seasonality may cause our quarterly operating results to vary.

Our quarterly results are subject to seasonal fluctuations. In particular, our license revenues have been typically strongest in our fourth quarter, ending June 30, and weakest in the first quarter, ending September 30. Our sales people were previously given financial year sales quotas and, therefore, historically our quarter ending June 30 benefited from the efforts of our sales force aiming to meet financial year-end sales quotas. We have now instituted quarterly sales goals with the objective of reducing the concentration of sales revenues in the last quarter of our financial year. The financial year end of TEMENOS Group AG, our new ultimate parent company, is December 31 and therefore our fourth quarter will now end on December 31 instead of June 30. We still expect however to experience a concentration of sales in our new fourth quarter, ending December 31, as this quarter typically benefits from purchase decisions made by the large proportion of customers with December year-end budgeting procedures. Our quarter ending September 30 includes the months of July and August, when both sales and billable client services activity, as well as client purchase decisions, are reduced, particularly in Europe, due to summer vacation schedules. As a result of these seasonal factors, our quarterly operating results may fluctuate materially and could lead to greater volatility in the price of our shares.

Rapid growth could strain our administrative, financial and operational resources.

Our rapid growth has placed significant demands on our management, as well as on our administrative and other resources. Our ability to manage growth will depend in part on our ability to improve our administrative, financial and operational controls. We cannot assure you that our administrative, financial and operational controls will be adequate to support our growth. If we are unable to manage growth effectively, the quality of our services, our ability to hire and retain key personnel and our business, operating results and financial condition could be materially adversely affected.

Rapidly evolving technological environment.

Our revenues are derived from licensing our banking software product, TEMENOS GLOBUS, and providing related services. Future revenues will depend, in significant part, on our successful development and licensing of enhanced versions of TEMENOS GLOBUS. The market for banking software is characterized by rapid technological change, frequent new product introductions, Internet-related technology enhancements, changes in customer demands and evolving industry standards. Our future success will depend upon our ability to continue to enhance TEMENOS GLOBUS to keep pace with technological developments and satisfy increasingly sophisticated customer requirements on a cost effective and timely basis. In particular, our failure to enhance TEMENOS GLOBUS 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 our product. There can be no assurance that we will not experience difficulties that delay or prevent the successful development, introduction, marketing and licensing of enhancements to TEMENOS GLOBUS.

Increased competition may result in price reductions and decreased demand for our product and services.

The market for banking industry software is intensely competitive. Our 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, Misys plc, Sanchez Computer Associates and SunGard Data Systems; the IT departments of financial institutions that conduct internal development efforts; and smaller independent companies that provide specialized solutions generally addressing discrete needs.

Growing competition may force us to reduce the price of our product and services, may reduce our revenues and gross margins or may decrease our market share, any of which could have a material adverse effect on our business, operating results and financial condition. Some of our 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 we do. In addition, several of our existing and potential competitors have well-established relationships with some of our current and potential clients and strategic partners, have extensive knowledge of the banking software industry and have the resources to enable them to easily offer a single-vendor solution. As a result, some of our 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 we can. We also expect to face additional competition as other established and emerging companies enter the market for banking and financial industry software.

Undetected errors or defects in our software could adversely affect our performance and reduce the demand for TEMENOS GLOBUS.

TEMENOS GLOBUS could contain errors or defects that we have not been able to detect that could adversely affect our performance and reduce demand for TEMENOS GLOBUS. In the past, we have discovered minor software defects in certain new versions and enhancements of TEMENOS GLOBUS after they have been introduced. Any such defects or errors could result in adverse client reactions and negative publicity, because our clients and potential clients are highly sensitive to defects in our software. Any defects or errors in new versions or enhancements of TEMENOS GLOBUS 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 our business, results of operations and financial condition.

Our business can be adversely affected by problems associated with international operations.

We currently market TEMENOS GLOBUS in more than 80 countries directly or through distributors and we have sales and support offices in 18 countries. Our future revenue growth depends upon the successful continued expansion of our sales, marketing, support and service organizations, through direct or indirect channels, in the various countries around the world where our current and potential clients are located. Such expansion will require that we establish new offices, hire new personnel and manage operations in widely disparate locations with different economies, legal systems, languages and cultures, and will require significant management attention and financial resources. Some of our competitors have more experience with the issues associated with international operations than we do. Our operations are also affected by other factors inherent in international business activities, such as:

- differing economic and business conditions;
- political and economic instability;
- 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; and
- longer accounts receivable payment cycles.

In addition, we operate and sell TEMENOS GLOBUS in many countries and regions that have experienced and continue to experience political instability and internal and external armed conflict. In addition, some of our customers are located in countries that have been the subject of international embargoes and boycotts. Political instability in, or hostilities involving, countries in which we operate, or the interruption or curtailment of trade with such countries, may materially and adversely affect our business, results of operations and financial condition.

Our business could be adversely affected if we are unable to protect our proprietary technology.

We rely upon a combination of copyright, trademark and trade secrecy laws, trade secrets, confidentiality procedures, contractual provisions and license arrangements to establish and protect our proprietary rights. We enter into agreements with our employees and clients that seek to limit the distribution of and otherwise protect our proprietary information. We cannot assure you that the steps we have taken to protect our proprietary rights, however, will be adequate to deter misappropriation of our proprietary information. In addition, we may not be able to detect unauthorized use of our intellectual property, or take appropriate steps to enforce our intellectual property rights. The laws of certain countries in which we sell TEMENOS GLOBUS do not protect our software and intellectual property rights to the same extent as the laws of Switzerland. Unauthorized copying or misuse of TEMENOS GLOBUS or our proprietary information may materially and adversely affect our business, results of operations and financial condition. Moreover, litigation, which could cost us significant financial and management resources, may be necessary to enforce our intellectual property rights.

Others could claim that we infringe upon their intellectual property.

Although we believe that TEMENOS GLOBUS does not infringe the intellectual property rights of others, and that we have all the rights necessary to utilize the intellectual property employed in our business, we are subject to the risks of claims alleging infringement of third-party intellectual property rights. These claims could require us 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. Therefore, these claims could have a material adverse effect on our business, operating results and financial condition.

Our results of operations can be adversely affected by foreign exchange fluctuations.

Our operating results and financial position are reported in U.S. dollars. We generate the majority of our revenues in U.S. dollars. Because of our multinational operations, however, a significant portion of our operating expenses is incurred in currencies other than the U.S. dollar, particularly in euros, Swiss francs and pounds sterling. As a result, fluctuations in the value of the U.S. dollar relative to the other currencies in which we incur operating expenses and generate some of our revenues could adversely affect our results of operations. In some jurisdictions we sell TEMENOS GLOBUS 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, we may, in the future, be forced to reduce the U.S. dollar price at which we sell TEMENOS GLOBUS to our local distributors. Due to the constantly changing currency exposures and the volatility of currency exchange rates, we may experience currency losses in the future, and exchange rate fluctuations could affect our future results of operations and the comparability of our results between different financial periods. To date, we have not found it necessary to engage in currency hedging activities. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Currency and Exchange Rates.''

Risks Associated with this Offering and our Shares

Our senior management shareholders together have the ability to significantly influence or control corporate actions.

After completion of this offering, our largest shareholder, who is also our Chairman and Chief Executive Officer, will own approximately 36% of our shares (exclusive of options), and our Vice Chairman and Marketing Director will own approximately 15% of our shares (exclusive of options). Together they will have the ability to control the election of directors and the outcome of all corporate actions requiring shareholder approval, including in particular the approval of our annual financial statements and the declaration of dividends. Their interests may differ from those of other investors, including investors in this offering.

Our issuance of additional shares will dilute your shareholding.

As of May 15, 2001, we had outstanding employee options to purchase an aggregate of 4,648,355 shares, at a weighted exercise price of $2.42 per share. We also have reserved contingent capital to cover the issuance of up to an additional 5,151,645 shares under our share option plan. Although we expect that our option plan will provide us with the options we need to provide appropriate incentives to our existing and newly hired employees for the next three to four years, increased competitiveness in the labor market or other factors may require us to issue options over all of those shares earlier than expected.

Moreover, we may issue shares, or options to purchase our shares, in connection with any acquisitions we complete. After the closing of this offering, we will have 10 million authorized registered shares that our board of directors may issue in connection with acquisitions without seeking further shareholder approval. The issuance of shares in connection with existing and newly granted options and warrants or in connection with acquisitions will dilute your interest in our company. In addition, the value of assets or companies so acquired may prove to be less than anticipated by our management at the time of such acquisition, causing further dilution of your interest.

It may be difficult to bring legal proceedings and enforce judgments against us.

TEMENOS Group AG is incorporated in Switzerland and has its registered offices in Glarus, Switzerland and its executive offices in Geneva. None of our directors is a resident of the United States. Substantially all of our assets are located outside of the United States, and all or a substantial portion of the assets of our directors are or may be located outside of the United States. As a result, it may be difficult for shareholders to serve notice of a lawsuit on us or our directors in the United States or other jurisdictions. Because most of our assets are located outside of the United States, it may be difficult for shareholders to enforce the judgments of U.S. courts.

The future sale of substantial numbers of our shares could negatively affect our share price.

Sales of substantial numbers of our shares in the public or private market following this offering could adversely affect the market price of our shares. Such sales also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. After this offering, all of our outstanding shares (other than those sold in this offering) and substantially all of the shares subject to options that will vest within the 360 days following the date of this prospectus will be subject to the lock-up agreements described below.

All of our existing shareholders and all of our directors and senior executive officers that have options that have vested or will vest in the 360 days following the date of this prospectus have agreed, with customary, limited exceptions, not to sell, directly or indirectly, any of our shares, or any securities convertible into or derivative of shares, owned by them prior to this offering without the prior written consent of Deutsche Bank AG London for a period of 360 days from the date of this prospectus. We have agreed not to issue any additional shares for a period of 360 days following the date of this prospectus without the written permission of Deutsche Bank AG London; provided that we may issue shares in connection with exercises of options under our share option plan and in connection with acquisitions, so long as the persons to whom we issue shares in connection with acquisitions agree to be bound by a lock-up restriction for the remainder of this 360-day period. Deutsche Bank AG London may, in its sole discretion, and at any time or from time to time, without notice, release all or any portion of the securities subject to these lock-up agreements.

The shares outstanding upon the completion of this offering will, subject to these lock-up agreements, be available for sale in the public market.

There has been no prior market for our shares and a public market for our securities may not develop or be sustained.

Prior to this offering, you could not buy or sell our shares publicly. An active public market for our shares may not develop or be sustained after the offering. The initial public offering price for our shares will be negotiated between the underwriters and us and the market price of our shares could subsequently decline below the initial public offering price.

We have been granted an exemption from the requirement under the listing rules of the SWX Swiss Exchange that at least 25% of the outstanding shares of a listed company be held by the public. Pursuant to this exemption, at least 20% of our outstanding shares must be held by the public.

The price of our shares may be highly volatile.

The prices at which our shares trade are likely to be highly volatile and may fluctuate substantially. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of technology companies, particularly software companies, which may be unrelated to the operating performance or prospects of specific companies. The market price of our shares may also fluctuate significantly in response to the following factors, many of which are beyond our control:

- changes in financial estimates by securities analysts or our failure to meet these estimates;
- changes in market valuations of similar software companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major customer or failure to complete significant product license transactions;
- additions or departures of key personnel; and
- sales of our shares in the future.

Any of these events could result in a material decline in the market price of our shares.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. Discussions containing forward-looking statements may be found in the material set forth under ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and ''Business'' as well as in the prospectus generally. We generally use words such as ''believes'', ''intends'', ''expects'', ''anticipates'', ''plans'' and similar expressions to identify forward-looking statements. This prospectus also contains third-party estimates regarding the size and growth of the markets for banking software in general. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described above and elsewhere in this prospectus.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, levels of activity, performance, achievements or other matters covered in such forward-looking statements will meet these expectations. Except as may be required under the applicable law, we are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 10,800,000 registered shares we are offering will be approximately CHF231 million (approximately $131 million, at the exchange rate of $1.00 = CHF1.7655 on June 25, 2001) and after deducting underwriting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering to:

- repay at least $30.0 million of indebtedness, plus interest, outstanding under a term loan facility arranged by Deutsche Bank and described under ''Indebtedness'', which amount is required to be repaid upon the closing of this offering;
- repay amounts drawn down under our $17 million working capital facility;
- pay $1.5 million in remaining consideration for our acquisition of jBASE Software Limited;
- acquire complementary technologies and businesses;
- fund capital expenditures; and
- meet general working capital needs as we expand.

Depending on the timing and attractiveness of acquisition opportunities and prevailing interest rates following this offering, we may choose to repay more of the principal of our term loan facility than the $30.0 million we are required to repay upon the closing of this offering. Although we regularly evaluate acquisition opportunities, as of the date of this prospectus we have no agreements or commitments with respect to any acquisition. Pending our use of the proceeds to us of this offering, we will invest them in short-term interest bearing and investment grade securities.

DIVIDEND POLICY

TEMENOS Group AG has not paid a dividend since its incorporation. TEMENOS Holdings NV, the ultimate parent company of our group until the incorporation of TEMENOS Group AG, declared and settled dividends of $617,000 on its redeemable preference shares in November 2000. As of June 30, 2000, all of these preference shares had been redeemed or converted into common shares of TEMENOS Holdings NV. We intend to retain future earnings to finance the development and growth of our business and do not currently anticipate declaring or paying any cash dividends on our shares. For a discussion of the restrictions on dividend payments imposed by Swiss law, see ''Description of Share Capital—Net Profits and Dividends.''

EXCHANGE RATE INFORMATION

We have set forth below, for the periods and dates indicated, information regarding the noon buying rate of the Federal Reserve Bank of New York for cable transfers in Swiss francs (the ''noon buying rate''), expressed in Swiss francs per dollar. These rates may differ from the rates used in the preparation of our financial information appearing elsewhere in this prospectus. Fluctuations in the exchange rate between the dollar and other currencies, including the Swiss franc, may adversely affect our business. See ''Risk Factors—Our results of operations can be adversely affected by foreign exchange fluctuations''.

We have provided these rates solely for your convenience. They should not be construed as a representation that Swiss franc amounts included in this prospectus could have been, or could be, converted into dollars at these rates or at any other rate. On June 25, 2001, the noon buying rate was U.S.$1.00 = CHF1.7655.

Calendar Year	Average(1)	High	Low	At Period End
1996	1.2419	1.3515	1.1573	1.3390
1997	1.4521	1.5360	1.3430	1.4610
1998	1.4507	1.5420	1.2935	1.3735
1999	1.5139	1.6015	1.3585	1.5930
2000	1.6930	1.8250	1.5526	1.6202
2001 (through June 25)	1.7866	1.8046	1.7655	1.7655

(1) The average of the noon buying rates on the last business day of each month during the relevant period.

CAPITALIZATION

The following table sets forth as of March 31, 2001:

- our actual capitalization;
- our capitalization on a pro forma basis to give effect to:
  - — our acquisition of Alphametrics Limited in April 2001, in which we issued 165,531 shares to the previous shareholders; and
  - — the establishment of our new ultimate parent company, TEMENOS Group AG, in June 2001, in which we issued 40,104,336 shares to the former shareholders of TEMENOS Holdings NV and 20,300 shares to the former shareholders of I.T. Services Limited in exchange for all outstanding shares of each company.
- our pro forma capitalization as adjusted to give effect to:
  - — the sale of shares by us in this offering at the offer price of CHF23 per share;
  - — the application of the net proceeds to us as described in ''Use of Proceeds'' (assuming that we will repay approximately $60.7 million of indebtedness under our term loan facility and $7.8 million under our working capital facility); and
  - — the exercise of a share warrant by a selling shareholder immediately prior to this offering and the sale of 196,580 of those shares in this offering as described below.

This table should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of March 31, 2001		
	Actual	Pro forma	Pro forma as adjusted
	(in thousands except share data)		
Cash and cash equivalents	$ 2,557	$ 3,129	$ 65,868
Debt:			
Term loan facility	60,669	60,669	—
Working capital facility	7,789	7,789	—
Long-term liabilities under finance leases	228	228	228
Total debt	68,686	68,686	228
Shareholder's equity:			
Share capital, nominal value $0.001 per share actual, CHF5 per share pro forma and pro forma as adjusted	39	112,219	146,448
Share redemption deficit	(54,371)	(51,695)	—
Warranted share subscription reserve	3,223	3,223	—
Employee share options reserve	1,090	1,090	1,090
Retained earnings	9,144	9,144	9,144
Cumulative translation adjustment	(844)	(844)	(844)
Goodwill acknowledged on restructuring	—	(112,179)	(63,683)
Total shareholders' equity (deficit)	(41,719)	(39,042)	92,155
Total capitalization	26,967	29,644	92,383

As of March 31, 2001, we had the following outstanding options and warrants:

- options to purchase 4,610,461 shares granted to employees under our employee share option plan at a weighted average exercise price of $2.44 per share;
- a warrant to purchase 786,320 shares at an exercise price of $0.001 per share issued to Deutsche Bank in connection with our term loan facility arranged by it. See ''Indebtedness''.

These options and the warrant are excluded from the ''actual'' and ''pro forma'' columns shown in the table above. In connection with this offering, Deutsche Bank will exercise its warrant in full and will sell 196,580 of these shares in this offering and an additional 196,580 shares if the over-allotment option is exercised in full; this exercise and sale is reflected in the ''pro forma as adjusted'' column above.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below are those of our subsidiary TEMENOS Holdings NV, which, prior to the incorporation of TEMENOS Group AG in June 2001, was our ultimate parent company. This information should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and our consolidated financial statements and the related notes included elsewhere in this prospectus. Our consolidated financial statements have been prepared in accordance with IAS and include a reconciliation of selected line items to U.S. GAAP. IAS differs in certain significant respects from U.S. GAAP. See note 21 to our consolidated financial statements for this reconciliation and an explanation of the material differences as they relate to us.

The selected consolidated financial data as of and for each of the financial years ended June 30, 2000, 1999 and 1998 and as of and for the six months ended December 31, 2000 are derived from, and are qualified by reference to, our audited consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated financial data as of and for the six months ended December 31, 1999 are derived from, and are qualified by reference to, our unaudited consolidated financial statements and the related notes included elsewhere in this prospectus.

We purchased jBASE Software Limited in December 1999 and Vol-de-Nuit S.A. in March 2000. Our consolidated statements of operations data include the results of operations of jBASE and Vol-de-Nuit from their respective dates of acquisition.

Selected Consolidated Financial Data

	Six months ended December 31, 2000	Six months ended December 31, 1999	Year ended June 30, 2000	Year ended June 30, 1999	Year ended June 30, 1998
		(unaudited)			
	(in thousands of U.S. dollars, except share and per share amounts)				
Consolidated statements of earnings data:					
IAS					
Revenues:					
Software licensing	$ 32,974	$18,115	$44,019	$27,764	$13,986
Services	21,749	10,729	25,352	15,816	6,903
Total revenues	54,723	28,844	69,371	43,580	20,889
Operating costs and expenses:					
Software development	9,045	4,389	10,635	7,447	5,337
Services	20,337	11,231	26,529	16,693	8,557
Sales and marketing	8,696	4,949	11,051	7,340	3,418
General and administrative	7,457	4,369	10,374	6,972	4,233
Amortization of goodwill	243	38	273	—	—
Total operating costs and expenses	45,778	24,976	58,862	38,452	21,545
Operating profit (loss)	8,945	3,868	10,509	5,128	(656)
Other income (expense):					
Interest income (expense), net	(573)	76	42	(44)	(10)
Financial instrument related expense	(224)	—	—	—	—
Equity component of financial instrument costs	(464)	—	—	—	—
Foreign exchange loss, net	(97)	(451)	(309)	(40)	(179)
Other non-operating expenses	(500)	—	—	—	—
Total other expense	(1,858)	(375)	(267)	(84)	(189)
Profit (loss) before taxes	7,087	3,493	10,242	5,044	(845)
Taxation	(1,114)	(665)	(1,682)	(1,089)	(452)
Minority interest	(624)	(37)	91	199	—
Net profit (loss)	5,349	2,791	8,651	4,154	(1,297)
Basic net profit (loss) per share	$ 0.20	$ 0.09	$ 0.15	$ 0.06	$ (0.05)
Shares used in computation of basic net profit (loss) per share	26,799	26,231	52,652	52,626	45,767
Diluted net profit (loss) per share	$ 0.19	$ 0.09	$ 0.15	$ 0.06	$ (0.05)
Shares used in computation of diluted net profit (loss) per share	28,642	27,112	54,676	54,006	46,336
U.S. GAAP					
Net income (loss)	$ 4,907	$ 2,500	$ 7,900	$ 4,154	$ (1,297)
Other operating data:					
EBITDA[1]	$ 11,483	$ 5,306	$13,995	$ 7,642	$ 1,959

(1) We define EBITDA as income (loss) before taxes plus net financing costs, depreciation of tangible assets, amortization of intangible assets and capitalized development costs, and foreign exchange gains (losses). EBITDA is not a measure of performance under IAS or generally accepted accounting standards and it should not be considered in isolation or as a substitute for net profit or cash flows from operating activities or as a measure of liquidity or profitability. Moreover, EBITDA is not a standardized measure and may be calculated in a number of ways. Accordingly, the EBITDA information provided might not be comparable to other similarly titled measures provided by other companies.

	At December 31,		At June 30,		
	2000	1999	2000	1999	1998
		(unaudited) (in thousands of U.S. dollars)			
Consolidated balance sheets data:					
IAS					
Cash and cash equivalents	$ 1,413	$ 6,484	$ 7,812	$ 7,001	$ 1,341
Other current assets	46,025	17,577	28,840	13,418	8,210
Long-term assets	18,021	10,134	14,133	5,100	6,280
Total assets	65,459	34,195	50,785	25,519	15,831
Current liabilities	(24,740)	(13,569)	(19,243)	(9,827)	(6,753)
Deferred revenues	(19,993)	(13,663)	(21,743)	(11,730)	(5,144)
Non-current liabilities	62,410	20	143	82	164
Minority interest	(676)	(181)	(52)	(31)	—
Shareholders' equity (deficit)	(42,360)	6,762	9,604	3,849	3,770
U.S. GAAP					
Shareholders' equity (deficit)	$(43,553)	$ 6,089	$ 8,853	$ 1,387	$ 2,288

Recent Financial Results

The selected consolidated financial data as of and for each of the nine-month periods ended March 31, 2001 and 2000 presented below are derived from our unaudited financial information not included in this prospectus.

	Nine months ended March 31,	
	2001	2000
	(unaudited) (in thousands of U.S. dollars)	
Consolidated statements of earnings data:		
IAS		
Revenues:		
Software licensing	$50,591	$28,943
Services	35,421	17,121
Total revenues	86,012	46,064
Operating costs and expenses:		
Software development	15,542	7,226
Services	32,431	18,370
Sales and marketing	13,070	7,690
General and administrative	11,158	6,777
Amortization of goodwill	365	152
Total operating costs and expenses	72,566	40,215
Operating profit	13,446	5,849

	At March 31,	
	2001	2000
	(unaudited) (in thousands of U.S. dollars)	
Consolidated balance sheets data:		
IAS		
Cash and cash equivalents	$ 2,557	$ 4,534
Other current assets	47,842	20,846
Long-term assets	18,445	11,874
Total assets	68,844	37,254
Current liabilities	(28,801)	(16,098)
Deferred revenues	(19,918)	(12,639)
Non-current liabilities	(60,897)	(189)
Minority interest	(947)	(120)
Shareholders' equity (deficit)	(41,719)	8,208

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with the rest of this prospectus, including the consolidated financial statements and related notes. The results described below are not necessarily indicative of the results that may be expected in the future. This discussion contains forward-looking statements. Actual results and the timing of certain events may differ significantly from those projected in these forward-looking statements due to a number of factors, including those set forth in the section entitled ''Risk Factors'' and elsewhere in this prospectus.

Overview

We develop, market, implement and support TEMENOS GLOBUS, a mission-critical, real-time software solution specifically designed for banks. The original software product upon which TEMENOS GLOBUS is based was introduced in 1988 by Electronic Banking Systems, a U.K. company. Electronic Banking Systems had been established in 1984 by a team of five former bankers who drew on their considerable industry experience to develop a banking software solution. In 1991, Electronic Banking Systems was acquired by COS AG, a Swiss conglomerate, and renamed COS Software Engineering.

In 1993, George Koukis, our Chairman and Chief Executive Officer, and Kim Goodall, our Marketing Director, together with several financial investors, founded TEMENOS and acquired from COS Software Engineering the intellectual property rights upon which we developed TEMENOS GLOBUS. This new team adopted a strategy of:

- focusing on a single product—TEMENOS GLOBUS;
- developing an open and interoperable solution that runs on multiple platforms, which initially included UNIX and Windows NT;
- focusing on addressing the needs of the banking and financial services industry;
- adopting a client-focused approach, including tailoring our solution to the needs of individual clients and providing clients with dedicated support and development services; and
- building a global sales and client services force through a local presence in key markets.

We have experienced rapid growth in recent years. Our revenues have increased from $20.9 million in financial year 1998 to $69.4 million in financial year 2000 and to $86.0 million in the nine months ended March 31, 2001. Our installed client bases have grown from approximately 150 in June 1998 to more than 250 at May 15, 2001. Our clients operate in more than 80 countries.

Although our growth has been primarily organic, we have completed four acquisitions since late 1999. In December 1999, we purchased jBASE Software Limited, the company that developed the jBASE database that we now offer in connection with TEMENOS GLOBUS, for approximately $3.3 million, of which $1.5 million will be paid out of the net proceeds to us of this offering. In connection with this acquisition, we acquired $1.5 million in software and $2.3 million in goodwill. We are amortizing the purchased software and goodwill on a straight-line basis over three-year and five-year periods, respectively.

In March 2000, we acquired all of the shares of Vol-de-Nuit SA, the company that developed Radar, our asset management module, for approximately $760,000 in cash, all of which was paid in calendar year 2000. In connection with this acquisition, we acquired $601,000 in software and $160,000 in goodwill. We are amortizing the purchased software and goodwill on a straight-line basis over three-year and five-year periods, respectively.

In April 2001, we acquired Alphametrics Limited, a U.K.-based software company, in exchange for 148,755 shares. In connection with this acquisition, we acquired $2.0 million in software and $490,000 in goodwill. We are amortizing the purchased software and goodwill on a straight-line basis over three-year and five-year periods, respectively.

In June 2001, we merged with I.T. Services Ltd., a Cypriot IT services company, and issued 20,300 shares to its previous shareholders.

In connection with these acquisitions, we granted options under our employee share option plan to certain of the shareholders of the acquired businesses who are now our employees. See ''Transactions with Related Parties—Option Grants in Connection with Acquisitions'' for a description of the material terms of these options.

Our financial statements include the results of the operations of jBASE and Vol-de-Nuit from their respective dates of acquisition, December 1999 and March 2000. The results of operations of Alphametrics Limited and I.T. Services Ltd. will be included in our financial statements from their respective dates of acquisition, April 2001 and June 2001.

Revenues

We derive our revenues principally from licensing the right to use TEMENOS GLOBUS to our clients, providing client-specific development services, and providing related implementation, consulting, training and help desk services.

Software licensing

Our software license fees include the initial fee we receive for licensing TEMENOS GLOBUS, which is priced based on the number of modules licensed and the number of concurrent users required by clients.

The average size of our initial license fee agreements has been increasing, averaging $400,000, $800,000, and $1.6 million in financial years 1998, 1999 and 2000, respectively and $1.1 million in the nine months ended March 31, 2001. The average size of our license agreements in financial year 2000 was affected by one exceptionally large license. The average size of those new license agreements sold through our direct sales efforts was $2.1 million in financial year 2000 and $1.2 million in the nine months ended March 31, 2001, while the average size of those agreements sold through our distributors was $700,000 and $900,000 for the two periods, respectively. We generally pay our distributors a commission of 40% of initial license fees on agreements sold by them.

In addition to the initial license fee, we require our clients to sign a non-cancelable recurring annual license agreement at the time of signing the initial license agreement, generally with an initial term of five years that is automatically renewable annually thereafter. This fee, which entitles our clients to receive product upgrades and updates, is generally payable in advance annually on the anniversary of either the initial license agreement or the final acceptance date. Our current standard fee is 13.5% of the initial license fee. For license agreements entered into before July 1, 1999, our standard recurring license fee was 11.25% of the initial license fee. For licenses sold through our distributors, we generally pay a commission of 25% of this recurring license fee to our distributors if they agree to provide help desk support services for TEMENOS GLOBUS to their clients. These recurring license fees are included in our software licensing revenues. We also include in software licensing revenues the revenues generated from the licensing of jBASE when licensed as a stand-alone product.

Some of the license agreements we sign provide for multi-site implementations. These multi-site licenses generally provide for an up-front initial license fee and additional initial license fees in connection with implementations at individual sites. Clients with multi-site license agreements generally agree to an implementation schedule that can cover up to three years. These multi-site, multi-year licensing arrangements and the recurring element of our licensing fee structure enhance the predictability of our future revenues. We are currently generating approximately 32% of our direct-sale initial license revenues from multi-site licensing agreements.

