

Financial Results & Business Update

Quarter ended June 30th, 2006

Disclaimer

- Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors. In particular, the forward-looking financial information provided by the company in this conference call represents the company's estimates as of July 26, 2006. We anticipate that subsequent events and developments will cause the company's estimates to change. However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to July 26, 2006.

Presentation Overview

Agenda

Introduction

Business Update

Financial Results

Speaker

Max Chuard

Andreas Andreades

David Arnott

Position

Director

CEO

CFO

Business Update

Andreas Andreades
CEO

TEMENOS VISION AND SUMMARY



TEMENOS VISION is to become the leading global brand in financial services software

TEMENOS TODAY is the provider of choice for the world's leading financial institutions:

Supporting two product lines for core processing:

TEMENOS T24™ (T24): Private, Universal, Wholesale and Retail Banks

COREBANKING (TCB): Large scale Retail Banks

International Client Base: 500+ Institutions, 600+ live locations

HQ Geneva, listed on SWX Exchange (TEMN) and global presence through 39 offices

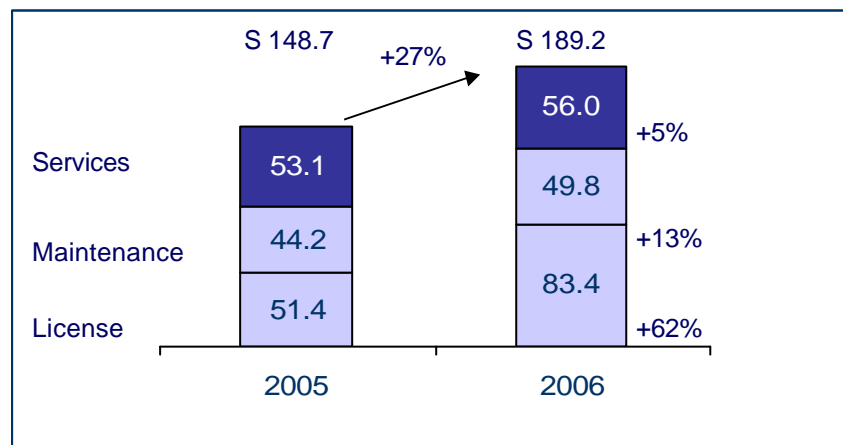
Q2 2006 RESULTS – KEY POINTS



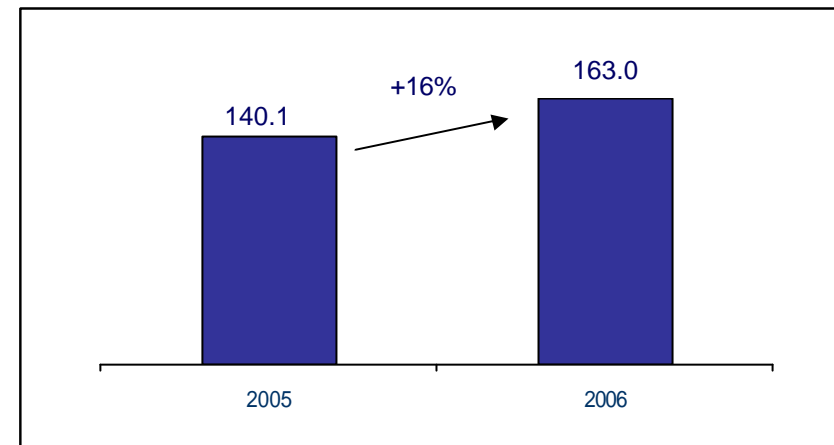
- Outstanding second quarter exceeding our Q2 targets with strong business momentum continuing
- License revenues for the quarter exceeded our target and grew at 149% compared to Q2 2005. Total revenues grew by 50% and diluted EPS grew by 400% compared to Q2 2005.
- For the last 12 months:
 - **LTM Revenues up 27% (Like for like Revenues up 34%)**
 - **LTM License Revenues up 62% (Like for like License Revenues up 81%)**
 - **LTM Operating costs up 16%**
 - **LTM EBITDA up 44%**
 - **LTM EPS up 193%**
 - **LTM Cash Flow from Operations up 3%**
- We have signed a landmark T24 deal with Fortis, one of the 20 largest financial institutions in Europe to support its entire retail banking operations. We also signed a significant TCB deal. More details will follow on this.
- On the basis of consistently strong performance to date, business momentum and pipeline visibility, we have further increased our 2006 outlook (refer to slide 20 and 33).

ROLLING 12 MONTHS - BUSINESS UPDATE

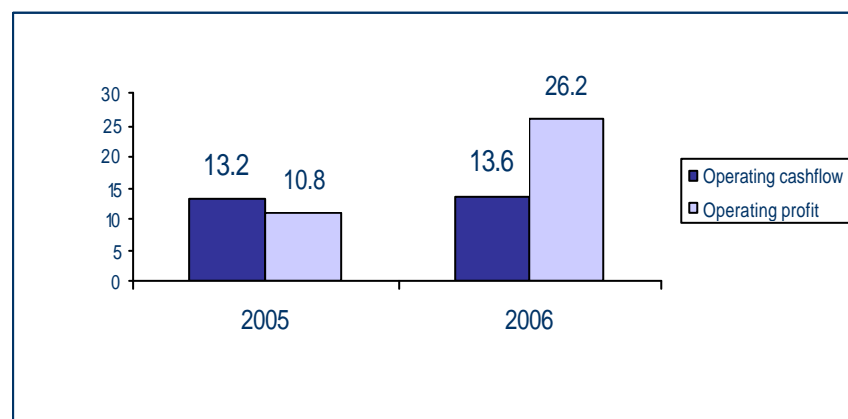
Revenues