We also derive some licensing revenues from the licensing of UniVerse, one of the databases on which TEMENOS GLOBUS runs. We now market TEMENOS GLOBUS principally with our jBASE database and do not market UniVerse technology to new clients. For this reason, we expect our UniVerse license fees to decrease substantially in the future because we will only generate revenues from licensing UniVerse in those circumstances where an existing client upgrades its TEMENOS GLOBUS license to add additional users.

Software licensing revenues also include revenues from the software customization and development work we conduct for specific customers. This work includes the development of new software code to provide capabilities that meet the specified needs of individual customers.

We own the intellectual property rights to the enhancements resulting from these client-requested development projects and we incorporate these enhancements into the TEMENOS GLOBUS software. We make these enhancements available both to our new clients and, in the form of regular product updates or upgrades, to all existing clients with recurring licenses.

Services

Services include fees derived from providing implementation, consulting, training and help desk support related to TEMENOS GLOBUS. We also generate maintenance support fees in connection with our licensing of jBASE as a stand-alone product. With respect to help desk fees for TEMENOS GLOBUS, we generally require our clients to enter into five-year agreements that entitle them to access our support facilities. Help desk fees for TEMENOS GLOBUS are payable in advance annually on the anniversary of the initial license agreement or the final acceptance date and our current standard fee is 4.5% of the initial license fee. For help desk agreements entered into before July 1, 1999, the standard fee is 3.75% of the initial license fee. For licenses sold through our distributors, we generally pay a commission of 25% of this help desk fee to our distributors if they agree to provide help desk support for TEMENOS GLOBUS to their clients.

Most of our clients require implementation services in connection with their licensing of TEMENOS GLOBUS. Although we have historically provided such services to most of our clients directly, we intend to increase use of our partners to provide such services in order to enhance our capacity to license and implement TEMENOS GLOBUS to more new clients.

Revenue recognition

We recognize revenues from software licensing fees when the following conditions exist: (i) there is persuasive evidence that the arrangement exists, (ii) delivery has occurred, (iii) the licensing fee payable is fixed or determinable and (iv) collectibility is probable. To the extent that the licensing fee covers the provision of upgrades and help desk support services—generally extending over a period of one year—the market value of these services is deferred and recognized over the period of time during which such obligation is undertaken. In the case of conditional contracts, i.e., contracts that stipulate that the licensing fees are payable only if certain conditions are met, the related revenues are recognized only when the conditions in question have been met, except if the conditions imposed can be met with reasonable ease and certainty. A requirement for extensive modifications to the source code of TEMENOS GLOBUS is deemed to constitute a condition that cannot be satisfied with ''reasonable ease and certainty''. In this latter case, the licensing fees are deferred and recognized upon satisfying the criteria (''milestones'') stipulated in the relevant contracts. Where the software licensing fees are bundled with implementation support services, such licensing fees are recognized substantially in accordance with the rules applicable to long-term contract revenue recognition. Most of our licensing agreements generate licensing fees that are recognized in such a fashion, hence generating substantial deferred revenues that are reported as a liability.

Recurring license fees and help desk support fees are recognized over the term of the related contracts. Service fees are recognized as and when the underlying services are rendered. The direct costs associated with sales contracts, such as sales commissions, the costs associated with third-party licensing and implementation support fees, and similar expenses are expensed as incurred. See note 3 to our consolidated financial statements for more detail regarding our revenue recognition policy.

Operating Expenses

Our operating expenses include software development, services, sales and marketing, and general and administrative expenses, as well as amortization of goodwill.

Software development expenses include costs attributable to the continued development of our TEMENOS GLOBUS product, including related personnel costs, overhead expenses that are attributable to our development efforts and amortization of certain intangible assets, including capitalized development costs and purchased intellectual property rights.

Services expenses include the expenses of providing implementation, consulting, training and help desk services, including related personnel costs and directly attributable overhead expenses.

Sales and marketing expenses consist primarily of salaries, commissions and bonuses and other related costs associated with sales and marketing personnel; marketing expenses related to our annual user group meeting, trade publications, promotional materials and industry trade shows; and provisions for uncollectable accounts receivable.

General and administrative expenses consist primarily of personnel costs related to the financial accounting, human resources and administration functions, and associated overhead costs, including outside professional fees (excluding those directly related to financing transactions).

Amortization of goodwill is the amortization of the amount by which the consideration paid in respect of acquired companies exceeds the fair market value of the underlying assets so acquired. See note 3 to our consolidated financial statements for a discussion of our amortization policies.

In addition to these costs, each category of cost and expense includes costs relating to general (not directly attributable) overhead, depreciation of tangible assets and share-based compensation, allocated on the basis of the number of personnel in those functional areas.

From time to time, we have granted share options with exercise prices below the then prevailing fair market value of our shares. The aggregate difference between the fair market value of the shares at the time of grant and the exercise price of the options is treated as a share-based compensation expense as the options vest. This expense was $104,000, $200,000 and $279,000 in financial years 1998, 1999 and 2000, respectively. We expect this expense in connection with options granted to date to be approximately $738,000 for the 2001 calendar year.

Currency and Exchange Rates

As a result of our multinational operations, our operating results are subject to fluctuations based upon changes in the exchange rates of certain currencies in relation to the U.S. dollar. Our operations generate revenues that are denominated primarily in U.S. dollars, euros, Swiss francs and pounds sterling, with more than half of our revenues being denominated in U.S. dollars. A significant portion of our expenses is denominated in other currencies, principally euros, Swiss francs and pounds sterling.

Results of Operations

The following table sets forth, for the periods indicated, certain items of our consolidated statements of operations on the basis of IAS, reflected as a percentage of total revenues.

	Six months ended December 31,		Year ended June 30,		
	2000	1999 (unaudited)	2000	1999	1998
Consolidated statement of operations data:					
Revenues:					
Software licensing	60.3%	62.8%	63.5%	63.7%	66.9 %
Services	39.7	37.2	36.5	36.3	33.1
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0 %
Operating expenses:					
Software development	16.5	15.2	15.4	17.1	25.5
Services	37.3	38.9	38.2	38.2	40.9
Sales and marketing	15.9	17.2	15.9	16.9	16.4
General and administrative	13.6	15.2	15.0	16.0	20.3
Amortization of goodwill	0.4	0.1	0.4	—	—
Total expenses	83.7%	86.6%	84.9%	88.2%	103.1 %
Operating profit (loss)	16.4%	13.4%	15.2%	11.8%	(3.1)%
Profit (loss) before taxes	12.9	12.1	14.8	11.6	(4.0)
Taxation	(2.0)	(2.3)	(2.4)	(2.5)	(2.2)
Net profit (loss)	10.9%	9.8%	12.4%	9.1%	(6.2)%
EBITDA	21.0%	18.4%	20.2%	17.5%	9.4 %

Six months ended December 31, 1999 and 2000.

Revenues

Total revenues increased 89.9% from $28.8 million in the six months ended December 31, 1999 to $54.7 million for the same period in 2000.

Software licensing revenues increased 82.3% from $18.1 million in the six months ended December 31, 1999 to $33.0 million for the same period in 2000. This increase was primarily due to an increase in the average size of our new license contracts as we focused our marketing efforts on larger financial institutions. Another significant reason for this increase was a general increase in our pricing of TEMENOS GLOBUS as we have further developed and enhanced the product and as the strength of our brand has increased. In addition, because our clients generally commit to a five-year recurring license when they license TEMENOS GLOBUS, we expect the recurring license revenues to increase as our client base grows. This recurring license is renewable and, given the strategic, long-term nature of the selection of TEMENOS GLOBUS by our clients, we expect that most clients will renew these licenses at the end of the initial five-year term.

In addition, we acquired jBASE in December 1999. Although we acquired this product to allow us to offer our own database in connection with our licensing of TEMENOS GLOBUS, we also began generating licensing revenues from the licensing of jBASE as a stand-alone product. These license fees amounted to $387,000 in the six months ended December 31, 2000.

Services revenues increased 102.8% from $10.7 million in the six months ended December 31, 1999 to $21.7 million for the same period in 2000. The increase was attributable to an overall increase in the size of our installed client base. Because our clients generally sign a five-year help desk services contract when they license TEMENOS GLOBUS, we expect service fee revenues to increase as our client base grows. In addition, because the need for help desk services is tied to the recurring license, we expect that most clients will renew these contracts at the end of the initial five-year term. Services revenues have also increased as we have expanded our services headcount in order to increase our capacity, thereby enabling us to serve more clients and conclude more license agreements. We have also found that larger organizations, which have become an increasingly significant part of our client base, use more implementation and other services than smaller institutions.

Operating expenses

Software development expenses increased 104.6% from $4.4 million in the six months ended December 31, 1999 to $9.0 million for the same period in 2000. This increase in absolute terms is principally attributable to an increase in the size of our development team from 68 persons at December 31, 1999 to 209 persons at December 31, 2000 and, to a lesser extent, an increase in amortization expenses as a result of recent acquisitions. As a percentage of total revenues, we expect software development expenses to increase slightly as we continue to build our development team.

Services expenses increased 81.3% from $11.2 million for the six months ended December 31, 1999 to $20.3 million for the same period in 2000. As a percentage of services revenues, service expenses decreased from 104.7% for the six months ended December 31, 1999 to 93.5% for the same period in 2000. The increase in absolute terms was principally attributable to an increase in the number of our service and support personnel from 235 at December 31, 1999 to 404 at December 31, 2000. In the past, our services expenses have exceeded our services fees as we invested in training the requisite personnel to provide us with services resources to support increasing sales of TEMENOS GLOBUS. We must typically train a newly hired member of our service team for six months before we can begin charging our clients fees for his or her services. We expect our service expenses as a percentage of services revenues to continue to decrease as we leverage our trained service personnel. We also believe that our penetration of the banking software market has increased our brand image and permitted us to charge higher services fees.

Sales and marketing expenses increased 77.6% from $4.9 million for the six months ended December 31, 1999 to $8.7 million for the same period in 2000. This increase was largely due to an increase in the size of our sales team from 36 at December 31, 1999 to 64 at December 31, 2000.

General and administrative expenses increased 70.5% from $4.4 million for the six months ended December 31, 1999 to $7.5 million for the same period in 2000. The principal reason for this increase was the increase in the number of our offices from 16 at December 31, 1999 to 21 at December 31, 2000 and the growth in the number of general and administrative personnel from 88 to 128 during that period. We expect our general and administrative expenses to continue to grow in absolute terms as the size of our business grows. As a percentage of total revenues, however, we expect these expenses to continue to decrease as we leverage our corporate infrastructure.

Amortization of goodwill increased from $38,000 for the six months ended December 31, 1999 to $243,000 for the same period in 2000, resulting from our acquisition of jBASE in December 1999.

Other income (expense)

Other income (expense) includes net interest expense or income, financial instrument related costs, and losses on foreign exchange transactions. Total other expense increased from $375,000 for the six months ended December 31, 1999 to $1.9 million for the same period in 2000, primarily as a result of expenses incurred in connection with our term loan facility that we entered into in November 2000. We are currently incurring interest charges of approximately $350,000 per month on this term loan. We also paid $2.2 million in fees to the arranger of the term loan, a portion of which may be refunded to us one year following the closing of this offering, depending on the trading price of our shares at such time. In addition, we granted a warrant to the arranger of the term loan. We are currently expensing $1.1 million of these fees and the cost of the warrant to us, $3.2 million, on a straight-line basis over the seven months from December 2000 to June 2001. See ''Indebtedness—Term Facility.''

Minority interest

We own 100% of each of our subsidiaries except for TEMENOS Eastern Europe Limited, of which we own only 51%. We allocate a proportionate share of the profits or losses of this entity to the minority shareholder, who is our distributor in Greece. In the six months ended December 31, 1999 and 2000, a total of $37,000 and $624,000, respectively, of the profit of this subsidiary has been allocated to the minority shareholder resulting in a reduction in profit to us of the same amounts.

Financial Years Ended June 30, 1998, 1999 and 2000.

Revenues

Total revenues for financial year 1998 were $20.9 million, increasing 108.6% to $43.6 million in financial year 1999, with an increase of 59.2% in financial year 2000 to $69.4 million.

Software licensing revenues for financial year 1998 were $14.0 million, increasing 98.6% to $27.8 million in financial year 1999. In financial year 2000, licensing increased 58.3% to $44.0 million. The increase in software licensing revenues over this period was primarily due to an increase in the average size of our new license contracts and successive increases in the initial license price of TEMENOS GLOBUS. This pricing increase reflects in part the increased complexity and sophistication of our product. The increase in licensing revenues from financial year 1999 to financial year 2000 was also due to an increase in our standard annual recurring license fee from 11.25% to 13.5% of the initial license fee for licenses signed after July 1, 1999. In December 1999, we also acquired jBASE and began generating licensing revenues from the sale of jBASE as a stand-alone product. These license fees amounted to $734,000 in financial year 2000.

The increase in software licensing revenues was also attributable to the growth in the number of large, complex development projects undertaken during the period due to the increase in the number of large clients served; larger banks generally require more extensive and more fundamental development work when licensing TEMENOS GLOBUS. In addition, this increase reflects the expansion of our development resources, which has enabled us to undertake more of these large projects.

Services revenues for financial year 1998 were $6.9 million, increasing 129% to $15.8 million in financial year 1999, and 60.8% to $25.4 million in financial year 2000. The increase was primarily the result of growth in the size of our installed client base and an increase in the average amount of implementation and training services demanded by clients in connection with the sale of TEMENOS GLOBUS to larger financial institutions. To a lesser extent, the increase in our services from financial year 1999 to financial year 2000 resulted from an increase in our standard annual help desk fee from 3.75% of the initial license fee to 4.5% for service agreements entered into after July 1, 1999.

Operating expenses

Software development expenses for financial year 1998 were $5.3 million, increasing 39.6% to $7.4 million in financial year 1999 and 43.2% to $10.6 million in financial year 2000. The increase over the three-year period in absolute terms is principally attributable to an increase in the size of our development team from 27 at June 30, 1998 to 158 at June 30, 2000.

Services expenses for financial year 1998 were $8.6 million, increasing 94.2% to $16.7 million in financial year 1999, and 58.7% to $26.5 million in financial year 2000. As a percentage of services revenues, services expenses decreased from 124% in financial year 1998 to 105.5% for financial year 1999 and to 104.6% for financial year 2000. The increase in absolute terms was principally attributable to an increase in the number of our service and support personnel from 101 at June 30, 1998 to 291 at June 30, 2000.

Sales and marketing expenses for financial year 1998 were $3.4 million, increasing 114.7% to $7.3 million in financial year 1999 and increasing 52.1% to $11.1 million for financial year 2000. This increase was principally attributable to growth in the number of sales people from 15 at June 30, 1998 to 54 at June 30, 2000.

General and administrative expenses for financial year 1998 were $4.2 million, increasing 66.7% to $7.0 million in financial year 1999, and increasing 48.6% to $10.4 million in financial year 2000. The principal reason for the growth in this expense was a growth in the number of our offices from 16 at June 30, 1998 to 21 at June 30, 2000 and growth in the number of general and administrative personnel from 34 to 109 during that period.

Amortization of goodwill increased from zero in financial years 1998 and 1999 to $273,000 in financial year 2000, resulting from our acquisition of jBASE in December 1999.

Other income (expense)

Total other expenses were $189,000, $84,000 and $267,000 for financial years 1998, 1999 and 2000, respectively. The overall increase from 1998 to 2000 resulted primarily from a general rise in the value of the U.S. dollar relative to the euro.

Minority interest

During financial year 1999, our distributor in Greece indirectly acquired a minority interest in TEMENOS Eastern Europe. A total of $199,000 of the losses of this subsidiary in financial year 1999 and $91,000 of these losses in financial year 2000 have been allocated to the minority shareholder, resulting in a reduction of the losses to us of the same amount.

Recent Developments

Our total revenues for the nine months ended March 31, 2001 were $86.0 million, an increase of 86.6% over total revenues of $46.1 million for the same period in 2000. This increase in revenues is principally attributable to an increase in the average size of our licenses as the size of the clients to whom we license TEMENOS GLOBUS increases. To meet the service demands of these larger clients, over the past 12 months we have focused on hiring additional service personnel as well as enhancing the range of our service expertise. As a result, our services revenues as a percentage of total revenues has risen. We expect growth of our services personnel to slow in relative terms, resulting in a reduction in service revenues as a percentage of total revenues.

Sales and marketing and general and administrative expenses as a percentage of total revenues continued to decrease in the nine months ended March 31, 2001 to 15.2% and 12.9%, respectively, from 16.7% and 14.7%, respectively, in the nine months ended March 31, 2000. Software development expenses as a percentage of total revenues increased to 18.1% in the nine months ended March 31, 2001 from 15.7% in the nine months ended March 31, 2000 as we continued to grow our development team. As we have expanded our service team, training and support services, our services expenses as a percentage of services revenues have decreased. This decrease is primarily the result of our ability to charge higher fees for our services given that our service team is becoming increasingly more experienced.

As of the date of this prospectus, we estimate that we will generate approximately $50.0 million in initial license revenues over the next 12 months from our existing clients. Because this estimate is based on our expectations regarding the timeframe in which existing clients will license TEMENOS GLOBUS for additional users and sites and is based only in part on signed license agreements with these clients, we cannot assure you that our expectations regarding initial license revenues to be generated by existing clients as of any particular date is indicative of actual initial license revenues for any succeeding period. In particular, even in those cases where our clients have agreed to a specific implementation schedule, they may be unable to meet this schedule, thereby delaying our ability to recognize the initial license revenues related to these contracts. As a result of these factors, the actual initial license revenues generated by existing clients over the next 12 months may be materially lower than our current expectations.

Liquidity and Capital Resources

Since 1993, we have financed our operations principally through cash provided from our operations and loans from two of our principal shareholders. These loans were later capitalized through the issuance of redeemable preferred shares to such shareholders. As of June 30, 2000, all of these shares had been redeemed.

We currently have a $17.0 million line of credit with Deutsche Bank AG that carries an annual rate of interest of LIBOR plus 1.5%. As of May 15, 2001, we had drawn down $9.4 million under this line of credit. See ''Indebtedness—Working Capital Facility''.

Our U.S. subsidiary also has a $75,000 line of credit, which is secured by a lien on all of the assets of this subsidiary. As of May 15, 2001, we had not drawn down any amounts under this line of credit.

We entered into a term loan facility with Deutsche Bank AG in November 2000, in an aggregate amount of approximately $60.0 million, denominated in dollars and euros. We used the entire proceeds of this loan to repurchase certain of our shares. The material terms of this facility and the share repurchase are described under ''Indebtedness—Term Facility.'' As required by the terms of this facility, we will repay at least $30.0 million of the principal of this loan, plus interest, on the closing of this offering.

Net cash provided by operating activities was $3.5 million in the six months ended December 31, 1999 and net cash used in operating activities was $1.5 million in the same period in 2000. For financial years 1998, 1999 and 2000, we generated net cash from operating activities of $2.6 million, $9.6 million and $7.4 million, respectively.

Net cash used in investing activities was $1.5 million in the six months ended December 31, 1999 and $6.1 million in the six months ended December 31, 2000. For financial years 1998, 1999 and 2000, net cash used in investing activities was $2.7 million, $1.9 million and $6.2 million, respectively, and consisted primarily of equipment purchases, except in financial year 1998 where capitalized development costs were equally significant.

Net cash used in financing activities was $2.7 million in the six-months ended December 31, 1999 and net cash provided by financing activities was $1.4 million in the same period of 2000, primarily as a result of the redemption of preferred shares. In financial year 1998, net cash generated by financing activities was $1.1 million and consisted primarily of the proceeds of a short-term loan from a related party. In financial year 1999, net cash used in financing activities was $2.2 million, resulting primarily from the redemption of preferred shares and the repayment of the short-term loan referred to above. In financial year 2000, the redemption of $2.5 million of preferred shares was partially offset by drawdowns under our working capital facility of $1.9 million, resulting in net cash used in financing activities of $599,000.

We currently anticipate that the net proceeds from this offering, together with cash flows from operating activities and our borrowing available under our existing $17.1 million lines of credit, will provide us with sufficient liquidity and resources to meet our financial obligations as well as to fund our capital expenditures and working capital needs for at least the next 12 months. Our future operating performance will be subject to future economic conditions, financial, business and other factors, many of which are beyond our control.

Taxation

Our effective tax rate was zero, 21.6% and 16.4% in financial years 1998, 1999 and 2000, respectively, and 19% and 15.7% in the six-month periods ended December 31, 1999 and 2000, respectively.

We believe that we have a tax-efficient corporate structure. In particular, our intellectual property rights are held by our Netherlands Antilles subsidiary and, therefore, much of our operating income is attributable to this low-tax jurisdiction.

BUSINESS

We are a leading provider of banking software systems for financial institutions. We develop, market, implement and support TEMENOS GLOBUS, a mission-critical, real-time enterprise software solution specifically designed for banks. Our clients include commercial, private, retail and investment banks, asset managers, brokers and other financial services providers. Our product is an integrated, modular solution that manages key front, middle and back-office activities, including treasury and investment, retail, private, corporate and commercial banking, asset management, trade finance and risk management, and enables financial institutions to offer comprehensive, real-time e-banking. TEMENOS GLOBUS is designed for flexibility and its open architecture enables our clients to purchase additional product modules as their needs evolve. Because it is fully scaleable, TEMENOS GLOBUS can be deployed on a site-by-site basis or enterprise-wide. We sell TEMENOS GLOBUS as a standard solution and also customize it to the specific requirements of individual clients.

We believe that high quality and long-term client services are a critical requirement for continued growth and increased sales of TEMENOS GLOBUS. We support our clients through our own services organization, through a network of local distributors and through strategic alliances with IT service providers and systems integrators. Our services include implementation, development, training and help desk support. We also recently began to host the running of TEMENOS GLOBUS for clients from our own computer hardware.

Our revenues have grown from $20.9 million in the financial year ended June 30, 1998 to $69.4 million in financial year 2000, a compound annual growth rate of 82%, and further increased to $86.0 million in the nine months ended March 31, 2001. We had a net profit of $8.7 million in financial year 2000 and of $5.3 million in the six months ended December 31, 2000. Our installed client bases have grown from approximately 150 in June 1998 to more than 250 at May 15, 2001. Our clients operate in more than 80 countries. According to reports published by International Banking Systems, a banking software industry research firm, TEMENOS GLOBUS was licensed to more new clients in each of 1998, 1999 and 2000 than any other single international banking software solution.

We market, implement and support TEMENOS GLOBUS through sales, development and support offices located in 18 countries, as well as through local distributors and our strategic alliance partners. Our strategic alliance partners include IBM, with whom we have an alliance covering technology, marketing, sales and services; and EDS, with whom we have a sales and implementation partnership. Our current clients include Banco Santander, Barclays Bank, Commerzbank, Crédit Lyonnais, Crédit Suisse Private Banking, Dresdner Bank Lateinamerika, Deutsche Bank Private Banking, ING, Lloyds TSB Offshore, MeritaNordbanken, Merrill Lynch and Raiffeisen Zentral Bank.

Industry Background

Over the past decade, the banking industry has become increasingly dependent on its IT systems. The ability of banks to deliver new products quickly, achieve broad geographic reach and provide real-time customer service requires a constant cycle of technological innovation implemented in a cost effective manner. According to an April 2000 report by Dataquest, a market research firm, worldwide expenditure by the financial services industry on all third-party software and services was expected to be $170 billion in 2000, rising to $250 billion in 2003. Of these amounts, financial institutions were expected to spend $80 billion in 2000 for licenses and associated maintenance for third-party applications software, with this amount reaching $115 billion in 2003.

Some of the key factors fuelling this increased IT spending by banks and driving the replacement of legacy IT systems are:

Increased competition. In recent years, deregulation, privatization and globalization have fueled intense competition in the banking industry as insurance companies, brokerage houses and other financial institutions have expanded to provide services that were once within the exclusive domain of banks. Increased competition has put pressure on the profit margins of banks, causing them to seek IT solutions that will enable them to improve customer service and organizational productivity and reduce implementation and maintenance costs.

Consolidation in the banking and financial services industry. As financial institutions seek to achieve economies of scale, the industry has experienced increasing consolidation on a local, regional and global basis through mergers and acquisitions. These mergers and acquisitions have fueled the demand for integrated and open IT solutions that address the needs of global banks and other financial institutions, including the ability to operate in a multi-currency, multi-lingual and transaction-intensive environment.

Growth of the Internet. Individuals and companies are increasingly seeking to manage their activities over the Internet. To maintain competitiveness, financial institutions are under increasing pressure to offer their retail and corporate customers an e-banking alternative to traditional banking.

Risk management. The globalization of the banking industry has resulted in greater exposure to regional economic instability, increasingly sophisticated leveraged and derivative products and greater volumes of transactions. Accordingly, banks increasingly require real-time solutions to evaluate and monitor their firm-wide risk exposure through improved management of customer and transaction information.

Cost of maintaining legacy systems. Many banks operate on internally developed, non-integrated legacy systems that were developed on an as-needed basis to address newly identified requirements. These legacy systems are often difficult to upgrade and costly to maintain and integrate with other, more advanced banking systems. As a result, a bank's ability to respond to changing customer demands may be hindered, making it more difficult for banks with legacy systems to grow and compete effectively.

These and other factors have caused many banks to re-evaluate their IT strategies and assess the need to replace or enhance their existing systems. To implement the software solutions they need to compete effectively, banks must either develop software solutions internally or purchase them from third-party providers. Historically, banks have chosen to rely more on internally developed IT systems than on third-party solutions, but this is changing.

To develop solutions internally, banks must either re-deploy already scarce resources or acquire new resources at significant additional costs. Third-party software and service providers often fail adequately to address the needs of banks because they may have limited product offerings and little in-depth knowledge of the banking industry. As a result, banks need highly functional third-party solutions that are tailored to their industry, well supported by local customer service and compatible with their existing and evolving hardware systems. These solutions must be scalable to offer banks and financial institutions the flexibility they need to continue to grow and compete internationally.

The TEMENOS Solution

To meet the IT needs of financial institutions operating in an increasingly competitive and global market, we offer TEMENOS GLOBUS, an integrated, mission-critical, real-time enterprise software product. TEMENOS GLOBUS features:

An integrated, modular, open architecture. TEMENOS GLOBUS manages key front, middle and back-office banking functions across the enterprise, including treasury and investment, retail, private, corporate and commercial banking, trade finance, asset management and risk management. Our solution provides real-time transaction processing and enables banks to have a unified, consolidated profile of each of their *customers* (rather than only each of their *accounts*) and an integrated view of their business. TEMENOS GLOBUS is built in separate modules, permitting a client to acquire only those modules necessary to address its particular requirements and facilitating the introduction of additional modules as the client's need for broader functionality develops. Its architecture is based on open systems technologies that provide portability and interoperability across platforms. TEMENOS GLOBUS' architecture also makes it scaleable and therefore capable of processing high volumes of transactions for a large number of users at multiple sites in real-time.

Broad functionality. TEMENOS GLOBUS provides financial institutions with a comprehensive range of core banking functionality, covering the business-critical aspects of banking operations from retail banking to asset management. In addition, our e-banking solution enables banks to offer comprehensive, real-time Internet-banking services that are fully integrated into their transaction processing and other back-office systems.

High level of service and local support. Reflecting our belief that prompt and effective technical support is an essential element in our solution and a key factor in building the reputation for reliability necessary to compete in the banking software industry, we have established local service and support teams in 18 countries and offer help desk services on a 24-hour basis, by telephone, e-mail or over the Internet. In addition to our own support and service staff, we have a network of distributors and strategic alliances with IT service providers and systems integrators who offer implementation services.

Rapid implementation and ease of customization and use. Compared with other banking software solutions, TEMENOS GLOBUS can be quickly installed, configured, implemented and upgraded. Through the use of parameters and rules, TEMENOS GLOBUS can easily be customized to meet the specific needs of a client. At the same time, upgrades and maintenance are simplified because the client does not make any modifications to the TEMENOS GLOBUS software code itself, but only to the parameters and rules. TEMENOS GLOBUS provides a consistent graphical user interface and employs rule-based workflows and automatic verification of data entries, enabling banks to save money in training and error identification.

We believe these factors provide TEMENOS GLOBUS an attractive total cost of ownership for banks, which is a key selling point for our product.

Strategy

Our goal is to be the leading provider of integrated software solutions for the financial services industry. To achieve this goal, we intend to:

Further penetrate global banks and key markets. We focus our sales and marketing efforts on larger global banks. We believe this strategy will best increase our revenues and brand awareness and build on recent sales to large financial institutions, like Barclays Bank, Crédit Suisse Private Banking, MeritaNordbanken and Merrill Lynch, who are deploying TEMENOS GLOBUS in large, multi-site implementations. As part of this strategy, we intend to focus on our core market, Western Europe, as well as the United States and certain Asia/Pacific countries, where many of the world's leading financial institutions are based or have significant operations.

Leverage our existing client base. When making the strategic decision to replace their existing banking solutions, financial institutions generally commit significant time and resources to evaluating the available products and testing and benchmarking these products in their own operating environments. Once a product is selected, banks tend to view their purchase as a long-term investment and look to the solution provider as a long-term partner. We seek to leverage the durable relationships we have with our clients to generate additional revenues from them. Many of our clients have deployed TEMENOS GLOBUS only in specific departments or locations or have licensed only specific modules. We seek to increase revenues generated from our existing clients by licensing TEMENOS GLOBUS to those clients on an enterprise-wide basis and by licensing additional modules to them.

Expand direct sales and strategic alliances. We intend to expand our 77-person direct sales team, particularly in the United States, and to enter into additional strategic alliances with leading IT service providers and systems integrators in order to more effectively sell TEMENOS GLOBUS. We have an agreement with IBM that provides for joint sales efforts and for IBM to position and promote TEMENOS GLOBUS as a strategic provider of wealth management and private banking software. We also work with Electronic Data Systems (EDS) to sell and implement TEMENOS GLOBUS. We expect to form similar alliances with other leading IT service providers and systems integrators. We believe these alliances will enhance our visibility in the marketplace and provide us with additional marketing resources, service capabilities and distribution channels into global banks.

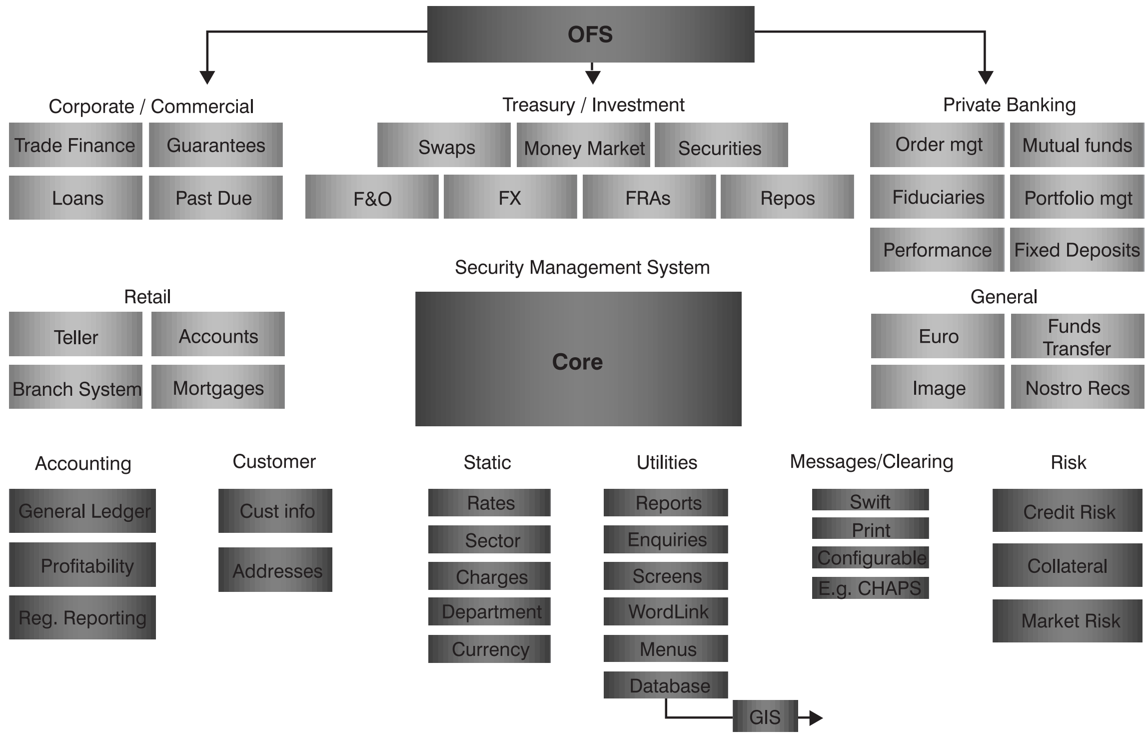
Increase customer support and implementation capabilities. Delivering a high level of customer service is a key element of our strategy, particularly as we focus our sales and marketing efforts on clients who will deploy TEMENOS GLOBUS on a global basis. We have support offices in 18 countries to provide local support to these global clients, and have most recently opened offices in Madrid, Dubai and Jakarta. We also opened a facility in Athens during 2000 that serves as a skills incubator where our customer support personnel can be trained and then deployed on an as-needed basis. We will continue to use leading IT service providers and systems integrators to provide implementation services for TEMENOS GLOBUS, allowing us to focus our resources on enhancing product functionality and keeping pace with developments in the banking industry. Our strategy is to develop joint service partnerships with third parties to meet the implementation needs of our clients.

Pursue strategic acquisitions. Historically our growth has been primarily organic. In late 1999, however, we began pursuing strategic acquisitions. In December 1999, we completed our acquisition of jBASE, a database and conversion tool that provided us with the technology we need to be database independent and, thereby, reduce our dependency on third-party database providers. Using the jBASE technology, we have successfully adapted TEMENOS GLOBUS to run on IBM's System 390 platform and are in the process of adapting TEMENOS GLOBUS to run on IBM's System AS 400. We acquired Radar, our asset management module, in March 2000, which strengthened our front office functionality. We also acquired Alphametrics, a treasury software business, in April 2001. We intend to continue to pursue acquisition opportunities that will allow us to expand the functionality of TEMENOS GLOBUS, as well as selectively broaden our marketing capabilities or enhance our service and support resources.

Focus on TEMENOS GLOBUS. Unlike many of our competitors who offer a range of solutions to attempt to meet discrete needs of the financial services industry, our strategy has been, and will continue to be, to offer a single, integrated, modular solution for the banking industry. By integrating key front, middle and back-office functions, we enable our clients to better serve their customer base by offering them access to a unified, consolidated profile of each of their customers. We intend to leverage our in-depth knowledge of the banking industry to enhance the functional and technical aspects of TEMENOS GLOBUS to meet evolving needs. We also work closely with our existing clients and invest significant research and development resources to ensure that TEMENOS GLOBUS keeps pace with developments in the financial services industry. As part of this strategy, we intend to continue to work with individual clients to develop functionality that meets their specific needs and to offer that functionality as part of the standard upgrade available to all of our clients upon the payment of recurring license fees.

TEMENOS GLOBUS

The TEMENOS GLOBUS suite of specialized business modules is built around a basic ''core'' functionality, common to all TEMENOS GLOBUS installations:



Specialized Business Modules

TEMENOS GLOBUS provides specialized business applications to process accounts, transactions and contracts. Specific modules are typically selected by clients to meet their requirements in five main categories of financial services:

- *Treasury and investment.* TEMENOS GLOBUS provides a bank with real-time information on various aspects of the institution's operations, such as cash flow, foreign exchange positions and interest rate exposure. The treasury function also offers a system of in-depth reporting on contracts, accounts and trading and portfolio positions in any and all types of financial instruments. These modules also include interfaces with other front-end treasury systems.

- *Private banking and asset management.* Private banking modules include asset management and securities custodian modules designed to support the general and specific needs of sophisticated private banks. The asset management module facilitates the order processing, trade, administration, safe custody and settlement of a broad range of securities. Comprehensive reporting and fee and commission structures enable private banks to provide enhanced and differentiated services to their customers.

- *Corporate and commercial banking.* The corporate and commercial functions include modules for managing loans, mortgages, commercial paper, guarantees issued and received, trade finance (including letters of credit and documentary collections) and the tracking and management of non-performing contracts. These are all fully integrated with the system's limits and collateral subsystems and provide full exposure reporting by country, currency and commodity. These features allow the institution to manage the complete workflow and lifecycle of various debt and credit financial instruments. These modules can be combined in various configurations to provide support for the implementation of new and innovative financial products on a timely and cost effective basis.

- *Retail banking.* TEMENOS GLOBUS supports the management of a bank's retail business through modules such as teller services, which combines teller management, transaction processing and administration and the automation of other processes. A full range of retail accounts, savings accounts and lending products is also supported. This retail functionality allows banks to provide their clients with sophisticated banking services over multiple delivery channels, including the Internet and the telephone, in a cost-effective manner. Our product also allows for local processing in the event of a communication problem between the branch and central office. Storage and forwarding techniques provide for automatic updating once communication has been re-established.

- *E-banking.* Our e-banking solution enables banks to offer comprehensive, real-time Internet-banking services that are fully integrated into their transaction processing and other back-office systems. Unlike some e-banking systems, which essentially collect transaction information over the Internet for later processing in over-night batch runs, TEMENOS GLOBUS is fully connected to the bank's accounting and transaction management systems and can process all transactions in real-time.

Core Functions

Underlying the specific business applications described above is the integrated core system of TEMENOS GLOBUS. This core system incorporates customer and accounting information with an on-line common risk management sub-system and is fully supported by static tables and powerful end-user utilities. Each TEMENOS client, regardless of which specific business applications it licenses, receives this core system. Features include:

- *Accounting.* TEMENOS GLOBUS supports the rapid development and deployment by our clients of new account-based products. These products are fully supported by comprehensive interest and charge structures and statement definition and production. The general ledger reporting system is both robust and flexible and provides a wide range of financial reports. These include legal and regulatory reporting in all the countries serviced by TEMENOS in addition to customer, product and departmental profitability reporting. New reports can be easily added, and changes to these structures are easily adopted using the reporting tools, without the need to change the supporting infrastructure.

- *Customer information.* TEMENOS GLOBUS' customer-centric architecture allows the creation of detailed profiles of an institution's customers and provides the flexibility to add or modify fields in these profiles. The profiles are stored centrally, allowing the sorting and grouping of customers by selected characteristics. The selective data mining of customer characteristics facilitates a more targeted marketing of products to customers.

- *Static tables.* Static tables allow institutions to set their own parameters and to determine how transactions will be processed. They also allow users to differentiate between products, their characteristics and their accounting rules. For example, fees and commissions are totally flexible and can be set at whatever level is required to attract new customers and retain and service existing customers.

- *Utilities.* TEMENOS GLOBUS' utilities enable clients to quickly customize the system's output. Banks are able to design rules, defaults and parameters to suit their individual needs. Tools include inquiry designer, report designer, menu designer and customer document templates. These tools allow for multiple entities, languages and data views and permit access to the system via our comprehensive security management system.

- *General support.* Our general support capabilities are compatible with leading third-party image management systems, Nostro reconciliation (the system used by banks to reconcile their accounts held at other banks) and the SWIFT messaging and reporting system, and support all major currencies, including the euro.

- *Settlements/clearing.* TEMENOS GLOBUS contains numerous interfaces between individual country clearing systems and widely used reporting packages.

- *Risk management.* TEMENOS GLOBUS provides the tools to manage a bank's risks through real-time monitoring of both the bank's and its customers' positions in a single financial product and across all of the bank's defined financial products.
- *System security management.* TEMENOS GLOBUS monitors in real time compliance of all user activity with the transaction validation and privileged access rules set by the bank.
- *Interface and system functions.* TEMENOS GLOBUS supports a range of options for interfacing with users and with other systems, including:
  - *General interface.* TEMENOS GLOBUS is an open solution that can interface with other applications. TEMENOS GLOBUS contains a variety of tools, including nine specific interface modules, to ensure that the development and implementation of interfaces is kept as simple and as standard as possible.
  - *Open financial services.* Our open financial services function supports multiple delivery channels to the bank's customers for both existing and emerging technologies. These delivery channels include the Internet, automated cash machines, call centers and voice response systems. This function can also export data to external data warehouses.
  - *GLOBUS information server.* This server exports and updates information from the TEMENOS GLOBUS database to other database management systems used by our clients, such as Oracle or Sybase.

As a further enhancement of our core system software, we distribute to all of our clients a ''model bank'' which is a set of rules and parameters, macros and non-application layer client enhancements that are commonly used in the industry. These are all contained and delivered within a data library that is distributed to clients along with software upgrades.

Initial License Fees

TEMENOS GLOBUS is priced based on the number of modules licensed and the number of concurrent users required by the client. Each client must license the basic, or core, functionality and then need only license the modules needed to meet its requirements. An additional license must be purchased for additional modules or users. Our initial licenses were historically granted in perpetuity. Currently, however, we are generally granting licenses for a term ranging from 10 to 50 years.

Recently, we have begun signing larger initial licenses that provide for multi-site implementations. Generally these multi-site licenses provide for an up-front initial license fee and additional initial license fees in connection with implementations at individual sites. Because clients with multi-site license agreements are generally committed to an implementation schedule, as we increase the number of multi-site licenses, we expect to be better able to forecast our revenues for future quarters based on the implementation schedules provided in these licenses. The average dollar amount of a license agreement signed with a new client was $1.6 million in financial year 2000 and $1.1 million in the nine months ended March 31, 2001.

Recurring License and Help Desk Fees

We require our clients to sign a noncancellable recurring annual license agreement at the time of signing the initial license agreement, generally with an initial term of five years, automatically renewable annually thereafter. Currently, our current standard annual recurring license fee is 13.5%, and our standard help desk support fee is 4.5%, of the applicable initial license fee. Our clients who entered into licenses with us prior to July 1, 1999 generally pay an annual recurring license fee equal to 11.25%, and a maintenance support fee equal to 3.75% of their initial license fee. As part of the recurring license fee, clients receive our product updates and upgrades. Each year, we release one major upgrade and three quarterly updates. We also provide clients with maintenance support agreements access to our help desks, which, for an additional fee, is available on a 24-hour basis.

Client Services

We believe that high quality and long-term client services are a critical requirement for continued growth and increased sales of TEMENOS GLOBUS. We support our clients through our own services organization, through a network of local distributors and through strategic alliances with IT service providers and systems integrators. We offer our clients a broad range of services, including:

- *Implementation.* Implementation services consist of product parameterization, customization and integration with existing client software systems. We provide services to assist our clients in the implementation of TEMENOS GLOBUS through our support offices in 18 countries. As a key element of our business strategy, we also draw upon the resources of leading IT service providers and systems integrators to implement TEMENOS GLOBUS, allowing us to focus our resources on enhancing product functionality and keeping pace with developments in the financial services industry.
- *Development.* We offer software customization and development services for clients with specific requirements. This work includes the development of new software code to meet these needs. The enhancements resulting from these client-requested development projects become part of the basic TEMENOS GLOBUS software, which we make available both to new clients and, in the form of regular product updates or upgrades, to all existing clients with recurring licenses. By undertaking these client-requested development projects, we are able to:
    - meet increasingly complex client requirements, thereby increasing our ability to serve larger clients with more demanding needs;
    - offer significantly improved functionality to our client base, thereby enhancing client satisfaction; and
    - reduce our development costs by sharing those costs with specific clients.
- *Training.* We offer training services to assist our clients in operating and maximizing the benefits received from TEMENOS GLOBUS. We have regional training centers in Geneva, London, Athens and Singapore. In addition to training our clients, these centers are responsible for training the staff of our local distributors and strategic alliance partners to ensure that a consistent level of service is provided to the TEMENOS GLOBUS user base.
- *Help Desk.* We have established local service and support teams in 18 countries and offer help desk services on a 24-hour basis, by telephone, e-mail or over the Internet.
- *Outsourcing.* We have recently begun to offer our clients the opportunity to outsource the management of their hardware and software systems to us. At our facility, we have the capacity to host the running of TEMENOS GLOBUS for our clients. We believe that this service will prove to be valuable to our clients and anticipate that an increasing number of financial institutions will seek to outsource these functions to us in the future.

Strategic Alliance with IBM

We entered into a strategic alliance with IBM in June 2000 covering cooperation in the areas of technology, marketing, sales, and services.

As part of this alliance, IBM has agreed to position and promote TEMENOS as a ''strategic provider'' of wealth management and private banking software for financial institutions and will support TEMENOS with branding and service offerings in the universal banking (both the retail and corporate banking) marketplace. IBM is in the process of establishing banking sales teams in various regions throughout the world. The members of these teams are or will be trained in TEMENOS GLOBUS and are charged with identifying potential customers for our solution. IBM has agreed to include TEMENOS GLOBUS in its integrated marketing efforts to the financial services sector. We have also agreed to work together to deliver implementation and support services. We are currently implementing TEMENOS GLOBUS with two clients through this alliance.

We also believe that the alliance is important to our technology development. We migrated TEMENOS GLOBUS to IBM System 390 in 2000, and are in the process of migrating to

IBM's System AS 400. We have also agreed to work together in the development of e-banking capabilities, including in the areas of electronic private banking, electronic investment and straight-through processing of electronic transactions. We work closely with IBM engineers on these projects, and IBM has loaned to us a variety of IBM servers and related hardware to support these efforts.

Clients

Our installed client bases have grown from approximately 150 in June 1998 to more than 250 at May 15, 2001. Our clients operate in more than 80 countries. In financial year 2000, we generated 58% of our revenues in Europe, 11% in the Americas, 18% in Africa and 13% in Asia. License revenues recognized from our top five clients accounted for approximately 31% and 26% of our license revenues for the financial year 2000 and the nine months ended March 31, 2001, respectively. The following table presents a representative list of current TEMENOS GLOBUS licensees (including our direct clients and clients of our distributors) by the principal geographic locations in which TEMENOS GLOBUS is installed.

Europe

Banco Santander
Bank Nederlandse Gemeenten
The Bank of England
Banque Bruxelles Lambert
Barclays Bank
Commerzbank
Crédit Lyonnais
Crédit Suisse Private Banking
Deutsche Bank Private Banking
EFG Private Bank
European Commission
Kredietbank
Leopold Joseph & Sons Ltd.
Lloyds TSB Group
MeritaNordbanken
National Bank of Greece
Raiffeisen Zentral Bank
Standard Bank
United Guaranti Bank International

The Americas

Dresdner Bank Lateinamerika AG
Merrill Lynch

Africa

Cape of Good Hope Bank
Nedcor Bank Limited
Southern Bank of Africa

Asia

Bumiputra Commerce Bank Berhad
ING

Middle East

Arab Banking Corporation
Wafa Bank

Sales and Marketing

We sell TEMENOS GLOBUS directly through our own sales force, as well as indirectly through independent distributors, agents and strategic alliance partners. Our sales cycles are variable and typically range between six and nine months from the initial contact with a potential client to the signing of a license agreement.

Direct Sales

We have direct sales offices in 18 countries around the world. As of May 15, 2001, our direct sales team consisted of 77 employees. To date, this team has been responsible for generating the majority of our license revenues. The mission of the direct sales force is to target sales to large global banks. We intend to strengthen our direct sales presence in key markets by establishing new offices and increasing the number of our sales and marketing personnel, particularly in the United States.

Strategic Alliances

We also sell TEMENOS GLOBUS through strategic alliances with leading IT service providers and systems integrators. As described above, we entered into a marketing and technology alliance with IBM in June 2000. Pursuant to the arrangement, we conduct joint sales efforts with IBM and it has agreed to position and promote us as a strategic provider of wealth management and private banking software. In addition, we work with EDS to sell and implement TEMENOS GLOBUS. Through our relationship with EDS we have so far licensed TEMENOS GLOBUS to four banks, including Dresdner Bank.

We intend to use our existing relationships, and to develop new relationships, with IT service providers and systems integrators to further penetrate the market of global financial institutions. We believe these alliances will enhance our reputation in the marketplace and will provide us with additional marketing resources and distribution channels into global banks.

Distributors

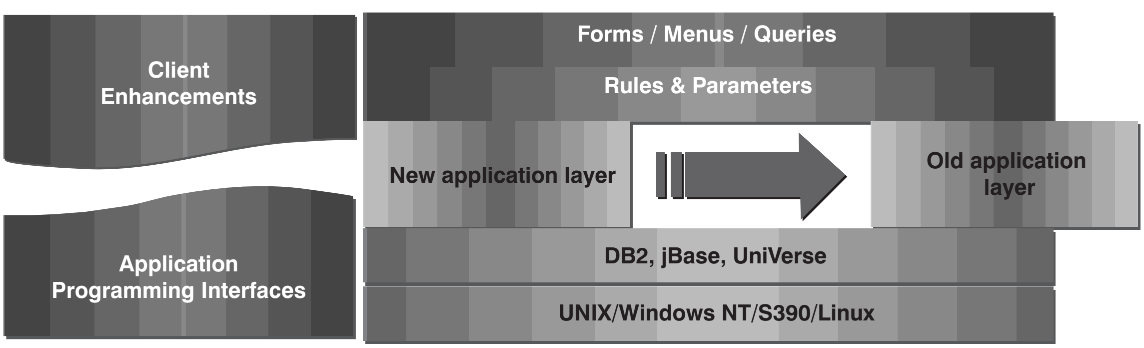
We employ a select number of independent distributors and, to a lesser extent, agents who receive referral fees. We currently have 10 independent distributors worldwide. These distributors are typically responsible for distribution within a specific country or region. Our distributors perform marketing, sales, implementation and customer support and training services. We generally meet with our distributors semi-annually and train them in product capabilities and sales and customer support methods. Our largest distributor is Global Technology Limited, one of our principal shareholders, which sells our software in sub-Saharan Africa, Australia, New Zealand and Brazil. Global Technology Limited accounted for approximately 7% of our revenues in financial year 2000 and 4% of our revenues for the six-month period ended December 31, 2000. See ''Transactions with Related Parties—Relationship with Global Technology Limited.''

Marketing

Because we sell our solution to financial institutions that typically will not make a purchase decision before visiting a reference site, we believe that our principal marketing tools are our existing clients that act as references for our product. We therefore focus our resources on providing high-quality support services to ensure satisfied clients and make use of more traditional marketing efforts, such as advertising and participating in trade shows, only to a limited extent. Each year, we attend SIBOS, the IT trade show for the banking industry. We also hold an annual user group meeting, which we use as an opportunity to market new or additional functionality in TEMENOS GLOBUS to our existing client base.

Technology

TEMENOS GLOBUS is designed for flexibility and its open architecture allows us to group specific sets of functions and offer them as discrete modules that can be licensed separately. Because it is fully scaleable, the system can be deployed on a site-by-site basis or enterprise-wide. The following illustration outlines the TEMENOS GLOBUS architecture:



Operating systems. TEMENOS GLOBUS is based on an open system technology and can be operated on any UNIX, Windows NT or IBM System 390 platform. This capability provides our clients with interoperability and portability across different platforms. We are in the process of adapting TEMENOS GLOBUS to run on the IBM AS 400 operating system.

Application layer and data engine. TEMENOS GLOBUS' application layer consists of a robust source code that interfaces with the data engine and supports a wide range of functionality. TEMENOS GLOBUS is designed to process high volumes of complex transactions. Its data engine provides a master repository for the institution's mission-critical customer, account and transaction information. New functionality can easily be activated at any time after installation using module and application license codes within TEMENOS GLOBUS. Upgrades are facilitated by a single replacement of the application layer.

Non-application layer enhancements and customization. TEMENOS GLOBUS' flexible structure and open architecture allow clients to enhance the functionality of the software in a number of ways, including:

- *Rules and parameters.* TEMENOS GLOBUS is provided with a set of default parameters and rules to accelerate the implementation process. These rules and parameters can easily be customized at any time following installation to meet the client's specific needs, to accommodate its business processes and to enable the client to comply with local regulatory requirements.
- *Application programming interface ("API").* The API allows clients to integrate external packages or internally developed systems with the TEMENOS GLOBUS platform.
- *Client enhancements.* Our development team and our local partners work with our clients to develop enhancements in response to specific client requirements. Specific interfaces or our standard APIs provide the tools to integrate these enhancements.

Software development

As of May 15, 2001, our software development team consisted of more than 280 employees. Our principal software development facilities are located in London, England; Geneva, Switzerland; and Chennai (Madras), India. We also have software development facilities in Cambridge, England; Portland, Oregon, USA; and Bangkok, Thailand. We are committed to a distributed software development organization because we believe this approach allows us to find qualified employees more easily and minimize costs related to development personnel. All of our development work on TEMENOS GLOBUS is performed in-house by our own staff.

We have committed, and expect to continue to commit, substantial resources to the development of TEMENOS GLOBUS. This system was designed after extensive work with potential clients to assess their needs. We have invested over 750 person-years of software development in TEMENOS GLOBUS. We supplement our software development efforts by reviewing client feedback and by working with clients and potential clients to anticipate future functionality requirements. To that end, we have formed a user group, which meets annually at a forum hosted by us, to gain regular feedback from a cross-section of our client base. Smaller user groups also meet periodically throughout the year and we ensure that a senior TEMENOS employee attends each meeting. The feedback from our user group meetings has enabled us to continuously refine TEMENOS GLOBUS in response to the changing needs of our clients.

A new version of TEMENOS GLOBUS is released on July 1 of each year and replaces the older version of the application installed on clients' systems. In addition, in order to service our clients with continuing enhancements between version releases, we offer updates to the current version of the application on a quarterly basis. We often develop these enhancements to the application layer in response to the request of a particular client. This client pays us for the related development costs and we make the enhancement available to all of our clients with recurring licenses.

During 1998 and 1999, we enhanced TEMENOS GLOBUS by introducing a euro module and ensuring its year 2000 compliance. During this time, we also introduced a new graphical user interface to make our product easier to use and our OFS integrator tool which made TEMENOS GLOBUS easier to implement. During 2000, we focused our development efforts on integrating the acquired jBase and Radar technologies into TEMENOS GLOBUS.

We are currently working on a number of projects to permit TEMENOS GLOBUS to operate on different hardware platforms and to add to the functionality of the product. In connection with our release of the G-12 version of TEMENOS GLOBUS, we intend to include a futures and options module and introduce features which will facilitate U.S. regulatory reporting.

Competition

We believe that providers of financial services software solutions compete principally on the basis of the following factors:

- satisfied customers that act as product advocates;
- product quality and reliability;
- breadth of functionality;
- quality of customer service and support; and
- price.

We believe that we compete effectively in each of these areas as demonstrated by the fact that, according to reports published by IBS, TEMENOS GLOBUS was licensed to more new clients in 1998, 1999 and 2000 than any other single international banking software solution. Nevertheless, our market is intensely competitive and characterized by rapidly changing technology and evolving standards. We compete with a variety of institutions, including large software vendors offering financial services solutions, such as Fiserv, Misys plc, Sanchez Computer Associates and SunGard Data Systems, the IT departments of financial institutions that conduct internal development efforts, and smaller independent companies that provide specialized point solutions.

Proprietary Rights

We rely primarily on a combination of copyright laws, trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect our proprietary rights, particularly in the source code for the TEMENOS GLOBUS software. We presently have no patents or patent applications pending. Our subsidiary TEMENOS Holdings NV holds registered trademarks in ''TEMENOS GLOBUS'', the TEMENOS logo, and name and logo combination, and ''TEMENOS CLIENT FORUM'' in the United States, Switzerland, the European Union, Hong Kong, India, Lebanon, Singapore, South Africa and Thailand. TEMENOS Holdings NV holds registered trademarks in ''Radar'' and ''RiskReturnRadar'' in Switzerland, Belgium, France, Italy, Liechtenstein, Luxembourg, the Netherlands, Portugal, Spain and China. TEMENOS Holdings NV also claims unregistered trademarks in ''TEMENOS jBASE'', ''TEMENOS e-Merge'' and ''TEMENOS VDN''.

In addition to trademark and copyright protections, we rely on trade secret protection for our confidential and proprietary information and technology. We also routinely enter into confidentiality agreements with our employees and contractors, pursuant to which they agree to maintain the confidentiality of all our proprietary information and to assign to us all inventions made while in our employ.

Employees

We have grown to 1,034 employees at May 15, 2001 from 307 employees at June 30, 1999 and 177 employees at June 30, 1998. The following table presents a geographic and functional breakdown of our 1,034-person workforce as of May 15, 2001:

Location	Number of Employees
Switzerland	177
Other Europe	410
Middle East	29
Americas	68
India	221
Other Asia/Pacific	129
Function	
Software development	288
Services	518
Sales and marketing	90
General and administrative	138

None of our employees is covered by a collective bargaining agreement or is represented by a labor union or works council. We have experienced no work stoppages and believe that our relationship with our employees is good.

Facilities

We have offices in the following locations:

Europe

Amsterdam
Athens
Dublin
Geneva
Frankfurt
London
Luxembourg
Madrid
Munich
Paris

Asia

Bangkok
Beijing
Chennai (Madras)
Hong Kong
Jakarta
Singapore

North America

Boston
Miami
New York
Portland

Middle East

Beirut
Dubai

We lease all of our office space and do not own any real estate.

Legal Proceedings

We are not a party to any court, arbitral or administrative proceedings, the adverse outcome of which we expect would, individually or in the aggregate, have a material adverse effect on our business, operating results or financial condition, nor are we aware of any such proceedings pending or threatened.

MANAGEMENT

Board of Directors and Senior Management

TEMENOS Group AG has a board composed of seven directors. The members of our senior management are employed by various of our subsidiaries and perform managerial functions for the group as a whole. The current members of the board of directors of TEMENOS Group AG and the senior management of the group, as well as their ages and positions as of May 31, 2001, are:

Name	Age	Position
Directors		
George Koukis	55	Chairman and Chief Executive Officer
Kim Goodall	45	Vice Chairman and Marketing Director
Andreas Andreades	35	Director and Deputy Chief Executive Officer
Raymond Leonard	55	Director
Chris Pavlou(1)	55	Director
Angelos Plakopitas(1)	61	Director
Lewis Polk Rutherfurd(1)	56	Director
Paul Selway-Swift(1)	57	Director
Other Management		
Franck Nalet	38	Chief Technology Officer
David Arnott	32	Chief Financial Officer
Thierry Champagne	52	Senior Vice President of Banking Services
André Loustau	42	Vice President of Technology
Malou Ducomble	45	Director of Strategic Alliance Services
Glan Morgan	45	Vice President of Product Management Group

(1) Member of the audit committee.

George Koukis has served as our Chairman and Chief Executive Officer since 1993. Mr. Koukis has been active in the software industry for more than 20 years, having begun at Qantas, where he was heavily involved with the computerization 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 Managing Director. Mr. Koukis is a director of Global Technology Limited, a publicly listed South African IT company that is one of our principal shareholders and our largest distributor. Mr. Koukis received his degree in Commerce from the University of Technology in Sydney, Australia and he is a registered CPA.

Kim Goodall has served as our Marketing Director since 1994 and as our Vice Chairman since March 2001. Mr. Goodall began his career as a financial management trainee with Qantas. After leaving Qantas, Mr. Goodall joined Management Science America (MSA) where he worked in the support and marketing areas in the Sydney, Singapore and Hong Kong offices. In 1992, Mr. Goodall founded PK Technology, a Malaysian IT company that is our distributor in the Philippines, Brunei and Malaysia, and today continues to be a non-executive director and a shareholder. Mr. Goodall is also a director of Global Technology Australasia Limited, our distributor in Australia and New Zealand.

Andreas Andreades has served as our Deputy Chief Executive Officer and a Director since October 2000 and served as our Chief Financial Officer from May 1999 until October 2000. Mr. Andreades started his career with KPMG in London in 1988. After spending five years in the accounting profession, he joined PepsiCo, where he held a number of strategic, sales and general management positions. Mr. Andreades holds an engineering degree from the University of Cambridge and is a U.K. qualified chartered accountant.

Raymond Leonard has served as a member of our board of directors since December 1998. Mr. Leonard is the Chief Executive Officer and a major shareholder of Global Technology Limited, one of our principal shareholders and our largest distributor. From 1970 to 1989, Mr. Leonard worked at First National Industrial Bank Limited of South Africa, ultimately serving as General Manager, Finance and Administration. Prior to that time, he served as Financial Manager at Bakers Limited and Renou Plastics (Pty) Ltd. He is a Chartered Management Accountant and a Fellow of the Institute of Chartered Secretaries and Administrators.

Chris Pavlou has served as a member of our board of directors since January 2000. Mr. Pavlou was deputy chief manager of Barclays Bank in London and New York, and treasurer of Hong Kong Shanghai Banking Corporation in Hong Kong and HSBC Midland in Tokyo. He is the Asia Pacific Regional Delegate of the International Forex Association. He retired from HSBC in 1998 and currently delivers speeches and writes articles on treasury and foreign exchange operations.

Angelos Plakopitas has served as a member of our board of directors since October 2000. Mr. Plakopitas is the founder and Managing Director of Global Finance SA, a venture capital firm with over $350 million under management and one of our shareholders through two of its funds. He was the General Manager of the largest Greek wood producer for 10 years and he has 14 years of experience in financial institutions both in Greece and the US, mainly with Citibank. Mr. Plakopitas holds an Economics Degree from the Athens Economic University and an MBA from the Graduate School of Business Administration of New York University.

Lewis Polk Rutherfurd has served as a member of our board of directors since 1993. Mr. Rutherfurd is a co-founder and Managing Director of Inter-Asia Management (founded in 1972), Inter-Asia Venture Management II Partnership (1987) and Inter-Asia Capital (III) (1992). As a developer of the first formally organized venture capital management firm in Southeast Asia, Mr. Rutherfurd has been involved with more than 40 companies in the past 28 years. Mr. Rutherfurd is a former Governor and Vice President of the American Chamber of Commerce in Hong Kong. He is a co-founder and past chairman of the HK Venture Capital Association. He holds a bachelor's degree in East Asia Studies from Princeton University and an MBA with distinction from Harvard Business School.

Paul Selway-Swift has served as a member of our board of directors since May 2001. Mr. Selway-Swift began his banking career in 1962 when he joined the HSBC Group. In 1988, he was appointed HSBC's Group General Manager for Hong Kong and China and became Executive Director of HSBC Hong Kong and China in 1992. In 1996, Mr. Selway-Swift moved to London to become Deputy Chairman of HSBC Investment Bank with responsibility for investment and private banking. Concurrently, he served as Chairman of Samuel Montagu of HSBC Capital Markets India and Deputy Chairman of Guyerzeller Bank, Zurich. He retired from the HSBC Group in 1998. Mr. Selway-Swift currently serves as a director of Alba Plc, Eagle & Dominion Asset Management Ltd., Li and Fung Ltd., SVB Holdings Plc, T. Bailey Asset Management Ltd., T. Bailey Fund Managers Ltd., Chivers Communications Plc, and Singer & Friedlander Group Plc.

Franck Nalet has served as our Chief Technology Officer since July 2000 and is responsible for all TEMENOS GLOBUS development worldwide. From 1994 until July 2000, Mr. Nalet served as Global Head of Securities Administrative Systems for Paribas Capital Markets in London. Prior to that, he worked for more than seven years for ACT Financial Systems as a Program/Project Manager on a variety of capital market projects. Mr. Nalet holds a degree in IT from the University of Nantes (France).

David Arnott joined us as our Senior Vice President of Finance in February 2001 and has served as our Chief Financial Officer since April 2001. Prior to joining us, he had worked since 1999 with Société Europeene de Communication in Luxembourg, where he served most recently as Chief Financial Officer. From 1996 to 1999, Mr. Arnott held a number of senior finance positions at Anglo-American plc, a mining and precious metals company. He holds a BSc from the University of Southampton and is a U.K. chartered accountant.

Thierry Champagne has served as our Senior Vice President of Banking Services since January 1997. Mr. Champagne started his professional career at Citibank, where he spent 12 years in the Treasury, Administration and Client Services areas, most recently as a Vice President. Mr. Champagne left Citibank in 1983 to establish, with four colleagues, the banking software development company that is the predecessor to TEMENOS. Since that time Mr. Champagne has worked full-time on the development, promotion and support of TEMENOS GLOBUS on an international basis. Mr. Champagne received an MBA with distinction in Economics and Social Sciences from the University of Namur.

André Loustau currently serves as our Vice President of Technology. Mr. Loustau has been with TEMENOS and its predecessor companies since 1984, serving in a variety of capacities including Development Manager and Project Manager.

Malou Ducomble is our Director of Strategic Alliance Services. Since joining TEMENOS, she has performed a number of roles in the area of services and operations. Prior to joining TEMENOS, she held a number of operational positions in MPCT Solutions Limited, First Chicago, Winter Partners and Commerzbank. Ms. Ducomble holds a business degree and a financial management diploma from New York University.

Glan Morgan has served as Vice President of our Product Management Group since February 1999. Mr. Morgan has been with TEMENOS and its predecessors since 1986, holding a variety of management positions supporting our development, promotion and growth at an international level. Prior to joining TEMENOS, Mr. Morgan held positions with Barclays Bank, Swiss Bank Corporation, Credit Suisse and Lloyds TSB Private Bank.

Duties of Directors

Our articles of incorporation provide that our board of directors must consist of five or more members. Pursuant to Swiss law, each director must hold at least one qualifying share. Directors are elected and removed by shareholders' resolution. Our articles of incorporation provide for three-year terms of office for our directors, with no limitations on re-election. Directors may be removed by the shareholders at any time without cause.

Our board of directors is ultimately responsible for establishing group policy, appointing executive officers and signatories and supervising management. Further, the board of directors is entrusted with the preparation of shareholders' meetings and the carrying out of shareholders' resolutions.

The directors and senior officers of a Swiss corporation are bound, as specified in the Swiss Code of Obligations, to perform their duties with all due care, to safeguard the interests of the company in good faith, and to extend equal treatment to shareholders in like circumstances.

The Swiss Code of Obligations does not specify what standard of due care is required of the directors of a corporate board. It is generally held in Swiss doctrine and jurisprudence, however, that the directors must have the requisite capability and skill to fulfill their function, and must devote the necessary time to the discharge of their duties. Moreover, the directors must exercise all due care that a prudent and diligent director would exercise in like circumstances. Finally, the directors may not take any actions that may be harmful to the company.

Exercise of Powers

The directors as well as other persons authorized to act on behalf of a Swiss company may perform all legal acts on behalf of the company that the business purpose may entail. Pursuant to court practice, the directors may take any action that is not explicitly excluded by the business purpose of the company. In so doing, however, the directors must exercise the duty of due care and the duty of good faith described above. The board of directors must extend equal treatment to the company's shareholders in like circumstances.

Conflicts of Interest

Swiss law does not have a general provision on conflicts of interests. The Swiss Code of Obligations, however, requires directors and members of senior management to safeguard the interests of the company and imposes a duty of care and duty of loyalty on directors and officers. This rule is generally understood as disqualifying directors and senior officers from participating in decisions that directly affect them. The breach of this provision may result in personal liability of the directors and officers. In addition, Swiss law provides that the members of the board of directors and all persons engaged in the management are liable to the company, to each shareholder and to the company's creditors for damages caused by any intentional or negligent violation of their duties.

Our board of directors has adopted a policy of requiring any member to excuse himself from any discussion of, and to abstain from voting in connection with, any matter in which he has a personal interest separate from his interest as a director or shareholder of TEMENOS.

Sanctions

If directors and officers conduct transactions on behalf of the company with bona fide third parties in violation of their statutory duties, the transaction is nevertheless valid and will bind the company so long as it is not explicitly excluded by the company's business purpose. Directors and officers acting in violation of their statutory duties may, however, become liable to the company, its shareholders and (in case of a bankruptcy of the company) the creditors for damages. The liability is joint and several, but the courts may apportion the liability among the directors in accordance with their degree of culpability.

In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person(s) associated with him or her, other than lawful distributions and payments made for fair consideration, must be repaid to the company if the shareholder or director was acting in bad faith.

If the board of directors lawfully delegates the power to carry out day-to-day management to a different corporate body, it is not liable for the acts of the members of that different corporate body. Instead, the directors can only be held liable for their failure to properly select, instruct and supervise the members of that different corporate body.

Audit Committee

The Audit Committee of the board is composed of independent directors and is charged with the responsibility for overseeing regulatory compliance, adherence to good corporate governance practices, the maintenance of an adequate system of internal control, and the publication of appropriate and reliable financial information for the benefit of shareholders as well as other users of such information. The committee currently consists of Messrs. Pavlou, Plakopitas, Rutherfurd and Selway-Swift.

Compensation of Directors and Senior Management

The aggregate amount of compensation paid during financial year 2000 to our currently serving executive directors as a group was $1,180,000. During financial year 2000, we did not pay director's fees to our non-executive directors. The aggregate amount paid to the other six senior management members indicated above as a group was $737,957. We contributed an aggregate of $164,767 during financial year 2000 in pension, retirement or similar benefits to those directors and members of senior management indicated above.

Share Option Plan

The TEMENOS Group Employee Share Options Scheme became effective in September 1997. Under this plan, our subsidiary TEMENOS Holdings NV has granted options to group employees to purchase its common shares. In connection with its formation, our new ultimate parent company, TEMENOS Group AG, has granted to TEMENOS Holdings NV an option that will permit the shares in TEMENOS Holdings NV issued upon exercise of these options to be exchanged for registered shares in TEMENOS Group AG at the exchange ratio that was used in connection with the formation of Temenos Group AG (one common share of TEMENOS Holdings NV for each registered share of TEMENOS Group AG). Those shares of TEMENOS Group AG will then be delivered to the optionee.

All employees of the group companies are eligible to participate in our option plan. Options under the plan vest no sooner than three years and no longer than ten years from the date of grant. The board has discretion in determining the exercise price applicable to any option grant.

Under our option plan, we have reserved 9.8 million common shares of TEMENOS Holdings NV (exchangeable into an equivalent number of shares of TEMENOS Group AG) for issuance under the plan. As of May 15, 2001, there were outstanding options to purchase common shares of TEMENOS Holdings NV that may be exchanged for an aggregate of 4,648,355 shares of TEMENOS Group AG, at a weighted average exercise price of $2.42 per share.

Benefit Plans

We maintain defined contribution plans for our employees under which we expense and pay the relevant contributions as they fall due. We do not maintain, nor are we committed to support, any defined benefit plans for our current or former employees.

Employment Agreements

We have entered into employment agreements with all of the members of our senior management, including George Koukis, Kim Goodall and Andreas Andreades. These agreements contain standard terms regarding non-competition, the protection of confidential TEMENOS information, the disclosure and assignment of intellectual property to TEMENOS, and general terms of employment. Each agreement provides that either we or the employee may terminate the employment relationship upon a certain period of notice, generally ranging from one to 12 weeks. Each agreement also contains covenants pursuant to which each employee has agreed that, after the termination of employment with TEMENOS and without our consent, he or she will not solicit employees or customers of ours for a certain period of time, generally six months. Each agreement provides for remuneration and benefits commensurate with the employee's position and experience and in line with current market practice.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our share capital as of May 31, 2001 by (1) each of our directors and members of senior management who owns shares, (2) each holder of 5% or more of our share capital, (3) each selling shareholder and (4) our directors and members of our senior management as a group. Shares subject to options are deemed to be outstanding for purposes of the table below. Each share carries one vote.

	Shares Beneficially Owned Before Offering		Number of Shares to be Sold	Shares Beneficially Owned After Offering[1]	
Name of Beneficial Owner	**Number**	**Percent**	**Number**	**Number**	**Percent**
George Koukis[2]	19,762,778	48.1	150,000	19,612,778	37.2
Global Technology Limited[3]	8,381,097	20.9	500,000	7,881,097	15.2
Kim Goodall[4]	8,216,247	20.4	150,000	8,066,247	15.6
Global Capital Investors II Limited Partnership[5]	2,693,974	6.7	371,634	2,322,340	4.5
Deutsche Bank[6]	786,320	1.9	196,580	589,740	1.2
Financial Services Systems Ltd.[7]	782,320	1.9	215,832	566,488	1.1
Global Capital Investors Limited Partnership[5]	538,795	1.3	74,354	464,441	*
Thierry Champagne[8]	500,100	1.2	—	500,100	*
Picton Associates Inc.	377,156	*	143,520	233,636	*
Anestis Fountoukidis	200,000	*	27,600	172,400	*
Andreas Andreades[9]	179,100	*	—	179,100	*
Andre Loustau[10]	175,100	*	—	175,100	*
Sea Spray S.A.	161,638	*	89,224	72,414	*
Glan Morgan[11]	152,153	*	—	152,153	*
Malou Ducomble[12]	75,100	*	—	75,100	*
Franck Nalet[13]	20,100	*	—	20,100	*
David Arnott[14]	7,600	*	—	7,600	*
All directors and senior officers as a group (14 persons)[15]	41,484,464	97.8	1,461,820	40,022,644	73.9

* Less than 1%.

(1) Assumes no exercise of the underwriters' over-allotment option. If the underwriters exercise their over-allotment option in full, the shareholders indicated below will sell the number of additional shares indicated:

	Number of Additional Shares to be Sold	Shares Beneficially Owned After Exercise of Over-allotment Option
Name	**Number**	**Percent**
George Koukis	300,154	36.5
Global Technology Ltd.	150,000	15.0
Kim Goodall	300,154	14.9
Global Capital Investors II Limited Partnership	301,616	3.9
Deutsche Bank	196,580	*
Financial Services Systems Ltd.	175,168	*
Global Capital Investors Limited Partnership	60,345	*
Thierry Champagne‡	66,000	*
Picton Associates, Inc.	116,480	*
Anestis Fountoukidis	22,400	*
Andre Loustau‡	20,000	*
Sea Spray SA	72,414	*
Enrique O'Reilley‡	28,000	*
Malou Ducomble‡	25,000	

* Less than 1%.

‡ These shareholders will exercise options to purchase an aggregate of 212,500 of the shares to be sold in connection with the exercise of the underwriters' over-allotment option.

Name	Number of Additional Shares to be Sold	Shares Beneficially Owned After Exercise of Over-allotment Option
	Number	Percent
Jean Michel Hilsenkopf‡	20,000	*
Glan Morgan‡	15,000	*
Marc Vernet‡	15,000	*
Richard Banat‡	8,000	*
Phil White‡	5,000	*
Vanessa Webber‡	5,000	*
Christine Megevand‡	1,500	*
Christina Alliaume‡	1,000	*
Carl Wild‡	1,000	*
Peter Ryan‡	1,000	*
Roland Decorzent‡	1,000	*

* Less than 1%.

‡ These shareholders will exercise options to purchase an aggregate of 212,500 of the shares to be sold in connection with the exercise of the underwriters' over-allotment option.

(2) Mr. Koukis is the Chairman of our board of directors and our Chief Executive Officer. Includes options to purchase 1,000,100 shares, none of which are exercisable as of the date of this prospectus. Mr. Koukis has pledged 17,386,618 of these shares to secure our obligations under our term loan facility. See ''Indebtedness—Term Facility.''

(3) Global Technology Limited is our distributor in sub-Saharan Africa, Australia and New Zealand. See ''Business—Sales and Marketing—Indirect Sales.'' Includes 500,000 shares held by Global Technology Investment Holdings (Pty) Ltd, an affiliate of Global Technology Limited, prior to this offering. Global Technology Investment Holdings (Pty) Limited will sell 377,209 shares in this offering, and potentially a further 122,791 shares if the underwriters exercise their over-allotment option in full. We have been informed by Global Technology Limited that it intends to use the net proceeds from its sale of our shares in this offering to repay a loan used by Global Technology Limited to finance its original investment in us. Mr. Leonard, a member of our board of directors, is a principal shareholder and director of Global Technology Limited. Mr. Koukis, the chairman of our board of directors, is also a director of Global Technology Limited.

(4) Mr. Goodall is the Vice Chairman of our board of directors and our Marketing Director. Includes options to purchase 175,100 shares, of which options to purchase 25,000 shares are exercisable as of the date of this prospectus. Mr. Goodall has pledged 7,451,407 of these shares to secure our obligations under our term loan facility. See ''Indebtedness—Term Facility.''

(5) Mr. Plakopitas, one of our directors, is a director of the general partner of Global Capital Investors Limited Partnership and Global Capital Investors II Limited Partnership.

(6) Consists of 786,320 shares subject to a warrant that will become exercisable prior to the closing of this offering. Deutsche Bank intends to exercise this warrant in full prior to this offering.

(7) Mr. Rutherfurd, one of our directors, is managing director of the management company of Inter-Asia Trust Company Ltd, which company owns 100% of Financial Services Systems Ltd.

(8) Mr. Champagne is our Senior Vice President of Banking Services. Consists of options to purchase 500,100 shares, of which options to purchase 380,000 shares are exercisable as of the date of this prospectus.

(9) Mr. Andreades is our Deputy Chief Executive Officer and a member of our board of directors. Consists of options to purchase 179,100 shares, none of which are exercisable as of the date of this prospectus.

(10) Mr. Loustau is our Vice President of Technology. Consists of options to purchase 175,100 shares, of which options to purchase 135,000 shares are exercisable as of the date of this prospectus.

(11) Mr. Morgan is our Vice President of Product Management Group. Consists of options to purchase 152,153 shares, of which options to purchase 110,000 are exercisable as of the date of this prospectus.

(12) Ms. Ducomble is our Director of Strategic Alliance Services. Consists of options to purchase 75,100 shares, of which options to purchase 55,000 shares are exercisable as of the date of this prospectus.

(13) Mr. Nalet is our Chief Technology Officer. Consists of options to purchase 20,100 shares, none of which are exercisable as of the date of this prospectus.

(14) Mr. Arnott is our Chief Financial Officer. Consists of options to purchase 7,600 shares, none of which are exercisable as of the date of this prospectus.

(15) Includes shares held by Global Technology Limited, Global Capital Investors Limited Partnership, Global Capital Investors II Limited Partnership and Financial Services Systems Ltd. See Notes (3), (5) and (7). Also includes options to purchase an aggregate of 2,284,453 shares, of which options to purchase 705,000 shares are exercisable as of the date of this prospectus.

TRANSACTIONS WITH RELATED PARTIES

Relationship with Global Technology Limited

Global Technology Limited is one of our principal shareholders and our largest distributor. After this offering, Global Technology Limited will own approximately 15% of our issued and outstanding share capital. The Chairman of our Board of Directors and our Chief Executive Officer, George Koukis, is a director of Global Technology Limited. One of our other directors, Raymond Leonard, is a director and principal shareholder of Global Technology Limited. The following is a summary of our material transactions with Global Technology Limited.

Distribution agreement

We executed a distribution agreement with Global Technology Limited in 1995. Global Technology Limited currently distributes TEMENOS GLOBUS in sub-Saharan Africa, Australia, New Zealand and Brazil. Global Technology Limited also provides implementation, training and other customer support resources to us for which we pay it fees on a per-day, per-person basis. We believe these fees are on arm's length terms. Our revenues attributable to sales by Global Technology Limited accounted for approximately 7% and 4% of our total revenues in financial year 2000 and the six-month period ended December 31, 2000, respectively.

Purchase of software products

In December 2000, we purchased from Global Technology Limited the rights to several software programs, including *Glosure, pSygn Internet Banking, Integrator* and *e-Merge*. *Glosure* is a software product built around the TEMENOS GLOBUS core that is being developed for the insurance industry. *PSygn Internet Banking* and *Integrator* provide additional Internet and technical functionality to TEMENOS GLOBUS. *E-Merge* is a ''shrink wrap'' banking software solution for small retail banks in developing countries. We launched *e-Merge* in January 2001 and currently sell it through our distributors rather than our direct sales team. We have sub-contracted further development work for these products to Global Technology Limited. We pay for this work on an arm's length, time and materials basis.

As consideration for the rights to these software products, we issued 121,150 of our shares to Global Technology Limited and agreed to pay to it approximately $960,000 as well as a percentage of the revenues on these software products through 2003. As part of this agreement we also transferred to Global Technology Limited the rights to sell and implement TEMENOS GLOBUS in Australia, New Zealand, Brazil and countries throughout Africa. These rights had previously been held by TEMENOS Global N.V., a joint venture company we created with Global Technology Limited in April 2000. In connection with our acquisition of the software programs described above, we also terminated this joint venture and Global Technology Limited sold its share of TEMENOS Global N.V. to us in exchange for 1,641 of our shares.

We believe that the consideration paid to Global Technology Limited in connection with these transactions reflects arm's length terms.

Sale of Shares by Financial Services Systems Limited

Financial Services Systems Limited (''FSSL''), a venture capital fund based in Hong Kong, was one of our early financial investors. Lewis Rutherfurd, one of our directors, is managing director of the management company of Inter-Asia Trust Company Ltd., a venture capital fund that owns 100% of FSSL. FSSL's fund expired in 2000 and it was required to distribute or liquidate its holdings. In June 2000, CTW Investments Ltd. (''CTW''), at the time one of our principal shareholders and a company in which our Chief Executive Officer and our Marketing Director had a material equity interest, purchased 25,484,074 of our shares held by FSSL. In November 2000, we arranged a term loan with Deutsche Bank for approximately $60.0 million and used the proceeds to repurchase 14,447,030 shares from CTW, paying the same consideration per share as CTW had paid to FSSL. After we repurchased these shares, we cancelled them. See ''Indebtedness—Term Facility''.

A group of third parties purchased 3,771,563 of our shares from CTW. The share purchase agreement was made among (1) CTW, (2) George Koukis, our Chairman and Chief Executive Officer, (3) Global Capital Investors II Limited Partnership, Global Capital Investors Limited

Partnership, Picton Associates Inc. and Sea Spray S.A. and (4) our subsidiary TEMENOS Holdings NV, the TEMENOS group's ultimate holding company prior to the formation of TEMENOS Group AG. TEMENOS Holdings NV made certain standard representations in connection with this transaction regarding itself and the conduct of its business. TEMENOS Holdings NV also undertook, jointly with CTW, to make any filing and to pay any tax incurred in connection with the transfer of shares.

After the repurchase of shares and the third-party sales discussed above, CTW sold back to FSSL 782,320 of the shares originally purchased at the price for which they were originally purchased.

Issuance of Redeemable Preferred Shares

Effective January 1, 1997, an aggregate of approximately $12.5 million in outstanding principal and interest on loans from FSSL and one of our former shareholders was capitalized and resulted in the issuance by our subsidiary TEMENOS Holdings NV of redeemable preference shares to these shareholders. Certain of these redeemable preference shares were later purchased by Global Technology Limited. The preference shares were redeemable at our option. In financial years 1999 and 2000, we redeemed approximately 50% of these preference shares. Of the amount redeemed, $4.0 million related to FSSL and $2.3 million to Global Technology Limited. In financial year 2000, we converted the remaining redeemable preference shares, including the accrued dividend entitlement attaching to these shares, into 936,816 common shares of TEMENOS Holdings NV. We declared and settled $617,000 of accrued dividends in November 2000 on certain of the redeemable preference shares, thus satisfying in full our dividend obligation with respect to these shares.

Transactions with CTW TEMENOS Investments Ltd.

Immediately prior to this offering, George Koukis, our Chairman and Chief Executive Officer, owned 18,762,678 of our shares (exclusive of options) and Kim Goodall, our Vice Chairman and Marketing Director, owned 8,041,147 of our shares (exclusive of options). Messrs. Koukis and Goodall had previously held their shares in us through CTW TEMENOS Investments Ltd., the successor-in-interest to CTW, both Cyprus companies.

Purchase of own shares from CTW

As described above, in June 2000 CTW purchased the equivalent of 25,484,074 of our shares from FSSL, one of our original financial investors. In November 2000, we repurchased 14,447,030 of these shares from CTW for the same consideration per share as CTW paid for such shares. After we repurchased these shares, we cancelled them. We financed this share repurchase through our term loan with Deutsche Bank. See ''Indebtedness—Term Facility''.

Our acquisition of CTW TEMENOS Investments Ltd.

In connection with this offering, Messrs. Koukis and Goodall restructured their shareholdings in us so that they would hold their shares directly rather than continuing to hold them through CTW TEMENOS Investments. In connection with this restructuring, we acquired CTW TEMENOS Investments in March 2001. At the time of the acquisition, CTW TEMENOS Investments owned 26,803,825 of our shares. In exchange for all of the shares in CTW TEMENOS Investments we issued 26,803,825 of our shares to Messrs. Koukis and Goodall, of which 18,762,678 shares were issued to Mr. Koukis and 8,041,147 shares were issued to Mr. Goodall. In addition, Messrs. Koukis and Goodall represented to us that CTW TEMENOS Investments had no liabilities at the time of the acquisition and agreed to indemnify us for any such liabilities. Immediately following the acquisition, we cancelled our shares previously held by CTW TEMENOS Investments, dissolved CTW TEMENOS Investments and had it struck from the register of companies.

Relationship with PK Technology Sdn. Bhd.

PK Technology, a Malaysian company that is publicly traded in Singapore, is a distributor of TEMENOS GLOBUS in the Philippines, Malaysia and Brunei. One of our principal shareholders, Kim Goodall, owns less than one percent of PK Technology and has served as a member of its board of directors since the company's creation in 1992. PK Technology also provides implementation, training and other customer support resources to us for which we pay it fees on a per-day, per-person basis. We believe these fees are on arm's length terms. Our revenues attributable to sales by PK Technology were $270,000 and $870,000 in financial year 2000 and the nine-month period ended March 31, 2001, respectively.

Relationship with Global Technology Australasia Limited

Global Technology Australasia Limited, a publicly traded Australian company (''GTAL''), is a distributor of TEMENOS GLOBUS in Australia and New Zealand. Global Technology Ltd, one of our principal shareholders and our largest distributor, owns 60% of GTAL. Two of our board members, Kim Goodall and Ray Leonard, are on the board of GTAL, with Mr. Leonard acting as the chairman of GTAL's board. Our revenues attributable to sales by GTAL were $270,000 and $710,000 in financial year 2000 and the nine-month period ended March 31, 2001, respectively.

Lease of Office Space from an Affiliate of our Principal Shareholders

Our outsourcing facility in Geneva is in a building that is owned by an affiliate of Messrs. Koukis and Goodall. The annual rent for the office space is CHF360,000. We believe this rent is consistent with market rates.

Director and Employee Share Options

Certain members of our management and board of directors, as well as certain of our employees, participate in our share option plan. See ''Management—Share Option Plan.''

Option Grants in Connection with Acquisitions

jBASE. In December 1999, we purchased jBASE Software Limited in exchange for approximately $3.3 million. The shareholders of jBASE Software Limited who are now our employees also received options to purchase common shares of TEMENOS Holdings NV under the terms of our share option plan; these common shares will be exchangeable by TEMENOS Holdings NV for an aggregate of 799,999 shares of TEMENOS Group AG. The options fully vest three years from the date of grant and are exercisable for a period of ten years at an exercise price equivalent to $6.00 per share. In the event that we terminate the employment of any of these option holders without cause prior to the time their options vest, we have agreed to compensate them for the loss of the value of their options.

Vol-de-Nuit. In March 2000, we acquired all of the shares of Vol-de-Nuit SA, the company that developed our Radar module, in exchange for approximately $760,000. In addition, we granted the sole shareholder of Vol-de-Nuit, who is now our employee, an option to purchase common shares of TEMENOS Holdings NV under the terms of our share option plan; these common shares will be exchangeable by TEMENOS Holdings NV for 240,000 shares of TEMENOS Group AG. The option vests with respect to 50% of the shares three years from the date of grant and with respect to the other 50% four years from the date of grant. The option is exercisable for a period of ten years at an exercise price equivalent to $0.01 per share. In the event that we terminate the employment of this employee prior to the time his option vests, we have agreed to compensate him for the loss of the value of his option. In addition, if at the end of three years the shares that could be purchased by the exercise of this option do not have a fair market value of at least CHF3.0 million, we have agreed to compensate him for the difference between CHF3.0 million and the actual value of the shares.

Alphametrics. In April 2001, we acquired Alphametrics Limited, a treasury software business, in exchange for 148,755 of our shares. We also issued 16,776 shares to one of the former Alphametrics shareholders to retain his services as our employee. In addition, we granted to Alphametrics shareholders who are now our employees options to purchase common shares of TEMENOS Holdings NV under our share option plan; these common shares will be exchangeable by TEMENOS Holdings NV for an aggregate of 37,614 shares of TEMENOS Group AG. These options become exercisable on the third anniversary of the date of grant at an exercise price equivalent to $0.01 per share.

INDEBTEDNESS

Term Facility

In November 2000 we established a term facility arranged by Deutsche Bank AG. Under this agreement, we are able to borrow up to an aggregate of $36 million and €28 million for a period of up to two years. We drew down the maximum amount upon closing. The loan currently bears interest at a rate of LIBOR plus 2.75% per year.

We used the proceeds of this facility to repurchase 14,447,030 of our shares from CTW. George Koukis, our Chairman and Chief Executive Officer, and Kim Goodall, our Vice Chairman and Marketing Director, previously held their shares in our company through CTW. CTW had purchased these shares from FSSL, a financial investor in TEMENOS. The shares were cancelled upon their repurchase. See ''Transactions with Related Parties—Transactions with CTW TEMENOS Investments Ltd.''

The facility requires us to meet certain standard financial covenants, including stated ratios of EBITDA to net finance charges and to net debt, as well as minimum net worth and maximum capital expenditure levels. As security for this facility, we have pledged all of the intellectual property of TEMENOS Holdings NV, as well as the shares of the direct subsidiaries of TEMENOS Holdings NV. In addition, Messrs. Koukis and Goodall have pledged 17,386,618 and 7,451,407 shares, respectively, to secure our obligations under this facility. We are required to repay the entire amount outstanding under the facility upon the resignation or termination of George Koukis, our Chairman and Chief Executive Officer, or the death, resignation or termination of any three of five designated senior executives. Moreover, the lender may, after consultation with us and the lapse of 90 days, require us to pay the entire amount outstanding under the facility upon the death or permanent disability of George Koukis. Upon its incorporation, TEMENOS Group AG became a guarantor of the obligations of TEMENOS Holdings NV under the facility.

In connection with, and as consideration for, the arrangement of the facility, we issued to Deutsche Bank a warrant to purchase 786,320 of our shares at an exercise price of $0.001 per share. Deutsche Bank will exercise this warrant prior to this offering and will sell 196,580 of the shares in this offering and an additional 196,580 shares if the over-allotment option is exercised in full. We also paid to Deutsche Bank a front-end fee of $2.2 million. Deutsche Bank may be required to refund a portion of this front-end fee to us one year following the closing of this offering, depending on the trading price of our shares at such time.

We are required under the term facility to repay a minimum of 50% of the amount outstanding from the proceeds of this offering. In addition, we would be required to use the entire proceeds of any additional debt or equity issuance (excluding up to $15.0 million in proceeds from any equity issuance) to repay the amounts outstanding under the facility.

Working Capital Facility

We currently have a line of credit with Deutsche Bank that permits us to borrow up to $15.0 million for terms varying from one to six months at an annual rate of interest of LIBOR plus 1.5%. Under this facility, Deutsche Bank has also agreed to issue letters of credit guaranteeing up to $2.0 million of our obligations. Deutsche Bank's commitment under this line of credit expires on September 30, 2002. As of May 15, 2001, we had drawn down $9.4 million under this line of credit.

Any amounts drawn down under this line of credit rank *pari passu*, in right and priority of payment, security and all other respects, with all of our present and future unsecured and unsubordinated indebtedness.

Under this line of credit, we are restricted from assuming any existing or future indebtedness through the securing of any present or future assets until the termination of the facility and repayment of any outstanding indebtedness under the facility. This condition was waived by Deutsche Bank with respect to the term facility agreement described above. The working capital facility agreement also provides for events of default in the event we fail to repay any other indebtedness or honor any guarantee of any obligation for indebtedness that would cause such obligation to become due prior to its normal maturity. In the event of a default, Deutsche Bank may cancel the facility and require repayment of all outstanding amounts.

U.S. Subsidiary Line of Credit

Our U.S. subsidiary has a $75,000 line of credit that is secured by a lien of all of the assets of this subsidiary. At May 15, 2001, we had not drawn down any amounts under this line of credit.

DESCRIPTION OF SHARE CAPITAL

Set out below is a description of our share capital and a brief summary of the material provisions of our articles of incorporation *(Statuten*) and of the Swiss Code of Obligations *(Schweizerisches Obligationenrecht*) relating to our shares. Copies of our articles of incorporation are available at our headquarters.

Our Shares

Our shares are registered shares with a nominal value of CHF5 each. Our outstanding shares are fully paid-up and non-assessable.

Each of our shares carries one vote at our shareholders' meetings. Voting rights may be exercised only after a shareholder has been recorded in our share register *(Aktienbuch*) as a shareholder with voting rights. We may enter into agreements with banks or financial companies that hold shares for the account of other persons (nominees) regarding the exercise of the voting rights related to the shares. Registration with voting rights is subject to restrictions. See ''—Transfer of Shares''.

The shares have been accepted for clearance and settlement through SIS SegaInterSettle AG. The shares are held in book-entry form by SIS SegaInterSettle AG; they are not physically represented by certificates. Shareholders are therefore not entitled to have their shares physically printed and delivered in certificate form. They may, however, request a statement confirming their ownership of the shares.

Share Capital

TEMENOS Group AG was incorporated on June 5, 2001 with an initial share capital of CHF200,623,180 divided into 40,124,636 fully paid-up registered shares with a nominal value of CHF5 each. All of this initial share capital was issued to (1) the then existing shareholders of TEMENOS Holdings NV, in exchange for the contribution of all of the outstanding shares in TEMENOS Holdings NV into TEMENOS Group AG upon incorporation and (2) the then existing shareholders of I.T. Services Ltd., in exchange for the contribution of all of the outstanding shares of I.T. Services Ltd. into TEMENOS Group AG upon incorporation in connection with our acquisition of that company. The exchange ratio applied in connection with the contribution of shares of TEMENOS Holdings NV was fixed at one common share of TEMENOS Holdings NV for each share of TEMENOS Group AG.

In connection with this offering, a resolution by an extraordinary meeting of our shareholders was passed on June 19, 2001, in order to authorize our board of directors to issue 10,800,000 registered shares at nominal value, which were subscribed for by Deutsche Bank AG London and paid in full by Deutsche Bank AG London, on behalf of the underwriters and in anticipation of the sale of those shares in this offering. This capital increase was entered in the commercial register on June 20, 2001. The existing shareholders waived their preemptive rights in connection with this capital increase.

After the date hereof, but prior to the closing of this offering, TEMENOS Holdings NV is expected to exercise an option granted to it by TEMENOS Group AG to purchase 786,320 shares at their nominal value so that TEMENOS Holdings NV can satisfy its obligation to deliver such shares to Deutsche Bank AG after Deutsche Bank exercises its warrant. See ''Indebtedness—Term Facility.'' As a result, our issued share capital will be increased by CHF3,931,600 and our conditional capital will be reduced by the same amount.

Upon the closing of this offering, therefore, we will have an issued share capital of CHF258,554,780 consisting of 51,710,956 fully paid-up and non-assessable registered shares with a nominal value of CHF5 each. All the shares to be sold in this offering will rank *pari passu* with the existing shares and they will be entitled to dividends declared after their issue date.

As of the date of this prospectus, we do not hold any shares in treasury.

Authorized and Conditional Share Capital

Under the Swiss Code of Obligations, our shareholders may resolve to increase our share capital by a specified aggregate nominal value of up to 50% of the existing share capital in the form of:

- authorized capital *(genehmigtes Kapital*) to be utilized at the discretion of the board of directors (for acquisitions or otherwise) within a period not exceeding two years; or
- conditional capital *(bedingtes Kapital*) for the purpose of issuing shares in connection with (a) the exercise of share options by our employees and employees of our subsidiaries or (b) the exercise of conversion rights or warrants by holders of convertible bonds. Such capital is called ''conditional'' because the issuance of any new shares is conditioned upon third parties, such as employees or convertible bondholders, exercising their rights to require the issuance of such shares.

Upon incorporation of TEMENOS Group AG on June 5, 2001, the following was resolved:

- The board of directors was authorized to issue at any time until June 5, 2003 up to 10 million shares of nominal value CHF5 each against full contribution (authorized capital). Such issuance may be made by firm underwriting or otherwise. The board of directors was further authorized to decide upon the date of issue, issue price, type of payment, conditions of exercising preemptive rights, and the period of dividend entitlement. The board of directors was authorized to exclude the pre-emptive rights of the shareholders and allocate such pre-emptive rights to third parties, if the respective new shares are to be used for the acquisition of another company or enterprise or part of an enterprise by means of stock swap or to finance such acquisition. Shares for which pre-emptive rights are granted, but not exercised, are to be disposed of at market conditions.
- Conditional capital was created by which our share capital may be increased by a maximum aggregate amount of CHF54,000,000 through the issuance of a maximum of 10,800,000 fully paid-up registered shares with a nominal value of CHF5 per share. Up to 10,000,000 registered shares of this conditional capital may be used for the issuance of shares upon the exercise of the option granted to TEMENOS Holdings NV in connection with its employee share option plan. See ''Management—Share Option Plan''. The right of the shareholders to exercise their statutory preemptive rights in such cases has been excluded. The board of directors will regulate the details of such issuance. Up to 800,000 registered shares of this conditional capital may be used for the issuance of shares upon the exercise of conversion and/or option rights which are granted in connection with bonds or similar debt instruments issued by us or any of our subsidiaries. 786,320 registered shares are expected to be issued from this conditional capital on June 26, 2001 upon exercise of the option granted to TEMENOS Holdings NV described above.

Transfer of Shares

A transfer of shares is effectuated by corresponding entry in the books of a bank or depositary institution following assignment in writing by the selling shareholder and notification of such assignment to us, which can be made by the bank or the depositary institution. In order to be registered in our share register as a shareholder with voting rights, a purchaser must file with us a share registration form provided for this purpose. Every entry of an acquiror of our shares into the share register is subject to the Board of Director's approval, which may be refused if the purchaser of shares does not declare, upon request, to acquire and hold our shares in his own name and for his own account, or if the registration form filed with us contains untrue information or statements.

We may enter into agreements with banks or finance companies that hold shares for the account of other persons (nominees) regarding the entry of the beneficial owners of our shares into the share register.

Shareholders' Meetings

Under Swiss law, an annual shareholders' meeting must be held within six months after the end of a company's financial year. Shareholders' meetings may be convened by the board of directors or, if necessary, by the statutory auditors. The board of directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by holders of shares representing in aggregate at least 10% of the share capital of the company. If the board of directors does not call a shareholders' meeting within a reasonable period after the request was made, it may be ordered by a judge at the request of the shareholders seeking such a meeting.

Shareholders holding shares with a nominal value of at least CHF1.0 million have the right to request in writing, at least 45 days prior to the day of the respective shareholders' meeting, that a specific proposal be discussed and voted upon at such shareholders' meeting.

A shareholders' meeting is convened by the board of directors publishing a notice in the Swiss Official Gazette of Commerce *(Schweizerisches Handelsamtsblatt)* at least 20 days prior to such meeting. In addition, shareholders may be informed by a letter sent to the address recorded in the share register.

Under our articles of incorporation, no minimum number of shares or shareholders is required to constitute a quorum at shareholders' meetings.

Resolutions generally require the approval of a simple majority of the shares represented at the shareholders' meeting. Shareholders' resolutions requiring a vote by such majority include:

- amendments to the articles of incorporation, subject to a qualified majority requirement as described in the following paragraph;
- elections of directors and statutory auditors and group auditors;
- approval of the annual report and the annual group accounts;
- approval of the annual financial statements and decisions on allocation of profits shown on the balance sheet, particularly with regard to the annual dividend;
- decisions to discharge the directors and officers from liability for matters disclosed to the shareholders' meeting;
- the ordering of an independent investigation into specific matters proposed to the shareholders' meeting *(Sonderprüfung)*; and
- passing resolutions as to all matters reserved to the authority of the shareholders' meeting by law or under the articles of incorporation or that are submitted to the shareholders' meeting by the board of directors to the extent permitted by law.

A resolution passed at a shareholders' meeting with a qualified majority of at least two-thirds of the shares represented at such meeting and a simple majority of the aggregate nominal value of the shares represented at such meeting is required for:

- changes in our business purpose;
- a creation of shares with privileged voting rights;
- restrictions on the transferability of shares;
- an authorized or conditional increase in share capital;
- an increase in our share capital (i) by way of capitalization of reserves *(Kapitalerhöhung aus Eigenkapital)*, (ii) against contribution in kind *(Sacheinlage)*, (iii) for the acquisition of assets *(Sachübernahme)*, or (iv) involving the grant of special privileges or benefits;
- a restriction or elimination of preemptive rights of shareholders;
- a relocation of the registered office;
- our dissolution other than by liquidation (for example, by way of a statutory merger); and
- an introduction and abolition of any additional provision in the articles of incorporation providing for a qualified majority.

We do not currently have outstanding any class of shares with a different nominal value and cannot issue a new class without first obtaining stockholder approval to amend our articles of incorporation.

At shareholders' meetings, shareholders can be represented by proxy by any other person, by the company, by an independent representative nominated by the company, or by a depositary institution.

Votes are counted by a show of hands unless the shareholders' meeting, upon motion seconded by shareholders representing at least two percent of the shares represented, resolves to have a ballot or such ballot is ordered by the chairperson of the meeting. We may enter into agreements with banks or finance companies that hold shares for the account of other persons (nominees) regarding the exercise of voting rights related to the shares.

Board of Directors

Our articles of incorporation provide that the board of directors must consist of five or more members at any time. Under Swiss law, each director must hold at least one of our shares. Our directors are elected and removed by shareholder resolution, typically at the ordinary annual general meeting of shareholders. The terms of office of not more than one-third of the directors terminates each year. As a rule, our directors serve a three-year term, and may be re-elected upon completion of such term.

Net Profits and Dividends

Swiss law requires that at least 5% of our annual net profits must be retained by us as general reserves for so long as these reserves amount to less than 20% of our nominal share capital. Because TEMENOS Group AG is a holding company, no further allocation to reserves must be made and, therefore, any net profits remaining thereafter are distributable at the shareholders' meeting. Under Swiss law, dividends may be paid out only if a company has sufficient distributable profits from previous business years, or if the net distributable profits from the current year are sufficient to allow the distribution of a dividend. In either event, dividends may be paid out only upon approval by the shareholders' meeting. The board of directors may propose that a dividend be paid out, but cannot itself declare the dividend. In practice, the shareholders' meeting usually approves the dividend proposal of the board. See ''Dividend Policy''.

Dividends are usually due and payable immediately after the shareholders' resolution relating to the allocation of profits has been passed. The statute of limitations in respect of dividend payments is five years. For information about deduction of withholding taxes, see ''Taxation''.

Paying Agents

The paying agent for dividends and all other similar payments to be made by us is expected to be Deutsche Bank AG, Zurich Branch.

Preemptive Rights

Under Swiss law, any issuance of shares, whether for cash or non-cash consideration, is subject to the prior approval of the shareholders' meeting, except in the case of shares issued under authorized and conditional capital that is resolved upon by the shareholders in a shareholders' meeting, but issued subsequently by a resolution of the board of directors, or upon the exercise of options, warrants or convertible bonds. Our shareholders have preemptive rights to subscribe for new issues of shares, option bonds or convertible bonds in proportion to the nominal value of shares held. A resolution adopted at a shareholders' meeting by a qualified majority may, however, limit or suspend preemptive rights for cause. Cause includes an acquisition of a business or a part thereof, a participation or the grant of participation to employees. All preemptive rights relating to the shares to be sold in this offering have been validly suspended or waived by the current shareholders.

Borrowing Power

Neither Swiss law nor our articles of incorporation restrict in any way our power to borrow and raise funds. The decision to borrow funds is passed by or under direction of our board of directors, no shareholders' resolution being required.

Repurchase of Shares

Swiss law limits the number of our shares that we may hold or repurchase. TEMENOS Group AG and our subsidiaries may only repurchase our own shares if we have sufficient available reserves to pay the purchase price, and if the aggregate nominal value of such shares does not exceed 10% of the nominal value of our share capital. Shares repurchased by us and our subsidiaries do not carry any rights to vote at shareholders' meetings but are generally entitled to the economic benefits applicable to our shares generally.

Furthermore, we must create a reserve on our balance sheet in the amount of the purchase price of the acquired shares.

Notices

Notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce *(Schweizerisches Handelsamtsblatt*). Written notification may also be sent to the shareholders at their addresses recorded in the share register. The board of directors may designate further means of communication for publishing notices to shareholders.

Notices required under the Listing Rules of the SWX Swiss Exchange will be published in two newspapers in German and French. We or the SWX Swiss Exchange may also disseminate the relevant information on the online exchange information systems.

Duration and Liquidation

Our articles of incorporation do not limit our duration.

Our company may be dissolved at any time by a shareholders' resolution which must be passed by (i) a simple majority of the shares represented at the shareholders' meeting in the event of our dissolution by way of liquidation, and (ii) a qualified majority of at least two-thirds of the shares represented at such meeting and an absolute majority of the nominal value of the shares represented at such meeting in other events (for example, in a statutory merger where we are not the surviving entity). Dissolution by court order is possible if we become bankrupt, or for cause at the request of shareholders holding at least 10% of our share capital.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed to shareholders in proportion to the paid nominal value of shares held, but this surplus is subject to Swiss withholding tax of 35%. See ''Taxation''.

Disclosure of Principal Shareholders

Under the Swiss Stock Exchange Act, shareholders and groups of shareholders acting in concert who acquire or dispose of shares and thereby cross, in either direction, thresholds representing 5%, 10%, 20%, 33.33%, 50% or 66.66% of the voting rights of a Swiss listed company with a registered office in Switzerland must notify the company and the SWX Swiss Exchange of such transactions in writing within four trading days, whether or not the voting rights can be exercised. Following receipt of such notification, the company must inform the public within two trading days.

An additional disclosure obligation exists under the Swiss Code of Obligations pursuant to which a company must disclose the identity and size of shareholdings of all its shareholders and shareholder groups acting in concert who hold more than 5% of its voting rights. This disclosure must be made once a year in the notes to the financial statements as published in the company's annual report.

Mandatory Tender Offer Rule

The applicable provisions of the Swiss Stock Exchange Act require the purchaser of shares of a Swiss listed company, or a group of such purchasers acting in concert, to make an offer to acquire all listed shares of the company if such purchaser or group of purchasers acquires a number of shares of the company that, when added to the shares already held, exceeds the threshold of 33.33% of the voting rights (whether exercisable or not) of the company.

The obligation to make an offer does not apply if the shares have been acquired as a result of a donation, succession or partition of an estate, matrimonial property law or execution proceeding. In addition, the Swiss Takeover Board or the Swiss Federal Banking Commission as supervisory authorities may under some circumstances grant an exemption from this obligation.

TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of the shares. Prospective purchasers of the shares should consult their own tax advisors concerning the tax consequences of their particular situations.

Swiss Taxation

The discussion of certain Swiss tax consequences set out below is of a general nature and is based on advice rendered by our Swiss counsel. It does not relate to persons in the business of buying and selling shares or other securities. The statements are included for general information only; they do not address every potential tax consequence of an investment in shares under the laws of Switzerland.

Potential investors are therefore urged to consult their tax advisors to determine the precise tax consequences of the receipt, ownership and sale or other disposition of shares.

Withholding Tax on Dividends and Distributions

Dividends paid and similar cash or in-kind distributions made by us to a holder of shares (including dividends on liquidation proceeds and stock dividends) are subject to a federal withholding tax at a current rate of 35%. The withholding tax must be withheld by us from the gross distribution and be paid to the Swiss Federal Tax Administration. The withholding tax is refundable in full to a Swiss resident who receives a distribution if such resident is the beneficial owner of the payment and duly reports the gross distribution received on his or her personal tax return.

Income Tax on Dividends

A Swiss resident who receives dividends and similar distributions (including stock dividends and liquidation proceeds) from us is required to include such amounts in his or her personal income tax return. A Swiss shareholder that is a corporation may, under some circumstances, benefit from an exemption of the dividend from income taxation *(Beteiligungsabzug)*.

Capital Gains Tax upon Disposal of Shares

A Swiss resident who holds shares as part of his or her private property will not be subject to any Swiss federal, cantonal or municipal income taxation on gains realized upon the sale or other disposal of shares, unless he or she is, for personal income tax purposes, deemed to be a professional trader in securities. Private gains realized upon a repurchase of shares by us, however, may be characterized as taxable dividend income if some conditions are met. Book gains realized on shares held as part of the business property of a Swiss resident are included in the taxable income of such persons.

Persons who are not resident in Switzerland for tax purposes are not subject to any Swiss taxes with respect to gains realized upon a sale of shares, other than a repurchase by us under some conditions, unless the shares are attributable to a permanent establishment or fixed place of business maintained by such non-resident person in Switzerland.

Stamp Duties upon Transfer of Securities (Umsatzabgabe)

The sale of shares after the offering may be subject to a Swiss securities transfer stamp duty of 0.15% calculated on the proceeds if the sale occurs through or with a Swiss bank or other Swiss securities dealer as defined in the Swiss Federal Stamp Tax Act. The stamp duty is an obligation of the securities dealer and may be charged to the parties in a taxable transaction who are not securities dealers. In addition to the stamp duty, the sale of shares by or through a member of the Swiss Exchange may be subject to a stock exchange levy.

Residents of Other Countries

A holder of shares who is not a resident of Switzerland for tax purposes will not be liable for any Swiss taxes on dividends, gains or net worth in respect of the shares, unless the shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-resident holder. Such non-resident holders of shares, however, are subject to the Swiss withholding tax on dividends and similar distributions as described above and may be subject to the stamp duties upon transfer of shares, which are due if the transfer occurs through or with a Swiss bank or other Swiss securities dealer. The non-resident recipient of a taxable distribution may be entitled to a full or partial refund of the Swiss withholding tax. If the country in which he or she resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland, a non-resident holder should be aware that the procedures for claiming treaty refunds (and the time frame required for obtaining a refund) may differ from country to country. Non-resident holders should consult their own tax advisors regarding receipt, ownership, purchase, sale or other disposition of shares and procedures for claiming a refund of the Swiss withholding tax. If the non-resident holder holds shares through a permanent establishment or fixed place of business situated in Switzerland, the entitlement to refund of the Swiss withholding tax is governed by Swiss domestic law.

Residents of the United States

Pursuant to the current Convention Between the United States of America and the Swiss Confederation for the Avoidance of Double Taxation with Respect to Taxes on Income, which entered into force on December 19, 1997 (the ''Treaty''), a U.S. holder of shares is eligible for a reduced rate of withholding tax equal to 15% of the dividend, provided that such holder (1) is a resident of the United States for purposes of the Treaty, (2) qualifies for benefits under the Treaty and (3) holds less than 10% of the voting stock of the company.

Such an eligible holder must apply for a refund of the amount of the Swiss withholding tax in excess of the 15% Treaty rate. The claim for refund must be filed on Swiss Tax Form 82, which may be obtained from any Swiss Consulate General in the United States or from the Federal Tax Administration of Switzerland at the address below. Three copies of the form must be duly completed, signed before a notary public of the United States, and sent to the Federal Tax Administration of Switzerland, Eigerstrasse 65, CH-3003 Berne, Switzerland. The form must be accompanied by suitable evidence of deduction of the Swiss withholding tax withheld at source, such as certificates of deduction, signed bank vouchers or credit slips. The form may be filed on or after July 1 or January 1 following the date the dividend was payable, but no later than December 31 of the third year following the calendar year in which the dividend became payable.

United States Taxation

The following discussion, based on current law, is a summary of the material United States federal income tax considerations regarding the acquisition, ownership and disposition of the shares. This discussion is based upon the Internal Revenue Code of 1986, as amended, its legislative history, existing regulations, and judicial decisions and administrative interpretations thereunder, all as currently in effect, and such authorities may be subject to subsequent changes in United States law or in any double taxation convention or treaty between the United States and Switzerland, which changes may have retroactive effect, so as to result in federal income tax consequences different from those discussed below. This discussion does not purport to deal with all aspects of United States federal income taxation that may be relevant to a particular holder in light of the holder's circumstances, for example, persons subject to the alternative minimum tax provisions of the Internal Revenue Code. Also, this discussion does not deal with special rules that may apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for his or her securities holdings,
- a financial institution,
- an insurance company,
- a tax-exempt organization,
- a person that actually or constructively owns 10% or more of our voting shares,
- a person holding shares as part of a hedging, conversion or constructive sale transaction or straddle, or
- a person whose functional currency is not the U.S. dollar.

The discussion also does not discuss any aspect of state, local or foreign law, nor federal estate and gift tax law.

The discussion below pertains to you only if you are a ''U.S. Holder'' who qualifies for benefits under the Treaty, who will acquire shares in this offering and hold the shares as a capital asset, and whose functional currency is the U.S. dollar. You are a U.S. Holder if you are a beneficial owner of shares and you are for U.S. federal income tax purposes:

- a citizen or individual resident of the United States,
- a corporation or other entity treated as a corporation created in or under the laws of the United States or any political subdivision thereof,
- an estate, the income of which is subject to United States federal income taxation regardless of its source, or
- a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and (B) one or more United States persons have the authority to control all substantial decisions of the trust.

You will qualify for benefits under the Treaty under most circumstances if you are a resident of the United States for purposes of the Treaty and you are a U.S. Holder.

If a partnership holds our shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our shares you should consult your tax advisors.

You are urged to consult with your own tax advisors regarding the tax consequences of investing in the shares, including the tax effects of any state, local, foreign, or other tax laws and possible changes in the tax laws.

Distributions

Subject to the discussion below under ''Passive Foreign Investment Company Considerations'', for United States federal income tax purposes, you will be required to include as ordinary dividend income the full amount (not reduced by any Swiss withholding tax) of any distribution to the extent paid to you out of our current or accumulated earnings and profits as defined for United States federal income tax purposes. Such dividend will constitute income from sources outside the United States. Dividends paid by us are not eligible for the dividends received deduction generally allowed to corporate shareholders. If any distribution exceeds our current or accumulated earnings and profits, such excess will be treated as a nontaxable return of capital to the extent of your tax basis in the shares and thereafter as capital gain. Consequently, such distributions in excess of our current or accumulated earnings and profits would not give rise to foreign source income and, as a U.S. Holder, you would not be able to use the foreign tax credit arising from any Swiss withholding tax imposed on such distribution unless such credit can be applied (subject to applicable limitations) against United States tax due on other foreign source income in the appropriate category for foreign tax credit purposes.

Because payments of dividends with respect to shares are to be made in Swiss francs, a U.S. Holder will be required to determine the amount of dividend income by translating the Swiss francs into U.S. dollars at the ''spot rate'' on the date of receipt regardless of whether such Swiss francs are converted into U.S. dollars. The tax basis of Swiss francs received by you will equal the U.S. dollar equivalent of such Swiss francs at the spot rate on the date such Swiss francs are received by you. Upon subsequent exchange of such Swiss francs for U.S. dollars, or upon the use of such Swiss francs to purchase property, you will recognize exchange gain or loss equal to the difference between your tax basis in the Swiss francs and the U.S. dollars received or, if property is received, the fair value of the property on the date of the exchange. Such gain or loss will be treated as United States source ordinary income or loss.

You may be entitled to claim as a credit against your United States federal income tax liability, or alternatively you may deduct from your United States federal taxable income, the amount of the withholding tax to the extent of the 15% Treaty rate. However, your ability to claim a foreign tax credit is subject to a general limitation that is determined by the amount of your United States source income relative to your total income. In addition, your ability to claim the credit is subject to a specific basket limitation that is determined in a similar way with respect to a specific type of income. Any refundable portion of the Swiss withholding tax paid, such as the amount of the withholding tax in excess of the 15% Treaty rate, would not be eligible for credit against United States federal income tax liability. For foreign tax credit purposes, dividends paid by us will constitute ''passive income'' or, in the case of some U.S. holders, ''financial services income''. The rules governing the foreign tax credit are complex.

You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances. A U.S. Holder may be required to recognize exchange gain or loss if the amount of any refund of the Swiss withholding tax differs from the U.S. dollar value of such refund on the date the dividends were received.

Sale, Exchange or Other Disposition of Shares

Subject to the discussion below under ''Passive Foreign Investment Company Considerations'', any gain or loss on a sale, exchange or other disposition of shares by a U.S. Holder, will be a capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's tax basis in the shares. Any such gain or loss will be United States source gain or loss and will be long-term capital gain or loss if you held the shares for more than one year. In the case of an individual U.S. Holder, long-term capital gains will be subject to U.S. federal income tax at preferential rates. The deductibility of capital losses is subject to limitations.

Any Swiss stamp duty that you pay will not be a creditable foreign tax for United States federal income tax purposes, but you may be able to deduct such stamp duty, subject to limitations under the Internal Revenue Code.

Passive Foreign Investment Company Considerations

Based on the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a passive foreign investment company (''PFIC'') for 2001 and do not expect to become one in the future, although there can be no assurance in this regard. In general, we would be considered to be a PFIC for any taxable year if either (i) at least 75% of our gross income is passive income, or (ii) at least 50% of the average value of our assets is attributable to assets that produce or are held for the production of passive income.

In determining that we do not expect to be a PFIC, we are relying on our current valuation of our assets, including goodwill. In calculating goodwill, we have valued our total assets based on their total market value, which, in turn, is based on the market value of our shares and is subject to change. Thus a significant decrease in the price of our shares may result in us being classified as a PFIC. In addition, we have made a number of assumptions regarding the amount of this value allocable to goodwill. We believe our valuation approach is reasonable. However, it is possible that the Internal Revenue Service may challenge the valuation of our goodwill, which may also result in our being classified as a PFIC.

If we are classified as a PFIC, generally any gain recognized by a U.S. Holder upon the sale or disposition of our shares, or the receipt of certain distributions, would be treated as ordinary income. In this case, this income would be allocated over the holding period of the U.S. Holder and income allocated to prior years during which we were classified as a PFIC would be subject to tax at the highest tax rate in effect for each such year and an interest charge would be imposed on the amount of deferred tax on such income.

A U.S. Holder of shares in a PFIC can sometimes avoid the rules described above by electing to treat his or her shares as an interest in a ''qualified electing fund'' under section 1295 of the Internal Revenue Code. This option is not available to U.S. Holders because we do not intend to comply with the requirements necessary to permit U.S. Holders to make this election. Alternatively, a U.S. Holder could make a ''Mark-to-Market Election,'' pursuant to which the U.S. Holder would be required to include as ordinary income annually the excess of the fair market value of the shares over the U.S. Holder's basis therein. A U.S. Holder's basis in the shares will be adjusted to reflect any such income amounts. If a U.S. Holder makes a Mark-to-Market Election, then any gain recognized upon the sale by such U.S. Holder of his or her shares generally would be taxed as ordinary income in the year of sale. U.S. Holders are urged to consult their tax advisors concerning the availability of a Mark-to-Market Election.

We will continue to monitor our status in relation to our being considered a PFIC, and we will, promptly following the end of each taxable year, notify U.S. Holders if we believe that we are properly classified as a PFIC for that taxable year to enable U.S. Holders to consider whether or not to make a Mark-to-Market Election.

U.S. Holders are urged to consult their tax advisors concerning the United States federal income tax consequences of holding shares if we are considered a PFIC in any taxable year.

United States Information Reporting and Backup Withholding

Dividend payments with respect to shares and proceeds from the sale, exchange or redemption of shares may be subject to information reporting to the Internal Revenue Service and possible U.S. backup withholding. Backup withholding will generally not apply to a holder, however, if such holder furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or if such holder is otherwise exempt from backup withholding. If a holder is required to establish its exempt status, such holder generally must provide such certification on IRS Form W-9 in the case of U.S. persons or on IRS Form W-8BEN (or suitable substitute form) in the case of non-U.S. persons.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided you furnish the required information to the Internal Revenue Service.

UNDERWRITING

We, the selling shareholders and the underwriters have entered into an underwriting agreement relating to the offering and sale of the shares. Under the terms of, and subject to the conditions contained in, the underwriting agreement, the underwriters have agreed to purchase, severally but not jointly, the following respective number of shares:

Underwriter	Number of Shares
Deutsche Bank AG London	8,585,152
J.P. Morgan Securities Ltd.	3,179,686
Bank Julius Baer & Co. Ltd.	953,906
Total	12,718,744

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares offered hereby are several but not joint and are subject to certain conditions precedent, and that the underwriters will purchase all of the shares offered by this prospectus, other than those covered by the over-allotment option described below, if any of these shares are purchased.

The underwriters have advised us that they propose to offer the shares for resale at the offering price that appears on the cover of this prospectus. After the initial offering, the underwriters may change the offering price and any other selling terms.

In the underwriting agreement, we and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the underwriters may be required to make regarding any of these liabilities.

The shares have not been registered under the Securities Act or qualified for sale under the securities laws of any state or any jurisdiction outside of Switzerland. Accordingly, the shares are subject to the restrictions on resale and transfer as described under ''Notice to Investors.'' In the underwriting agreement, the underwriters have acknowledged and agreed that:

- the shares may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and
- during the initial distribution of the shares they will offer or sell shares in the United States only to QIBs in compliance with Rule 144A and outside the United States in compliance with Regulation S.

Each underwriter has also agreed that (1)(a) it has not offered or sold and, prior to the expiry of six months after the closing of this offering, will not offer or sell any shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended); (2) it has complied, and will comply, with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom; and (3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of the shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom the document may otherwise lawfully be issued or passed on.

You should be aware that the laws and practices of certain countries require investors to pay stamp duties and other charges in connection with purchases of securities.

We have applied for listing of our shares on the main segment of the SWX Swiss Exchange but we cannot assure you that this listing will be obtained.

The shares are a new issuance of securities, and there is currently no public market for such securities. The underwriters have advised us that they intend to make a market in the shares, but they are not obligated to do so. The underwriters may discontinue any market-making in the shares at any time in their sole discretion. Accordingly, we cannot assure you that a liquid market will develop for the shares, that you will be able to sell the shares at a particular time or that the prices that you receive when you sell will be favorable. Future trading prices of the shares will depend on many factors, including our operating performance and financial condition and the market for similar securities.

In order to facilitate the offering of our shares, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the market price of our shares. Specifically, the underwriters may over-allot shares in connection with this offering, thus creating a short sales position in our shares for their own account. A short sales position results when an underwriter sells more shares than that underwriter is committed to purchase. A short sale position may involve either ''covered'' short sales or ''naked'' short sales. Covered short sales are sales made for an amount not greater than the underwriters' over-allotment option to purchase additional shares in the offering, as described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared with the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters will have to close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Accordingly, to cover these short sales positions or to stabilize the market price of our shares, the underwriters may bid for, and purchase, our shares in the open market. These transactions may be effected on the SWX Swiss Exchange or otherwise.

All of our existing shareholders and all of our directors and senior executive officers who have share options that have vested or that will vest in the 360 days following the date of this prospectus have agreed not to, directly or indirectly, sell, offer to sell, pledge or otherwise dispose of any of our shares during the 360 days following the date of this prospectus without the written permission of Deutsche Bank AG London. We have also agreed not to issue any additional shares for a period of 360 days following the date of this prospectus without the written permission of Deutsche Bank AG London. During this period we may, however, issue shares in connection with the exercise of options under our share option plan and in connection with acquisitions, so long as the persons to whom we issue shares in connection with acquisitions agree to be bound by a lock-up restriction for the remainder of this 360-day period. Deutsche Bank AG London may, in its sole discretion, and at any time, without notice, release all or any portion of the securities subject to these lock-up agreements.

Certain of the selling shareholders have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to 1,907,811 additional shares at the public offering price less the underwriting discounts and commissions. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the shares offered by this prospectus. Any such purchase will be made by Deutsche Bank in the name and for the account of the underwriters. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional shares as the number of shares to be purchased by it in the above table bears to the total number of shares offered by this prospectus. The selling shareholders who have granted this option will be obligated, pursuant to the option, to sell these additional shares to the underwriters to the extent the option is exercised. If any additional shares are purchased, the underwriters will offer the additional shares on the same terms as those on which the 12,718,744 shares are being offered.

The global coordinator has also entered into a share borrowing agreement with George Koukis, our Chairman and Chief Executive Officer, that provides that the global coordinator may borrow shares up to a number equal to the maximum number covered by the over-allotment option solely to satisfy delivery obligations in respect of syndicate short positions created in connection with the distribution of the shares until such positions are covered either through the exercise of the underwriters' over-allotment option or through open market purchases.

The underwriters reserve the right to reject any commitment to subscribe for the shares in whole or in part and to allot to any prospective investor fewer than the full number of shares the investor seeks to purchase. The underwriters and certain related entities may acquire for their own accounts a portion of the shares being offered.

At our request, the underwriters have reserved for sale at the initial public offering price up to 127,187 of our shares being sold in this offering for our clients and business partners. The number of our shares available for the sale to the general public will be reduced to the extent these reserved shares are purchased. Any reserved shares not purchased by these persons will be offered by the underwriters to the general public on the same basis as the other shares in this offering.

Deutsche Bank has provided banking and financial advisory services to us, for which we have paid Deutsche Bank customary fees (including issuing to Deutsche Bank a warrant to purchase shares). See ''Indebtedness'' for additional information on certain credit facilities provided to us by Deutsche Bank.

NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of shares.

The shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The shares may not be offered, sold, pledged or otherwise transferred in the United States except to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

In addition, until 40 days after the later of the commencement of the offering and the completion of the distribution of the shares, an offer or sale of shares within the United States by any dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of shares offered and sold hereby that is located in the United States or is a U.S. person (as defined in Regulation S under the Securities Act) will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) The purchaser (A) is a qualified institutional buyer (a ''QIB''), (B) is aware that the sale of the shares to it is being made in reliance on Rule 144A, (C) is acquiring such shares for its own account or for the account of a QIB, as the case may be, and (D) is aware that such shares are restricted securities and that such shares may not be deposited into any unrestricted depositary receipt facility in respect of the shares established or maintained by a depositary bank, unless at the time of deposit such shares are eligible for transfer in accordance with Rule 144(k) under the Securities Act.

(2) The purchaser understands that the shares are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the shares have not been and will not be registered under the Securities Act and that (A) it may not resell, pledge or otherwise transfer any such shares except (i) to a person whom the seller and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), or (iv) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws or any state of the United States or any other jurisdiction, and (B) the purchaser will, and each subsequent holder of such shares is required to, notify any purchaser of such shares from it of the resale restrictions referred to in (A) above.

No representation can be made as to the availability of the exemption provided by Rule 144 for resales of the shares.

For other restrictions on the transfer of shares, see ''Description of Share Capital—Transfer of Shares''.

LEGAL MATTERS

The validity of our shares and certain other matters of Swiss law will be passed upon for us by Ralf Rosenow of Rinderknecht Klein & Stadelhofer, Zurich, Switzerland. Certain other legal matters will be passed upon for us by Brobeck Hale and Dorr, our special U.S. counsel. Certain legal matters will be passed upon for the underwriters by Simpson Thacher & Bartlett, special U.S. counsel to the underwriters.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of TEMENOS Holdings NV as of June 30, 2000, 1999 and 1998 and for the three years ended June 30, 2000, and as of December 31, 2000 and for the six months then ended, prepared in accordance with International Accounting Standards and included in this prospectus, have been audited by BDO International, Athens and Zurich, who have expressed an unqualified opinion.

AVAILABLE INFORMATION

We intend to furnish our shareholders with annual reports containing audited financial statements for the results of our financial year and interim reports containing unaudited financial statements for our six-month results. TEMENOS Group AG will compile its first consolidated financial statements as of and for the year ending December 31, 2001. We also intend to make available to our shareholders quarterly reports for the first and third quarters of each financial year containing unaudited interim financial information.

If, at any time, we are neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), we will furnish, upon request, to any holder of shares offered hereby, or any prospective purchaser designated by such holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. We will also furnish to each such holder all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders.

GENERAL INFORMATION

1. We were registered as a corporation *(Aktiengesellschaft*) pursuant to articles 620 et seq. of the Swiss Code of Obligations in the commercial register of the Canton of Glarus, Switzerland, on June 7, 2001 under the name of ''TEMENOS Group AG''. Our founders were the individual shareholders of TEMENOS Holdings NV and I.T. Services Ltd., namely George Koukis, Kim Warren Goodall, Global Technology Limited, Global Technology Investment Holdings (Proprietary) Limited, Global Capital Investors L.P., Global Capital Investors II L.P., Picton Associates, Inc., Sea Spray SA, Financial Services Systems Limited, Anestis Fountoukidis, Timothy Francis Cripps, Andrew Kenneth Radburne Fuller, Charles Gilliland Renfro, Francis Joseph Rocca, Terence Sydney Ward, Andros Karayiannis and Andis Scordis.
2. Our business purpose as set forth in Article 2 of our articles of incorporation is to acquire, hold, manage and sell participations in other companies and businesses. We may also conduct any commercial, financial or other activity related to that purpose.
3. We assume responsibility in accordance with Section 4 of Schedule A to the Listing Rules of the SWX Swiss Exchange for the completeness and accuracy of this prospectus. We confirm that, to the best of our knowledge and having made all reasonable inquiries of our subsidiaries, the information given in this prospectus is in all material respects in accordance with the facts and does not omit anything likely to affect the import of such information in any material respect.
4. Other than as described in this prospectus, there has not been a material adverse change in our business or financial condition since December 31, 2000.
5. Our shares are offered by the several underwriters when, as and if delivered to and accepted by the underwriters and subject to their rights to reject any order in whole or in part. We expect that delivery of our shares in book-entry form will be made through the facilities of SIS SegaInterSettle AG, either to an account with a Swiss bank at SIS SegaInterSettle AG or to an account with Euroclear or Clearstream, on or about June 29, 2001 against payment in immediately available funds.
6. It is expected that the initial public offering price for our shares will be published in the *Neue Zürcher Zeitung, Le Temps* and the Swiss Official Gazette of Commerce *(Schweizerisches Handelsamtsblatt*) on or about June 27, 2001. Copies of the final prospectus will be made available on and after June 26, 2001 in Switzerland at the office of Deutsche Bank AG, Zurich Branch, Bahnhofquai 9/11, 8001 Zurich, Switzerland, tel. +41 (0)1 227 3000.
7. We have applied to list our shares on the SWX Swiss Exchange under the symbol ''TEMN''. The Swiss security number *(Valorennummer*) is 124 5391. The shares have been accepted for clearance through Euroclear and Clearstream under the Common Code 13169144. The ISIN for the shares is CH 00124 53913. Dealing in our shares is expected to commence on June 26, 2001.
8. BDO International, Athens and Zurich, will act as statutory auditors in Switzerland and group auditors for us, until the first annual shareholders' meeting of TEMENOS Group AG in spring 2002. BDO's address in Zurich is 50 Fabrikstrasse, Zurich, CH 8005. The auditors are subject to confirmation each year by the shareholders at the ordinary shareholders' meeting.
9. Historically, our financial year commenced on July 1 and ended on June 30 of each calendar year. References in this prospectus to a specific financial year mean the year ending June 30 of that year, unless otherwise indicated. The financial year end of TEMENOS Group AG, our new ultimate parent company, is December 31. TEMENOS Group AG will compile its first consolidated financial statements, which will be subject to an independent audit, as of and for the year ending December 31, 2001.
10. TEMENOS Group AG has paid no dividends since its incorporation. TEMENOS Holdings NV, the ultimate parent company of our group until the incorporation of TEMENOS Group AG, declared and settled dividends of $617,000 on its redeemable preferred shares in November 2000. As of June 30, 2000, all of the preferred shares had been redeemed or converted into common shares. We do not anticipate paying dividends in the foreseeable future.
11. Deutsche Bank AG, Zurich Branch, as an expert recognized as a listing agent by the Admission Board of the SWX Swiss Exchange according to article 50 of the Listing Rules of the SWX Swiss Exchange, has filed an application on behalf of TEMENOS Group AG for the listing of our shares on the main board of the SWX Swiss Exchange.

12. The following table sets forth the location and our percentage ownership of each of our direct or indirect subsidiaries:

Subsidiary Name	Location	Direct or indirect ownership %*	Principal activity
TEMENOS Osterreich GmbH	Austria	100	Implementation services and sales operations
I.T. Services Ltd.	Cyprus	100	Services
TEMENOS Global Services Ltd . . .	Cyprus	100	Implementation services
TEMENOS Middle East Ltd	Cyprus	100	Software sublicensing and implementation services
TEMENOS France SAS	France	100	Implementation services and sales operations
TEMENOS Deutschland GmbH . . .	Germany	100	Implementation services and sales operations
TEMENOS India Private Ltd	India	100	Implementation services, development and sales operations
PT TEMENOS Indonesia	Indonesia	100	Implementation services and sales operations
TEMENOS Systems Ireland Ltd . .	Ireland	100	Implementation services and sales operations
TEMENOS Hong Kong Ltd	Hong Kong	100	Implementation services and sales operations
TEMENOS Luxembourg SA	Luxembourg	100	Implementation services and sales operations
TEMENOS Holdings NV	Netherlands Antilles	100	Development and licensing of TEMENOS GLOBUS and associated software
TEMENOS Global NV	Netherlands	100	Services
TEMENOS (NL) BV	Netherlands	100	Sublicensing of TEMENOS GLOBUS and associated software
TEMENOS Holland BV	Netherlands	100	Implementation services and sales operations
TEMENOS Singapore Pte Ltd	Singapore	100	Implementation services and sales operations
TEMENOS Iberia SL	Spain	100	Implementation services and sales operations
TEMENOS Headquarters SA	Switzerland	100	Group administration
TEMENOS Suisse SA	Switzerland	100	Implementation services, development and sales operations
Vol-de-Nuit SA	Switzerland	100	Services
TEMENOS (Thailand) Co Ltd	Thailand	100	Implementation services and sales operations
Alphametrics Limited	United Kingdom	100	Implementation services, development and sales operations
TEMENOS UK Ltd	United Kingdom	100	Implementation services, development and sales operations
jBASE Software Ltd	United Kingdom	100	Implementation services, development and sales operations
TEMENOS U.S.A., Inc.	United States	100	Implementation services and sales operations
jBASE Software Inc.	United States	100	Implementation services, development and sales operations
TEMENOS Eastern Europe Ltd . . .	Cyprus	51	Software sublicensing, implementation services and sales operations

* Does not reflect directors' qualifying shares or nominal numbers of shares held by third parties in trust as required in certain jurisdictions by local law.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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The Shareholders of Temenos Holdings NV

We have audited the accompanying consolidated balance sheets of Temenos Holdings NV and subsidiaries (the ''Company'') as of December 31, 2000 and as of June 30, 2000, 1999 and 1998 and the related consolidated statements of earnings, retained earnings, cash flows and changes in shareholders' equity for the six-month period ended December 31, 2000 and the years ended June 30, 2000, 1999 and 1998. These consolidated financial statements, which have been prepared in compliance with International Accounting Standards, are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with International Standards on Auditing, which are substantially consistent with Generally Accepted Auditing Standards in the United States of America (US GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Temenos Holdings NV and subsidiaries as of December 31, 2000 and as of June 30, 2000, 1999 and 1998 and the results of their operations and their cash flows for the six-month period ended December 31, 2000 and the years ended June 30, 2000, 1999 and 1998, in conformity with International Accounting Standards.

The accounting practices used by Temenos Holdings NV in preparing the accompanying consolidated financial statements conform with International Accounting Standards but, in certain respects, they do not conform with accounting principles generally accepted in the United States of America (US GAAP). A description of these differences and a reconciliation of consolidated net income and shareholders' equity to US GAAP are set forth in Note 21.

In November 2000, Temenos Holdings NV borrowed US$ 36 million and Euro 28 million. As more fully explained in Notes 9 and 27, the Company is required to repay the loan on or before November 28, 2002. The Company's management have informed us that they intend to repay this loan out of the proceeds of the planned public offering in June 2001. The attached financial statements have been compiled on this basis.

/s/ BDO International

June 2, 2001

TEMENOS HOLDINGS NV
consolidated statements of earnings
and retained earnings
for the six months ended 31 December 2000 and 1999
and for the years ended 30 June 2000, 1999 and 1998

The amounts are expressed in thousands of US dollars

	6 months to 31 December 2000	6 months to 31 December 1999 (Unaudited)	12 months to 30 June 2000	12 months to 30 June 1999	12 months to 30 June 1998
Revenues					
Software licensing	**32 974**	18 115	**44 019**	27 764	13 986
Services	**21 749**	10 729	**25 352**	15 816	6 903
Total revenues (note 23)	**54 723**	28 844	**69 371**	43 580	20 889
Operating costs and expenses					
Software development	**9 045**	4 389	**10 635**	7 447	5 337
Services	**20 337**	11 231	**26 529**	16 693	8 557
Sales and marketing (note 26)	**8 696**	4 949	**11 051**	7 340	3 418
General and administrative	**7 457**	4 369	**10 374**	6 972	4 233
Amortisation of goodwill (notes 6 and 8)	**243**	38	**273**	—	—
Total operating cost and expenses	**45 778**	24 976	**58 862**	38 452	21 545
Operating profit (loss)	**8 945**	3 868	**10 509**	**5 128**	(656)
Other income (expenses)					
Interest income (expense)	**(573)**	76	**42**	(44)	(10)
Financial instrument related expenses (notes 9 and 27)	**(224)**	—	**—**	—	—
Equity component of financial instrument costs (notes 9 and 27)	**(464)**	—	**—**	—	—
Foreign exchange losses — net	**(97)**	(451)	**(309)**	(40)	(179)
Other non-operating expenses (note 28)	**(500)**	—	**—**	—	—
Total other expenses	**(1 858)**	(375)	**(267)**	(84)	(189)
Profit (loss) before taxation	**7 087**	3 493	**10 242**	5 044	(845)
Taxation (note 11)	**(1 114)**	(665)	**(1 682)**	(1 089)	(452)
Net profit (loss) for the period, after taxation	**5 973**	2 828	**8 560**	3 955	(1 297)
Minority share in losses (profits) of subsidiary	**(624)**	(37)	**91**	199	—
Net profit (loss) for the period attributable to the Group	**5 349**	2 791	**8 651**	4 154	(1 297)
Proposed dividend on preferred redeemable shares	**—**	—	**(617)**	—	—
	5 349	2 791	**8 034**	4 154	(1 297)
Retained earnings (deficit) at the beginning of the period	**3 199**	(4 835)	**(4 835)**	(8 989)	(7 692)
Retained earnings (deficit) at the end of the period	**8 548**	(2 044)	**3 199**	(4 835)	(8 989)
Earnings per Share (in US $):					
basic	**0.20**	0.09	**0.15**	0.06	(0.05)
diluted	**0.19**	0.09	**0.15**	0.06	(0.05)

The attached notes form part of these financial statements.

TEMENOS HOLDINGS NV
consolidated balance sheets
as at 31 December 2000 and 1999
and as at 30 June 2000, 1999 and 1998

The amounts are expressed in thousands of US dollars

	31 December 2000	31 December 1999 (Unaudited)	30 June 2000	30 June 1999	30 June 1998
Assets					
Current assets					
Accounts receivable	**24 823**	12 418	**20 325**	9 723	6 251
Accrued revenues	**14 319**	3 900	**6 841**	3 290	1 759
Deferred expenses (note 27)	**6 883**	1 259	**1 674**	405	200
Cash and cash equivalents	**1 413**	6 484	**7 812**	7 001	1 341
Total current assets	**47 438**	24 061	**36 652**	20 419	9 551
Non-current assets					
Tangible fixed assets—net (note 5)	**7 410**	3 038	**5 734**	2 440	1 789
Intangible fixed assets—net (note 6)	**7 146**	4 758	**5 066**	137	64
Capitalised development costs (note 7)	**1 979**	1 486	**1 467**	1 887	3 312
Investment advances (note 22)	**—**	—	**959**	—	—
Guarantees and escrowed bank deposits	**773**	595	**692**	343	230
Deferred tax asset (note 11)	**713**	257	**215**	293	885
Total assets	**65 459**	34 195	**50 785**	25 519	15 831
Liabilities and shareholders' equity					
Current liabilities					
Accounts payable	**10 162**	5 653	**7 645**	2 141	2 989
Accrued expenses	**7 185**	6 789	**6 337**	4 558	2 606
Bank loans & overdrafts (note 10)	**3 397**	—	**2 033**	130	—
Loans from related parties (note 22)	**—**	—	**—**	—	1 005
Obligations related to redeemed shares	**870**	—	**1 029**	2 500	—
Income taxes payable (note 11)	**3 126**	1 127	**1 582**	498	153
Proposed dividends	**—**	—	**617**	—	—
Total current liabilities	**24 740**	13 569	**19 243**	9 827	6 753
Deferred revenues	**19 993**	13 663	**21 743**	11 730	5 144
Non-current liabilities					
Capital restructuring loan (note 9)	**62 291**	—	**—**	—	—
Long-term liabilities under finance leases (note 12)	**119**	20	**143**	82	164
Total liabilities	**107 143**	27 252	**41 129**	21 639	12 061
Shareholders' equity (deficit)					
Share capital (note 13)	**39**	53	**54**	53	53
Share premium account (note 16)	**—**	156	**6 285**	156	156
Share redemption deficit (note 17)	**(54 371)**	—	**—**	—	—
Share redemption reserve (note 18)	**—**	8 449	**—**	8 449	12 449
Warranted share subscription reserve (note 15)	**3 223**	—	**—**	—	—
Employee share options reserve (note 14)	**952**	444	**583**	304	104
Retained earnings (deficit)	**8 548**	(2 044)	**3 199**	(4 835)	(8 989)
Cumulative translation adjustment (note 19)	**(751)**	(296)	**(517)**	(278)	(3)
Total shareholders' equity (deficit)	**(42 360)**	6 762	**9 604**	3 849	3 770
Minority interest	**676**	181	**52**	31	0
Total equity and liabilities	**65 459**	34 195	**50 785**	25 519	15 831

The attached notes form part of these financial statements.

TEMENOS HOLDINGS NV
consolidated statements of changes in shareholders' equity for the six months ended 31 December 2000 and 1999 and for the years ended 30 June 2000, 1999 and 1998

The amounts are expressed in thousands of US dollars

	6 months to 31 December 2000	6 months to 31 December 1999 (Unaudited)	12 months to 30 June 2000	12 months to 30 June 1999	12 months to 30 June 1998
Increase (decrease) in share capital, including the share premium paid in respect of the new shares issued (or refunded in respect of the redeemable shares redeemed)	**1 606**	—	**(2 319)**	(4 000)	208
Purchase and cancellation of own shares	**(60 000)**	—	**—**	—	—
Currency translation effect of above transaction	**(2 277)**	—	**—**	—	—
Share warrant issued, at its fair market value (at the date of issuance) less the nominal value of the shares covered by the warrant	**3 223**	—	**—**	—	—
Employee share options granted, at the fair market value of each option granted (at the date of issuance) less the price at which the option may be exercised	**369**	140	**279**	200	104
Dividends declared	**—**	—	**(617)**	—	—
Currency translation differences	**(234)**	(18)	**(239)**	(275)	(13)
Net profit (loss) for the period attributable to the Group	**5 349**	2 791	**8 651**	4 154	(1 297)
Net increase (decrease) in shareholders' equity (deficit) during the period	**(51 964)**	2 913	**5 755**	79	(998)
Shareholders' equity at the beginning of the period	**9 604**	3 849	**3 849**	3 770	4 768
Shareholders' equity (deficit) at the end of the period	**(42 360)**	6 762	**9 604**	3 849	3 770

The attached notes form part of these financial statements.

TEMENOS HOLDINGS NV
consolidated statements of cash flows
for the six months ended 31 December 2000 and 1999
and for the years ended 30 June 2000, 1999 and 1998

The amounts are expressed in thousands of US dollars

	6 months to 31 December 2000	6 months to 31 December 1999	12 months to 30 June 2000	12 months to 30 June 1999	12 months to 30 June 1998
		(Unaudited)			
Cash flows from operating activities					
Cash receipts from customers	**40 974**	27 757	**63 058**	42 808	20 765
Cash paid to suppliers and employees	**(42 396)**	(24 200)	**(55 287)**	(33 106)	(17 853)
Cash generated from (absorbed by) operations	**(1 422)**	3 557	**7 771**	9 702	2 912
Interest paid	**(78)**	(15)	**(97)**	(11)	(23)
Income taxes paid	**(6)**	—	**(257)**	(104)	(308)
Net cash from (to) operating activities	**(1 506)**	3 542	**7 417**	9 587	2 581
Cash flows from investing activities					
Acquisition of tangible fixed assets	**(2 926)**	(565)	**(4 266)**	(1 571)	(1 384)
Acquisition of intangible fixed assets	**(1 643)**	(800)	**(1 241)**	—	—
Capitalised development costs	**(1 041)**	(236)	**(775)**	(328)	(1 320)
Investment advances	**(500)**	—	**—**	—	—
Interest received	**39**	75	**129**	28	19
Net cash used in investing activities	**(6 071)**	(1 526)	**(6 153)**	(1 871)	(2 685)
Cash flows from financing activities					
Proceeds of issuance of shares	**60**	—	**120**	230	207
Acquisition and cancellation of own common shares	**(60 000)**	—	**—**	—	—
Redemption of preferred shares	**—**	(2 500)	**(2 500)**	(1 500)	—
Related party loans	**—**	—	**—**	(1 000)	1 000
Proceeds of short-term borrowings	**1 375**	(130)	**1 904**	130	(60)
Proceeds of capital restructuring loan	**60 000**	—	**—**	—	—
Payment of finance lease liabilities	**(25)**	(60)	**(123)**	(22)	—
Net cash from (used in) financing activities	**1 410**	(2 690)	**(599)**	(2 162)	1 147
Overall effect of exchange rate changes	**(232)**	157	**146**	106	69
Net increase (decrease) in cash and cash equivalents in the period	**(6 399)**	(517)	**811**	5 660	1 112
Cash and cash equivalents at the beginning of the period	**7 812**	7 001	**7 001**	1 341	229
Cash and cash equivalents at the end of the period	**1 413**	6 484	**7 812**	7 001	1 341

The attached notes form part of these financial statements.

TEMENOS HOLDINGS NV
notes to the consolidated financial statements
31 December 2000 and 1999
and 30 June 2000, 1999 and 1998

1. Legal Status and Principal Activities

Temenos Holdings NV (the ''Company'') was incorporated in the Netherlands Antilles on 5 June 1995.

The Company and its subsidiaries (the ''Temenos Group'' or the ''Group'') are engaged in the development and marketing of *TEMENOS GLOBUS*, an integrated banking software system. The Group is also involved in supporting the implementation of the system at various client locations around the world as well as offering ''help desk'' support services to existing users of *TEMENOS GLOBUS*. Given the nature of *TEMENOS GLOBUS*, the existing and potential client base is primarily restricted to banking and other financial services institutions. In the second half of the year 2000, the Temenos Group established a banking operations support centre in Geneva aiming at providing operational support to *TEMENOS GLOBUS* users in return for a fee.

In November 2000, the Company proceeded with the implementation of a capital restructuring scheme under which an amount of US$ 36 million and Euro 28 million was borrowed and utilised for facilitating the purchase-back and cancellation of 14,447,030 of its common shares. This transaction was completed by 31 December 2000 and it resulted in a substantial share redemption deficit being generated and reported as at the aforementioned date. This transaction is more fully explained in notes 9 and 27 to these financial statements.

The Board of Directors and the shareholders of the Company have resolved to seek the listing of the shares of a new company (Temenos Group AG) to be established in Switzerland, which will serve as the ultimate holding company of the Group. The intention is to seek a public listing of the shares of this company on the SWX (main) Swiss Exchange in the first half of the year 2001. As all the shares in Temenos Holdings NV will be exchanged for shares in Temenos Group AG, Temenos Holdings NV will become a wholly owned subsidiary of the ultimate holding company of the Group. The present structure and modus operandi of the Group will, otherwise, remain unaffected. The Company intends to enter into an agreement with Temenos Group AG to arrange for the issuance of Temenos Group AG shares upon the exercise of existing options and warrants to purchase common shares of Temenos Holdings NV, at the same exchange ratio which will apply to the exchange of the outstanding common shares themselves.

In connection with the restructuring process referred to above, the Temenos Group has agreed to acquire all the shares of I.T. Services Limited, a Cyprus-based company, for a consideration of US$ 0.15 million plus the accounting value of the net assets of the business (which are estimated at US$ 0.15 million). The consideration will be in the form of 21,300 fully paid Temenos Holdings NV shares (or Temenos Group AG shares, at the exchange ratio used in connection with the share exchange described above). The above described acquisition, which is expected to be completed concurrently with the incorporation of Temenos Group AG, is a post 31 December 2000 event and is not, in any way, reflected in the consolidated financial statements of Temenos Holdings NV, as of 31 December 2000, other than through this reference.

2. Basis of Presentation of the Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the accounting and reporting requirements of the International Accounting Standards promulgated by the International Accounting Standards Committee.

A reconciliation of consolidated net income and shareholders' equity, as reported in these financial statements, with the amounts which would have been reported had these financial statements been compiled under generally accepted accounting principles in the United States of America, is provided in note 21.

The reporting currency of the Group is the US dollar which is also the Company's functional currency.

3. Accounting Policies

The accounting policies applied in the preparation of the consolidated financial statements, which are judged to be material or critical in determining the reported results and in stating the financial position of the Group, are the following:

(a) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes of equity and cash flows of Temenos Holdings NV and all companies in which the Company holds, directly or indirectly, more than 50% of the equity and voting shares and/or controls the management thereof. All intercompany transactions and balances have been eliminated on consolidation.

The assets and liabilities of the subsidiaries are translated into the reporting currency of the Group (US dollars) at the exchange rates prevailing at the balance sheet date. The results of operations are translated, on a monthly basis, at the average exchange rates of each monthly period. The resulting translation gains or losses are transferred directly to reserves and are reflected as a ''cumulative translation adjustment'' under shareholders' equity.

(b) Basis of accounting

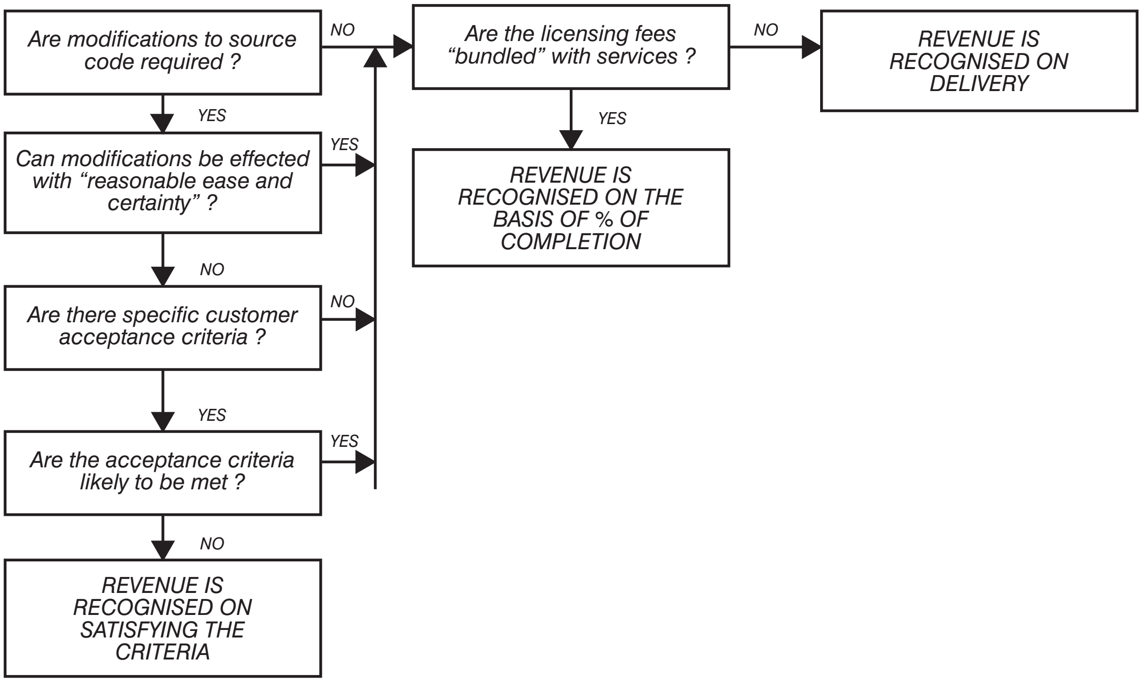
The consolidated financial statements have been prepared under the historical cost convention.

(c) Revenue recognition

The Temenos Group derives revenues from (a) the licensing of the software over which it has intellectual property rights; (b) the provision of software development services which are specifically commissioned by clients and aimed at expanding the functionality of *TEMENOS GLOBUS* and (c) the rendering of software implementation and support services. The revenue derived from sources (a) and (b) is quantified and reported in the consolidated statement of earnings under ''software licensing'' while the revenue derived from source (c) is quantified and reported under ''services''.

Software licensing fees are recognised when the following conditions exist: (i) there is persuasive evidence that the arrangement exists, (ii) delivery has occurred, (iii) the licensing fee payable is fixed or determinable and (iv) collectibility is probable. To the extent that the licensing fee incorporates the reward of the vendor for providing ''upgrades'' and ''help desk'' support services (usually extending over a period of one year), the market value of these services is deferred and recognised over the period of time during which such an obligation is undertaken on the part of the vendor. In the case of ''conditional contracts'', i.e. contracts which stipulate that the licensing fees are payable only if certain conditions are met, the related revenues are recognised only when the conditions in question have been met, except if the conditions imposed can be met with reasonable ease and certainty. A requirement for extensive modifications to the source code of *TEMENOS GLOBUS* is deemed to constitute a condition which cannot be satisfied with ''reasonable ease and certainty''. In this latter case, the licensing fees generated under the contracts entered into are deferred and recognised on satisfying the criteria (''milestones'') stipulated in such contracts. Earlier recognition is permitted, if it is considered likely that the acceptance criteria will, in fact, be met. Where the software licensing fees are ''bundled'' with implementation support services, such licensing fees are recognised substantially in accordance with the rules applicable to long-term contract revenue recognition. Most of the licensing agreements entered into generate licensing fees which are recognised in accordance with the rules applicable to long-term contract revenue recognition, hence the generation of substantial ''deferred revenues'' which are reported as a ''liability'' of the Group.

The key decisions taken in respect of recognising licensing fee revenue are pictorially presented below:



Recurring license fees and ''help desk'' support fees are recognised over the term of the related contracts while service fees are recognised as and when the underlying services are rendered.

Licensing and service fees that have been invoiced but have not been recognised as revenue are reported on the balance sheet under ''deferred revenues'' while fees which have been earned but have not been invoiced are reported under ''accrued revenues''. The timing of invoicing and collections is contractually regulated and it may not match (and, indeed, it rarely matches) the timing of recognising the related revenue under the accounting policy followed by the Temenos Group which aims at matching revenues with costs.

The direct costs associated with sales contracts, such as sales commissions, third-party licensing costs and implementation support fees etc., are expensed to the statement of earnings, as incurred.

(d) Foreign currency transactions

All Group companies maintain their books in their functional (local) currency. Transactions denominated in currencies other than the functional currency are translated into the functional currency using the rate of exchange ruling on the date of the transaction. At the end of the period, assets and liabilities denominated in foreign currencies are restated using the rate of exchange ruling on the balance sheet date. The resulting exchange gains or losses are credited or charged to the results for the period.

(e) Accounts receivable

Accounts receivable are stated net of the provision for amounts which are deemed to be doubtful of collection.

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows (in years):

Furniture and fixtures	10
Office equipment	5
Computer equipment	3
Motor vehicles	4

Leasehold improvements are depreciated over the shorter of the lease term or ten years.

(g) Intangible fixed assets

Intangible fixed assets consist of purchased goodwill, quantified as the excess of the cost of acquiring a business over the fair value of the identifiable assets and liabilities so acquired, of purchased copyrights relating to software and of purchased computer software. These assets are stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method, over a period of five years in the case of purchased goodwill and over a period of three years in the case of all other intangible assets.

(h) Capitalisation of development costs

The costs associated with the development of new or substantially improved products or modules are capitalised to the extent that they satisfy the criteria set forth under International Accounting Standard #38, ''Intangible Assets''. Amortisation is charged to the statement of earnings, using the straight-line method, over a three-year period following the year during which the costs are incurred and capitalised. In contrast, the cost of the enhancements effected to *TEMENOS GLOBUS* on an on-going basis, as well as the cost of developing new or substantially improved products for specific clients on a paid basis, is charged to operations in the year in which such costs are incurred.

(i) Income taxes

Current taxation is provided based on the taxable income reported for fiscal purposes in the various tax jurisdictions. The tax which is deferred or accelerated by the effect of timing differences between accounting and taxable income is accounted for only to the extent that it is probable that a liability or asset will crystallise. Deferred tax is computed under the liability method.

The Temenos Group operates, through subsidiaries or branches, in many tax jurisdictions. The nominal and effective tax rates applicable vary substantially and, therefore, the overall (consolidated) tax charge in any one year is a function of the results attained and reported in each tax jurisdiction within which the Group operates. Furthermore, the ability of the Group to recover or otherwise utilise taxes withheld at source is, in practice, a function of the efficiency with which the taxing authorities involved operate. In case of doubt, the Temenos Group follows the prudent policy of treating such taxes as unrecoverable, even though they may ultimately prove to be recoverable.

(j) Employee share options

The cost of the share options granted in any given period, under the Employee Share Options Scheme operated by the Temenos Group, is quantified as being the difference between the estimated market value of the underlying shares, at the time of granting the options, and the price at which such options may be exercised. The cost thus quantified is charged to operations over the period during which these options vest.

(k) Financial instruments

The Group's only financial instruments are cash, short-term receivables and payables, debt and certain other forms of financing, such as finance leases. Management believes that the carrying amounts of these financial instruments approximate their fair value because of their short-term nature. Management further believes that the interest rates applicable to its debt and other forms of financing represent fair market rates and, therefore, their carrying value approximates fair value. The Temenos Group does not use derivative financial instruments.

Concentration of credit risk is principally associated with accounts receivable and accrued (unbilled) revenue generated by clients. The Group is exposed to a credit risk in this respect. The client base is not large and receivables are limited to fewer than 250 financial institutions. This credit risk is, however, mitigated by the fact that the Group's clients are highly rated financial institutions. The Group does not generally require collateral or other security to support these financial instruments. The Group does not anticipate non-performance by the counterparties in excess of the recorded provision for receivables which are deemed doubtful of collection.

The interest and currency exchange rate risks associated with the capital restructuring loan contracted by Temenos Holdings NV in November 2000 are explained in note 9.

4. Subsidiary Companies included in the Consolidation

In addition to Temenos Holdings NV, the following subsidiaries are included in the consolidated financial statements. In the course of the year 2000, the names of numerous subsidiaries of the Group were simplified. In these cases, the name previously held is shown in brackets:

Company Name		Country of Incorporation	Ownership Interest
Temenos (NL) BV	(ex Temenos Systems (NL) BV)	Netherlands	100%
Temenos Headquarters SA	(ex Temenos Systems Headquarters SA)	Switzerland	100%
Temenos Suisse SA	(ex Temenos Systems SA)	Switzerland	100%
Temenos Luxembourg SA	(ex Temenos Systems Luxembourg SA)	Luxembourg	100%
Temenos UK Limited	(ex Temenos Systems (UK) Limited)	United Kingdom	100%
Temenos Systems Ireland Limited		Ireland	100%
Temenos Hong Kong Limited	(ex Temenos Systems Pacific Limited)	Hong Kong	100%
Temenos Singapore Pte Limited	(ex Temenos Systems Pacific Pte Limited)	Singapore	100%
Temenos India Pte Limited	(ex Temenos Systems (India) Private Limited)	India	100%
Temenos (Thailand) Co. Limited	(ex Temenos Systems (Thailand) Co. Limited)	Thailand	100%
Temenos Indonesia PT		Indonesia	100%
Temenos U.S.A., Inc.		U.S.A.	100%
Temenos Middle East Limited		Cyprus	100%
Temenos Eastern Europe Limited		Cyprus	51%*
Temenos Global Services Limited		Cyprus	100%
Temenos France SAS		France	100%
Temenos Holland BV		Netherlands	100%
Temenos Global NV**		Netherlands	100%
Temenos Deutschland GmbH		Germany	100%
Temenos Iberia SL**		Spain	100%
jBase Software Limited		United Kingdom	100%
jBase Software Inc.		U.S.A.	100%
Vol-de-Nuit SA		Switzerland	100%

(*) Temenos Eastern Europe Limited is jointly managed by the Temenos Group and by persons nominated by the minority shareholder, a TEMENOS GLOBUS distributor. Under the shareholders' agreement entered into between the two parties, Temenos Holdings NV is under an obligation to purchase, if requested to do so, the minority shares at the price/earnings ratio applicable to the Temenos Group.

(**) Newly formed company, not fully operational as yet.

In addition to the subsidiary companies listed above, Temenos Group subsidiaries maintain branches or offices at the following locations: Athens (Greece), Beirut (Lebanon), Dubai (United Arab Emirates) and Beijing (China).

In the year ended 30 June 2000, the Temenos Group acquired all the issued and outstanding shares of jBase Software Limited, a company incorporated in the United Kingdom, and Vol-de-Nuit SA, a company incorporated in Switzerland. The acquisition of jBase Software Limited, which was effected in December 1999, resulted in the Temenos Group also acquiring control over jBase Software Inc., the wholly owned subsidiary of jBase Software Limited incorporated in the United States of America.

The cost of this acquisition, amounting to US$ 3.318 million, has been accounted for on the basis of the purchase method of accounting for business combinations, as prescribed by International Accounting Standard #22. The accounting treatment afforded to this transaction is summarised below (in thousands of US dollars):

Total cost of acquisition	3 318
Less value of software acquired	1 471
	1 847
Plus negative net value of all the remaining assets and liabilities acquired	427
Purchased goodwill	2 274

The acquisition of Vol-de-Nuit SA, which was effected in March 2000, was, likewise, accounted for on the basis of the purchase method of accounting. The principal material asset of this company was software programs, valued at US$ 601,000, over which Vol-de-Nuit SA had intellectual property rights. The purchased goodwill of Vol-de-Nuit SA amounted to US$ 160,000. Effective March 2000, the ex-shareholder of Vol-de-Nuit SA is in the employment of the Temenos Group and he has been granted options over 240,000 shares of Temenos Holdings NV.

5. *Tangible Fixed Assets*

Tangible fixed assets are analysed as follows (in thousands of US dollars):

	Furniture & fixtures	Office equipment	Leasehold improvements	Computer equipment	Motor vehicles	TOTAL
Cost						
30 June 1997	507	205	531	1 248	71	2 562
As restated*, 1 July 1997	490	195	515	1 139	71	2 410
Additions 1997/1998	225	112	443	552	—	1 332
Disposals 1997/1998	(97)	—	(142)	(3)	—	(242)
30 June 1998	618	307	816	1 688	71	3 500
As restated*, 1 July 1998	600	297	837	1 631	67	3 432
Additions 1998/1999	278	227	89	766	—	1 360
Disposals 1998/1999	(5)	(1)	(8)	—	—	(14)
30 June 1999	873	523	918	2 397	67	4 778
As restated*, 1 July 1999	831	525	869	2 292	65	4 582
Additions 1999/2000	720	328	1 317	1 987	271	4 623
Disposals 1999/2000	—	—	(4)	(247)	(74)	(325)
30 June 2000	1 551	853	2 182	4 032	262	8 880
As restated*, 1 July 2000	1 517	858	2 183	3 989	261	8 808
Additions 2000 (6 months)	318	420	811	1 215	84	2 848
Disposals 2000 (6 months)	—	(10)	—	(4)	—	(14)
31 December 2000	1 835	1 268	2 994	5 200	345	11 642
Depreciation**						
30 June 1997	250	130	225	972	—	1 577
As restated*, 1 July 1997	243	126	220	909	—	1 498
Additions 1997/1998	42	32	88	219	18	399
Disposals 1997/1998	(88)	—	(97)	(1)	—	(186)
30 June 1998	197	158	211	1 127	18	1 711
As restated*, 1 July 1998	193	153	264	1 089	17	1 716
Additions 1998/1999	69	77	122	348	16	632
Disposals 1998/1999	(2)	—	(8)	—	—	(10)
30 June 1999	260	230	378	1 437	33	2 338
As restated*, 1 July 1999	249	223	358	1 377	32	2 239
Additions 1999/2000	131	128	129	728	25	1 141
Disposals 1999/2000	—	—	—	(210)	(24)	(234)
30 June 2000	380	351	487	1 895	33	3 146
As restated*, 1 July 2000	351	361	488	1 883	34	3 117
Additions 2000 (6 months)	90	144	225	625	37	1 121
Disposals 2000 (6 months)	—	(5)	—	(1)	—	(6)
31 December 2000	441	500	713	2 507	71	4 232
Net book value						
30 June 1997	257	75	306	276	71	985
30 June 1998	421	149	605	561	53	1 789
30 June 1999	613	293	540	960	34	2 440
30 June 2000	1 171	502	1 695	2 137	229	5 734
31 December 2000	1 394	768	2 281	2 693	274	7 410

(*) The amounts as at 1 July of each year have been restated to reflect the changes in the parity of the functional (local) currencies of the operating entities owning the assets with the US dollar between 1 July and 30 June of the following year.

(**) The depreciation charge for each period reported above has been quantified as follows (in thousands of US dollars):

	Charge for the period per the Statement of Earnings	Currency translation adjustments	Total value adjustment
Year ended:			
30 June 1998	406	(7)	399
30 June 1999	664	(32)	632
30 June 2000	1 190	(49)	1 141
Six months ended:			
31 December 1999	506	(7)	499
31 December 2000	1 093	28	1 121

6. *Intangible Fixed Assets*

Intangible fixed assets consist of purchased goodwill, purchased copyrights relating to software and computer software. These costs are analysed as follows (in thousands of US dollars):

	Purchased goodwill	Purchased copyrights	Computer software	Establishment expenses	TOTAL
Cost					
30 June 1997	—	527	191	54	772
As restated*, 1 July 1997	—	527	186	30	743
Additions 1997/1998	—	—	55	—	55
Disposals 1997/1998	—	(155)	—	—	(155)
30 June 1998	—	372	241	30	643
As restated*, 1 July 1998	—	372	233	35	640
Additions 1998/1999	—	—	120	—	120
Disposals 1998/1999	—	—	—	—	—
30 June 1999	—	372	353	35	760
As restated*, 1 July 1999	—	372	339	35	746
Additions 1999/2000	2 434	3 037	571	—	6 042
Disposals 1999/2000	—	—	—	(35)	(35)
30 June 2000	2 434	3 409	910	—	6 753
As restated*, 1 July 2000	2 434	3 409	909	—	6 752
Additions 2000 (6 months)	—	2 500	495	—	2 995
Disposals 2000 (6 months)	—	—	—	—	—
31 December 2000	2 434	5 909	1 404	—	9 747
Amortisation**					
30 June 1997	—	403	152	18	573
As restated*, 1 July 1997	—	403	148	10	561
Additions 1997/1998	—	124	39	10	173
Disposals 1997/1998	—	(155)	—	—	(155)
30 June 1998	—	372	187	20	579
As restated*, 1 July 1998	—	372	181	23	576
Additions 1998/1999	—	—	35	12	47
Disposals 1998/1999	—	—	—	—	—
30 June 1999	—	372	216	35	623
As restated*, 1 July 1999	—	372	208	35	615
Additions 1999/2000	273	695	139	—	1 107
Disposals 1999/2000	—	—	—	(35)	(35)
30 June 2000	273	1 067	347	—	1 687
As restated*, 1 July 2000	273	1 067	345	—	1 685
Additions 2000 (6 months)	243	506	167	—	916
Disposals 2000 (6 months)	—	—	—	—	—
31 December 2000	516	1 573	512	—	2 601
Net book value					
30 June 1997	—	124	39	36	199
30 June 1998	—	—	54	10	64
30 June 1999	—	—	137	—	137
30 June 2000	2 161	2 342	563	—	5 066
31 December 2000	1 918	4 336	892	—	7 146

(*) The amounts as at 1 July of each year have been restated to reflect the changes in the parity of the functional (local) currencies of the operating entities owning the assets with the US dollar between 1 July and 30 June of the following year.

(**) The amortisation charge for each period reported above has been quantified as follows (in thousands of US dollars):

	Charge for the period per the Statement of Earnings	Currency translation adjustments	Total value adjustment
Year ended:			
30 June 1998	175	(2)	173
30 June 1999	47	—	47
30 June 2000	1 101	6	1 107
Six months ended:			
31 December 1999	335	(1)	334
31 December 2000	915	1	916

7. Capitalised Development Costs

The Temenos Group follows a policy of investing a substantial part of its revenues in research and development work, which is directed towards the enhancement of *TEMENOS GLOBUS* and, by extension, the enhancement of revenues in future years.

The part of these development costs which are associated with new or substantially improved modules or applications which are not specifically commissioned and paid for by clients is capitalised and amortised, using the straight-line method, over a three-year period commencing on 1 July of the year immediately following the year in which such development costs are incurred and capitalised.

In contrast, the development work associated with new or substantially enhanced modules, which is specifically commissioned and paid for by clients, as well as the development work which is of a general nature, is charged to operations in the year in which such costs are incurred.

The movement in capitalised development costs is reflected below (in thousands of US dollars):

	Cost	Amortisation	Net book value
30 June 1997	6 105	2 078	4 027
Additions 1997/1998	1 319	2 034	(715)
30 June 1998	7 424	4 112	3 312
Additions 1998/1999	378	1 803	(1 425)
30 June 1999	7 802	5 915	1 887
Additions 1999/2000	775	1 195	(420)
30 June 2000	8 577	7 110	1 467
Additions 2000 (6 months)	1 042	530	512
31 December 2000	9 619	7 640	1 979

8. Depreciation and Amortisation

The depreciation and amortisation charge for each period reported upon is analysed as follows (in thousands of US dollars):

	Depreciation of tangible fixed assets (note 5)	Amortisation of purchased goodwill (note 6)	Amortisation of other intangible fixed assets (note 6)	Amortisation of capitalised development costs (note 7)	Aggregate amount charged to operations
Year ended:					
30 June 1998	406	—	175	2 034	2 615
30 June 1999	664	—	47	1 803	2 514
30 June 2000	1 190	273	828	1 195	3 486
Six months ended:					
31 December 1999	506	38	297	597	1 438
31 December 2000	1 093	243	672	530	2 538

9. Capital Restructuring Loan

In November 2000, Temenos Holdings NV contracted a loan of US$ 36 million and Euro 28 million from a major international bank, which was wholly and exclusively used for financing the purchase of 14,447,030 of its own shares from one of the shareholders of the Company. The shares thus acquired have been cancelled. The loan contracted carries interest at the London Interbank Offered Rate (LIBOR) plus 4.25% per annum, gradually reducing to LIBOR plus 1% per annum, if certain conditions directly associated with the profitability and the capital gearing of the Temenos Group are met, but increasing by 0.75% per annum, in the period between 30 June 2001 and the date of the listing of the shares of the Company on a recognised stock exchange, if the latter date is subsequent to 30 June 2001. On this basis the interest rate applicable, as of 31 December 2000, was 10.93% per annum and 9.35% per annum for US dollars and Euros, respectively. The term of the loan is two years expiring on 28 November 2002. The loan contracted is secured by a pledge of 24,838,025 Temenos Holdings NV shares and on shares of certain subsidiaries of the Group as well as by a charge on the intellectual property rights on software owned by the Group. The loan agreement entered into requires the Temenos Group to meet certain financial covenants and it imposes various restrictions concerning, inter alia, the disposal of assets and the acquisition of new assets which, however, may be waived with the consent of the lender. The loan agreement also imposes an obligation on the Temenos Group to retain the services of certain ''key employees'' while it precludes the payment of any dividends or other distributions, except with the consent of the lender.

In connection with, and as part of the consideration for, the arrangement of this loan facility, a warrant was issued to an affiliate of the lender entitling the latter to purchase 786,320 Temenos Holdings NV shares at an exercise price of US$ 0.001 per share. In addition, a front-end fee of US$ 2.2 million was paid to the lender in January 2001 for arranging the facility which is refundable in the case of Temenos Holdings NV successfully conducting an initial public offering (IPO) of its shares (or those of its parent company), provided that the valuation of the IPO vehicle exceeds certain pre-agreed levels. The maximum refund anticipated under the agreement entered into is 100% of the front-end fee of US$ 2.2 million. These financial statements have been compiled on the basis that 50% of the front-end fee will be refunded at the time of an initial public offering in June 2001. A failure to successfully conduct an IPO of the Temenos Group shares by 30 June 2001 will result in increased interest charges being generated but also in the Temenos Group being in a position to amortise the costs associated with this financial instrument (including the front-end fee) over a period extending beyond seven months. These financial statements have been compiled on the basis that the US$ 36 million and Euro 28 million loan contracted will be repaid by utilising part of the proceeds of the planned public issue of its shares. This facility is a compound financial instrument, consisting of a debt portion and an equity portion which represents the fair value of the share warrant issued in favour of the lender. The debt element is reported under the caption ''capital restructuring loan'' and the equity element is reported under the caption ''warranted share subscription reserve'', within shareholders' equity. For further details on the accounting treatment afforded to this transaction refer to note 27.

The Temenos Group is restricted from becoming further indebted to financial institutions and it may be called upon to repay all the outstanding amounts under this loan arrangement and under the loan facility referred to in the following note, in case of any of the events of default, specified in the loan agreements, materialising.

10. Bank Loans & Overdrafts

In addition to the capital restructuring loan referred to in the preceding note, Temenos Holdings NV has a line of credit with an affiliate of the same international bank that permits the Company to borrow up to US$ 10 million for terms varying from one to six months, at the London Interbank Offered Rate of interest (LIBOR) plus 1.5% per annum plus a commitment fee of 1% per annum on the undrawn portion of the facility. This commitment on the part of the lender expires on 30 September 2001. As of 31 December and 30 June 2000, the amounts outstanding under this facility amounted to US$ 3.38 million and US$ 2.03 million, respectively.

As at 30 June 1999, one of the US subsidiaries of the Group had drawn down US$ 130,000 under a line of credit. As at 31 December 2000, the facility, which remained unused, amounted to US$ 75,000. This facility is secured by a first lien on all the assets of the subsidiary.

Other minor borrowings of the subsidiaries of the Group, as at 31 December 2000, amounted to US$ 22,000.

11. Taxation

The Temenos Group has—through its subsidiaries—a taxable presence in numerous countries in the world and the taxable profits (or losses) generated attract (or provide relief from) taxes at varying rates of taxation. Furthermore, the rules applied in each tax jurisdiction for determining the tax base of assets and liabilities and for the quantification of temporary differences (giving rise to deferred tax liabilities or assets) also vary. As a consequence, the nominal and, by extension, the effective tax rate, on the basis of which the tax charge for each accounting period is quantified, is a function of the geographic dispersion of the extra- and intra-group profits (or losses) reported by each operating entity in that accounting period.

As required by International Accounting Standard #12, the Temenos Group recognises the amount of income taxes payable (recoverable) in respect of the taxable profits (tax losses) reported in a given accounting period (current taxes) as well as the amounts of income taxes payable (recoverable) in future accounting periods in respect of taxable temporary differences, deductible temporary differences and the carryforward of unused tax losses. In the case of unused tax losses, a deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

As at 31 December 2000 and 1999 and as at 30 June 2000, 1999 and 1998, the unamortised deferred tax recognised in relation to tax losses incurred by certain subsidiary companies amounted to US$ 713,000, US$ 257,000, US$ 215,000, US$ 293,000 and US$ 885,000, respectively.

The tax charge for the periods reported upon is analysed as follows (in thousands of US dollars):

	Six months to 31 December 2000	Six months to 31 December 1999	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Profit (loss) before taxes, per the consolidated statements of earnings	7 087	3 493	10 242	5 044	(845)
Current tax	1 612	629	1 604	497	201
Deferred tax	(498)	36	78	592	251
Tax charge for the year	1 114	665	1 682	1 089	452

The computed tax charge, on the basis of the domestic rates applicable in the countries concerned, is reconciled to the tax charge reflected in the consolidated statements of earnings as follows (in thousands of US dollars):

	Six months to 31 December 2000	Six months to 31 December 1999	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Computed tax charge	1 083	966	1 585	938	649
Tax effect of losses deemed likely to be utilised against future taxable profits	(473)	(159)	(137)	—	(141)
Tax effect of non-temporary differences, net	504	(142)	234	151	(56)
Tax charge for the year	1 114	665	1 682	1 089	452

The effective tax rate applicable to the Group, as a whole, may vary from one accounting period to another as a result of the taxed profits generated in certain jurisdictions being utilised to finance losses (which are not deemed likely to be off-set against future taxable profits) in other jurisdictions. The consolidated financial statements of the Group only reflect extra-group transactions and balances while the taxable profits of the Group are quantified by reference to both extra-group and intra-group transactions.

The deferred tax asset recognised in respect of the tax losses deemed likely to be utilised against future taxable profits is analysed as follows (in thousands of US dollars):

Deferred tax asset, as at 1 July 1997	1 136
Amount charged to operations in 1997/1998	(251)
Deferred tax asset, as at 1 July 1998	885
Amount charged to operations in 1998/1999	(592)
Deferred tax asset, as at 1 July 1999	293
Amount charged to operations in 1999/2000	(78)
Deferred tax asset, as at 1 July 2000	215
Amount credited to operations in the six months to 31 December 2000	498
Deferred tax asset, as at 31 December 2000	713

In many tax jurisdictions, the reported taxable profits or losses are considered provisional and subject to adjustment by the tax authorities, at the stage of the examination of the tax returns filed. This process of examination on the part of the tax authorities may extend over a lengthy period of time and it may entail extensive discussions between the tax authorities and the taxable entities involved. The tax charge for each accounting period (or the corresponding tax relief recognised) is based on the Group's best estimate of the likely ultimate outcome of this process.

12. Long-term Liabilities under Finance Leases

The long-term liabilities under finance leases are analysed as follows (in thousands of US dollars):

	Six months to 31 December 2000	Six months to 31 December 1999	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Obligations under finance leases:					
repayable within one year	69	128	92	121	114
repayable between two and five years	135	22	164	87	179
	204	150	256	208	293
Finance charges allocated to future accounting periods	(27)	(13)	(36)	(24)	(43)
	177	137	220	184	250
Included in accounts payable within one year	(58)	(117)	(77)	(102)	(86)
	119	20	143	82	164

13. Share Capital

The share capital of the Company, as at 30 June 1998, 1999 and 2000 and as at 31 December 2000, is analysed as follows (in thousands of US dollars except for the number of shares and the nominal value per share, which is stated in US dollars):

	Common US$ 0.001		Preferred A US$ 0.01		Preferred Redeemable US$ 1		Total
Nominal value per share	**Number**	**Nominal value**	**Number**	**Nominal value**	**Number**	**Nominal value**	**Nominal value**
Authorised:							
30 June 1997, 1998 & 1999	100,000,000	$100	900,000	$ 9	1,000	$1	$110
Conversion of Preferred A into Common Shares	9,000,000	9	(900,000)	(9)	—	—	—
30 June & 31 December 2000	109,000,000	109	—	—	1,000	1	110
Issued, outstanding and fully paid:							
30 June 1997	45,001,000.00	44	600,000.00	6	124.000	1	51
New Shares issued	1,599,224.36	2	2,600.44	—	0.494	—	2
30 June 1998	46,600,224.36	46	602,600.44	6	124.494	1	53
Preferred Redeemable Shares redeemed	—	—	—	—	(15.000)	—	—
30 June 1999	46,600,224.36	46	602,600.44	6	109.494	1	53
Preferred A converted into Common Shares	6,026,004.40	6	(602,600.44)	(6)	—	—	—
Preferred Redeemable converted into Common Shares	936,816.00	1	—	—	(61.300)	(1)	—
Preferred Redeemable Shares redeemed	—	—	—	—	(48.194)	—	—
30 June 2000	53,563,044.76	53	—	—	—	—	53
New Common Shares issued on share options being exercised	200,000.00	—	—	—	—	—	—
New Common Shares issued as consideration for software acquired	121,150.00	—	—	—	—	—	—
New Common Shares issued as consideration for shares acquired in a subsidiary company	1,641.00	—	—	—	—	—	—
Common Shares purchased and cancelled	(14,447,030.00)	(14)	—	—	—	—	(14)
31 December 2000	39,438,805.76	$ 39	—	—	—	—	$ 39

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

As explained in note 14 below, the Company has granted options to its employees to acquire shares in the Company, the option price ranging from US$ 0.005 to US$ 15.00 per share and the vesting period ranging from 3 to 5 years. As at 31 December 2000, the total number of common shares committed under the Company's employee share option scheme (net of cancellations) was 4,511,094. 1,354,000 of these options have been granted to executive members of the Board of Directors of the holding Company, at exercise prices ranging from US$ 0.02 to US$ 13.00 per share.

In July 2000, a scheme was introduced enabling employees to forego their year 2000 bonus entitlement in exchange for options to purchase Temenos Holdings NV shares, such options being exercisable at a price of US$ 9.33 per share and vesting over a period of between 3 and 5 years. The basis of the ''conversion'' of the bonus entitlement into share options was a price per share of US$ 7.46 or US$ 8.48, depending on the percentage of the bonus entitlement utilised for this purpose. The option to forego the bonus entitlement in exchange for share options was exercised by a number of Temenos Group employees, resulting in the granting to them of options to purchase an aggregate of 39,995 shares, which are included in the number of outstanding share options referred to in the preceding paragraph. The consideration paid by the employees for acquiring these share options, amounting to US$ 303,000, has been credited to the employee share options reserve, which forms part of shareholders' equity.

In addition to these options, which have been granted to the employees of the Group, one of its existing shareholders has purchased the right, which had been granted to an ex-shareholder of the Company, to acquire 500,000 shares, at a pre-agreed price of US$ 1 per share. This right will vest at the initial public offering of the Company's shares (or those of its parent company). The aforesaid right has, in fact, been exercised, subsequent to 31 December 2000, in anticipation of the public offering which is scheduled for June 2001.

Based on the vested portion of the share options which were outstanding, as at 30 June 1998, 1999 and 2000 and as at 31 December 1999 and 2000, the share capital which would have been raised (in each accounting period), had these options been exercised by these dates, would have amounted to (in thousands of US dollars):

30 June 1997	—
30 June 1998	628
30 June 1999	1 012
30 June 2000	2 107
31 December 1999	1 400
31 December 2000	3 395

Furthermore, in connection with, and as part of the consideration for, the arrangement of a loan facility, a warrant has been issued in favour of the lender entitling the latter to purchase 786,320 of Temenos Holdings NV shares at an exercise price of US$ 0.001 per share.

The dilution effect of the share options and share warrants granted, when exercised, will be a function of the market price of the Company's shares, at the time of exercising such options and warrants. Based on the estimated fair market value of the shares of Temenos Holdings NV, as at 30 June 1998, 1999 and 2000 and as at 31 December 1999 and 2000, and the vested portion of the options, as at the above dates, the dilution effect of the options and warrants on the shares of Temenos Holdings NV has been quantified as follows (the number of shares and the amounts are stated in thousands):

	Common shares outstanding	Weighted average number of outstanding common shares	Employee and other share options outstanding	Share warrants outstanding	Anticipated aggregate proceeds on exercising all outstanding options	Proceeds on exercising all vested options	Vested share options at their then market value	Net dilutive effect of vested options	Equivalent common shares
30 June 1997	45 001		—	—	—	—	—	—	—
Year to 30 June 1998		45 755							
30 June 1998	46 600		4 304	—	1 207	628	2 138	1 138	569
Year to 30 June 1999		46 600							
30 June 1999	46 600		3 901	—	1 265	1 012	7 519	5 519	1 380
Year to 30 June 2000		46 791							
30 June 2000	53 563		4 761	—	7 566	2 107	22 717	18 217	2 024
6 months to 31 Dec. 1999		46 600							
31 December 1999	46 600		4 583	—	6 432	1 400	11 973	10 573	1 762
6 months to 31 Dec. 2000		53 597							
31 December 2000	39 439		5 004	786	11 765	3 390	51 288	47 898	3 685

14. Employee Share Options Obligations

In the year ended 30 June 1997, a share option scheme was introduced under which the Board of Directors of the Company was empowered to grant share options to employees of the Company (and/or its subsidiary companies) in relation to a maximum of 10,000,000 common shares of a nominal value of US$ 0.001 each.

This power was exercised in the years ended 30 June 1998, 1999 and 2000 and in the six-month period ended 31 December 2000 by granting share options to employees of the Group over an aggregate of 7,800,094 shares, the option price ranging from US$ 0.005 to US$ 13.00 per share and the vesting period ranging from 3 to 5 years. During the same period options to purchase an aggregate of 3,089,000 shares were cancelled and an option to purchase 200,000 shares was exercised. Additional options to purchase 144,464 shares of Temenos Holdings NV have been granted subsequent to 31 December 2000, including an option to purchase 100 shares granted to each person employed by the Temenos Group worldwide, at an exercise price of US$ 15 per share, while options to purchase 7,203 shares were cancelled. It follows that the total number of share options (net of cancellations) which were outstanding at the date of compilation of these financial statements was:

	Share Purchase Options	
	Issued (net of cancellations)	Cumulative number outstanding
Year ended:		
30 June 1998	3 804 000	3 804 000
30 June 1999	2 096 500	5 900 500
30 June 2000	(1 639 901)	4 260 599
Six months ended:		
31 December 2000	250 495	4 511 094
Options granted subsequent to:		
31 December 2000	137 261	4 648 355
	4 648 355	

The cost of this scheme, being the difference between the estimated market value of the shares at the time of granting the options and the option price, has been estimated at US$ 2.860 million and is being charged to operations over the vesting period as follows (in thousands of US dollars):

Year ended:	
30 June 1998	104
30 June 1999	200
30 June 2000	279
Six months ended/ending:	
31 December 2000	369
as at 31 December 2000	952
30 June 2001	369
Year ending:	
30 June 2002	721
30 June 2003	578
Post 30 June 2003	240
Total cost of share options granted to employees	2 860

15. Warranted Share Subscription Reserve

The warranted share subscription reserve reflects the effective cost of a warrant on 786,320 Temenos Holdings NV common shares issued in favour of a lender of the Company, in the six-month period ended 31 December 2000.

As at 30 June 1998, 1999 and 2000	—
Effective cost of a warrant on 786,320 Common Shares	3 223
As at 31 December 2000	3 223

16. Share Premium Account

The share premium account reflects the premium collected on the issuance of new shares at a price above their par value. The movement in this account in the years ended 30 June 1998, 1999 and 2000 and in the six-month period ended 31 December 2000 was as follows (in thousands of US dollars):

As at 30 June 1997	—
Share premium paid on new common shares issued	156
As at 30 June 1998 and 1999	156
Share premium paid on conversion of preferred redeemable into common shares	6 129
As at 30 June 2000	6 285
Share premium paid on new common shares issued	1 621
Transferred to share redemption deficit	(7 906)
As at 31 December 2000	—

17. Share Redemption Deficit

The share redemption deficit reflects the difference between the nominal value of and the actual price paid for the 14,447,030 common shares of Temenos Holdings NV, which were purchased by the Company in the six-month period ended 31 December 2000 and were immediately thereafter cancelled, after adjusting the deficit with the balance previously reported in the share premium account. The movement of the share redemption deficit account, in the six-month period ended 31 December 2000, was as follows (in thousands of US dollars):

As at 30 June 1998, 1999 and 2000	—
Deficit arising on purchase and cancellation of 14,447,030 own common shares	(62 277)
Transferred from share premium account	7 906
As at 31 December 2000	(54 371)

18. Share Redemption Reserve

The share redemption reserve was set up in the past in view of the obligation undertaken by the Company to redeem the non-voting preferred shares at par plus the premium paid on their issuance. The movement on this account in the years ended 30 June 1998, 1999 and 2000 was as follows (in thousands of US dollars):

As at 30 June 1997	12 400
Premium on new preferred redeemable shares issued	49
As at 30 June 1998	12 449
Preferred redeemable shares redeemed	(4 000)
As at 30 June 1999	8 449
Preferred redeemable shares redeemed	(2 319)
Transferred to share capital	(1)
Transferred to share premium account	(6 129)
As at 30 June and 31 December 2000	—

19. Cumulative Translation Adjustment

The cumulative translation adjustment, which is reflected separately under shareholders' equity, represents the foreign exchange gains and losses resulting from the translation of the subsidiaries' assets, liabilities and results of operations from their functional (local) currency into the Group's reporting currency (US dollars). The movement in the cumulative translation adjustment is reflected below (in thousands of US dollars):

Balance at 30 June 1997	10
Translation losses (net) for the year, arising on consolidation	(13)
Balance at 30 June 1998	(3)
Translation losses for the year, arising on consolidation	(275)
Balance at 30 June 1999	(278)
Translation losses for the year, arising on consolidation	(239)
Balance at 30 June 2000	(517)
Translation losses for the six months, arising on consolidation	(234)
Balance at 31 December 2000	(751)

20. Earnings per Share Computations

The earnings per share reported have been arrived at as follows (in thousands of US dollars except for the number of shares):

	Six months to 31 December 2000	Six months to 31 December 1999	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Net profit (loss) for the period attributable to the Group	5 349	2 791	8 651	4 154	(1 297)
Profits attributable to Preferred Redeemable Shares	—	(382)	(719)	(980)	(993)
Net profit (loss) for the period attributable to ordinary shareholders	5 349	2 409	7 932	3 174	(2 290)
Weighted average of common shares outstanding during the period (in thousands) *	26 799	26 231	52 652	52 626	45 767
Weighted average of equivalent common shares relating to share options and share warrants outstanding during the period	1 843	881	2 024	1 380	569
Aggregate number of equivalent common shares for purposes of calculating the diluted earnings per share	28 642	27 112	54 676	54 006	46 336
Earnings per share (in US$ per share)					
— basic	0.20	0.09	0.15	0.06	(0.05)
— diluted	0.19	0.09	0.15	0.06	(0.05)

(*) For the purposes of computing the weighted average number of common shares outstanding in a given period, the previously existing preferred A shares (which, in the year ended 30 June 2000, were converted into common shares) have been converted into equivalent common shares, throughout the accounting periods reported upon, on the same basis upon which the conversion was ultimately realised. No dividend has ever been paid on these common shares.

21. Reconciliation between International Accounting Standards and US Generally Accepted Accounting Principles

The Temenos Group financial statements are compiled in accordance with International Accounting Standards (IAS), which differ in certain respects from US generally accepted accounting principles (US GAAP). The effects of these differences on net income and shareholders' equity are shown in the following tables, with references to the respective reconciling items.

	Six months to 31 December 2000	Six months to 31 December 1999	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Net income (loss), per IAS	5 349	2 791	8 651	4 154	(1 297)
Timing differences in respect of the revenue recognised[1]	(520)	(300)	(830)	—	—
Deferred tax adjustment relating to US GAAP reconciliation items[2]	78	9	79	—	—
Net income (loss), per US GAAP	4 907	2 500	7 900	4 154	(1 297)
Net income (loss) attributable to preferred redeemable shares[3]	—	(382)	(719)	(980)	(993)
Net income available (loss attributable) to common shareholders, per US GAAP	4 907	2 118	7 181	3 174	(2 290)
Earnings per share:					
basic	0.18	0.08	0.14	0.06	(0.05)
diluted	0.17	0.08	0.13	0.06	(0.05)
Statement of comprehensive income					
Net income (loss), per US GAAP	4 907	2 118	7 181	3 174	(2 290)
Other comprehensive income (loss)—currency translation adjustments:					
on restatement of financial statements of subsidiary companies	(234)	(18)	(239)	(275)	(13)
on purchase and cancellation of own shares	(2 277)	—	—	—	—
Comprehensive income (loss), per US GAAP	2 396	2 100	6 942	2 899	(2 303)
Shareholders' equity (deficit)					
Shareholders' equity (deficit), per IAS	(42 360)	6 762	9 604	3 849	3 770
Timing differences in respect of the revenue recognised[1]	(1 350)	(300)	(830)	—	—
Deferred tax adjustment relating to US GAAP reconciliation items[2]	157	9	79	—	—
Net income attributable to preferred redeemable shares[3]	—	(382)	(2 564)	(2 462)	(1 482)
Dividends on preferred redeemable shares capitalised[3]	—	—	2 564	—	—
Total effect of US GAAP adjustments	(1 193)	(673)	(751)	(2 462)	(1 482)
Shareholders' equity (deficit), per US GAAP	(43 553)	6 089	8 853	1 387	2 288

(1) Certain of the software licensing contracts entered into by the Group entail substantial modifications to the source code of the programs, while incorporating customer acceptance criteria. Under IAS, the Group recognises revenue on these contracts using the percentage of completion method, if it is likely that the acceptance criteria will be met. Under US GAAP, the recognition of revenue must generally be deferred until the acceptance criteria have been satisfied or the acceptance conditions have lapsed.

(2) Deferred tax recognised on revenue reconciling differences between IAS and US GAAP.

(3) The 8% per annum dividend entitlement on the preferred redeemable shares was cumulative. Under US GAAP, this dividend entitlement must be accrued each year for calculating earnings available to common shareholders, irrespective of whether the corresponding dividends are declared or not. Save an amount of US$ 617,000, which is reported, as at 30 June 2000, as a proposed dividend, the balance of this dividend entitlement, amounting to US$ 3.025 million, was converted into common shares in the year ended 30 June 2000.

22. Related Party Transactions and Balances

In the six-month period ended 31 December 2000, Temenos Holdings NV concluded an agreement with Global Technology Limited, one of its shareholders who is also a distributor of the Temenos Group, under which it acquired intellectual property rights over software programs, which are complementary to *TEMENOS GLOBUS*, of an aggregate value of US$ 2.5 million*.* The obligation, which had thus arisen towards the vendor, was discharged by partly off-setting it against the amount of US$ 959,000, previously advanced and reported, as at 30 June 2000, under ''investment advances'', and by issuing new shares of Temenos Holdings NV. In addition, Temenos Holdings NV assigned to the vendor, for a limited period of three years, 35% of the licensing revenues which will be generated by licensing the software acquired to third parties.

In December 1999, a building was leased by Temenos Suisse SA in Geneva (utilised as office accommodation of the lessee) that is owned by an entity which is a wholly owned subsidiary of one of the major shareholders of Temenos Holdings NV and in which two directors of the Group have a material interest. The rent payable, amounting to US$ 220,000 (CHF 360,000) per annum, has been confirmed by reputable, independent estate agents as representing a fair market rent for the property. In general, the terms and conditions of the lease agreement entered into conform to standard market practices.

As at 30 June 1998, an interest bearing loan of US$ 1.005 million was made to the Company by two of its then major shareholders, which was repaid in the following year.

The transactions entered into, in the ordinary course of business, with the Global Technology Group of South Africa, which is deemed to be a related party as a consequence of cross-directorships and because of the substantial equity interest held by Global Technology Ltd in Temenos Holdings NV, and the respective receivable and payable balances reported at each period-end, are reflected in the following table (in thousands of US dollars):

	Due to the Temenos Group	Due by the Temenos Group	Revenues derived by the Temenos Group	Services rendered to the Temenos Group	Other costs born by the Temenos Group
Year ended:					
30 June 1998	1 038	—	1 463	—	—
30 June 1999	1 224	—	2 241	—	—
30 June 2000	1 943	274	5 000	395	175
Six months ended:					
31 December 1999	1 865	—	2 001	50	11
31 December 2000	1 301	317	2 224	1 032	156

23. Revenues: Segmental Analysis

Given the global nature of the activities of the Group, the Directors believe that the analysis of revenues, profit, assets employed and cash flows, by country of origin of the resources utilised, is practically unfeasible and, in any event, it would not provide the reader with any meaningful information; accordingly, an analysis of revenues, by the region of the destination of the product or service supplied is set out below (in thousands of US dollars):

	Licensing	Services	Total
Year ended 30 June 1998			
Europe	7 860	3 888	11 748
Asia	1 936	1 992	3 928
Americas	1 261	281	1 542
Africa	2 929	742	3 671
	13 986	6 903	20 889
Year ended 30 June 1999			
Europe	16 878	9 538	26 416
Asia	3 032	4 131	7 163
Americas	3 793	1 463	5 256
Africa	4 061	684	4 745
	27 764	15 816	43 580
Year ended 30 June 2000			
Europe	24 507	15 931	40 438
Asia	5 232	3 725	8 957
Americas	3 424	4 011	7 435
Africa	10 856	1 685	12 541
	44 019	25 352	69 371
Six months ended 31 December 1999			
Europe	10 174	7 128	17 302
Asia	896	1 151	2 047
Americas	1 112	1 553	2 665
Africa	5 933	897	6 830
	18 115	10 729	28 844
Six months ended 31 December 2000			
Europe	22 626	15 060	37 686
Asia	5 391	3 711	9 102
Americas	1 302	2 176	3 478
Africa	3 655	802	4 457
	32 974	21 749	54 723

24. Personnel Costs and Numbers

The amounts charged to operations with respect to personnel costs (salaries, bonuses, sales commissions, social security and pension contributions and other employee benefits, including the cost of the employee share option scheme operated by the Group) and the total number of the employees of the Group, as at each of the respective balance sheet dates, are set out below (in thousands of US dollars except for staff numbers):

	Personnel Costs	Number of persons employed
Year ended:		
30 June 1998	11 076	177
30 June 1999	20 888	307
30 June 2000	31 915	597
Six months ended:		
31 December 1999	13 844	427
31 December 2000	23 990	811

25. Directors' Emoluments

The personnel costs disclosed under note 24 above include the following amounts representing executive directors' emoluments which have been paid or have been accrued for (in thousands of US dollars):

Year ended:	
30 June 1998	400
30 June 1999	1 219
30 June 2000	1 537
Six months ended:	
31 December 1999	1 027
31 December 2000	749

It is noted that one of the executive directors of the Company resigned his position in November 1999 and the emoluments referred to above (in relation to the six-month period and the year ended 31 December 1999 and 30 June 2000, respectively) are inclusive of the termination compensation paid to him.

26. Sales and Marketing Expenses

Included in sales and marketing expenses are the following amounts which have been charged to operations in respect of receivable balances that were deemed to be doubtful of collection (in thousands of US dollars):

Year ended:	
30 June 1998	744
30 June 1999	1 077
30 June 2000	795
Six months ended:	
31 December 1999	97
31 December 2000	578

27. Financial Instrument Related Costs

As already explained in notes 1 and 9, in late November 2000, Temenos Holdings NV proceeded with the implementation of a capital restructuring scheme which entailed the borrowing of US$ 38 million and Euro 26 million from an international banking institution, the granting of a share warrant in favour of the lender over 786,320 common shares and the purchase-back and cancellation of 14,447,030 of its own common shares. The costs associated with the implementation of this scheme amounted to US$ 5.935 million but were reduced by the amount of US$ 1.091 million of the ''front-end'' fee which has been charged and collected but will become refundable, if Temenos Holdings NV seeks and secures a public listing of its shares by 28 November 2002, at a certain initial public offering (IPO) valuation. The amount of US$ 1.091 million is reported on the balance sheet, as at 31 December 2000, under ''deferred expenses''. The balance of these transaction related costs is being amortised over a period of seven months, on the assumption that an initial public offering (IPO) of the shares of Temenos Holdings NV (or those of its parent company) is completed before the end of June 2001.

The relevant amounts are set out below (in thousands of US dollars):

	Charged to Operations in the six-month period to 31 December 2000	Deferred (reported under "deferred expenses")	Deducted from shareholders' equity	Total
Fees paid to the lender (or to entities associated with the lender)	312	1 870	—	2 182
Less: refundable portion	(156)	(935)	—	(1 091)
	156	935	—	1 091
Legal and other professional fees	68	410	26	504
Equity component (share warrant) of financial instrument costs	464	2 785	—	3 249
	688	4 130	26	4 844

The value (cost) of the equity portion of this compound financial instrument was quantified (by reference to the Group valuation at which the shares of Temenos Holdings NV were purchased-back and cancelled) at US$ 3.249 million. The amount reported as forming part of shareholders' equity has been appropriately reduced by the proportion of the transaction related expenses which corresponds to its equity element of US$ 26,000.

28. Other Non-operating Expenses

The amount of US$ 500,000, reported under non-operating expenses, in the six-month period ended 31 December 2000, represents an advance given (in July 2000) to an unrelated software company with a view to establishing an ongoing business relationship with it. Given the financial standing of the recipient of the advance, it was deemed prudent to amortise the receivable in the six-month accounting period which ended on 31 December 2000.

29. Lease Commitments

The Group has obligations under operating leases relating mainly to the office premises used by its subsidiary companies. Lease expenses for the six months ended 31 December 2000 and 1999 and the years ended 30 June 2000, 1999 and 1998 amounted to approximately US$ 1.4 million, US$ 0.8 million, US$ 1.8 million, US$ 1.2 million and US$ 1 million, respectively.

As at 31 December 2000, the Group had obligations under non-cancellable operating leases, expiring between January 2001 and September 2010, for future minimum annual payments (in thousands of US dollars) falling due:

Not later than one year	3 234
Later than one year and not later than five years	10 882
Later than five years	4 745
Total	18 861

30. Post-Balance Sheet Events

In April 2001, the Temenos Group acquired all the shares of Alphametrics Limited, a UK-based company, for a consideration of US$ 2.3 million plus the accounting value of the net assets (excluding intellectual property rights and goodwill) of the business (of approximately US$ 1 million). The principal asset which was thus acquired comprised a treasury "front-end" software module which will complement *TEMENOS GLOBUS*. The consideration was in the form of 148,755 fully paid Temenos Holdings NV shares. In the context of this acquisition, the Temenos Group added 60 persons to its headcount, 35 of whom were employees of Alphametrics Limited and 25 of whom were employed by an associate of Alphametrics Limited in Thailand. Options to purchase a total of 37,614 Temenos Holdings NV shares were granted to the employees so transferred. These options will become exercisable in three years, at an exercise price of US $0.01 per share. In addition, one of the shareholders of Alphametrics Limited, who became an employee of the Temenos Group on completion of the acquisition, has received 16,776 fully paid Temenos Holdings NV common shares as consideration for his agreeing to become an employee of the Temenos Group. The above described acquisition, which was completed in April 2001, is a post 31 December 2000 event and is not, in any way, reflected in the consolidated financial statements of Temenos Holdings NV, as of 31 December 2000, other than through this reference.

As at 2 June 2001, there were no reportable post-balance sheet events other than those referred to above, in note 1 (concerning the I.T. Services Limited transaction) and in note 14 (concerning the share options granted to the employees of the Temenos Group).

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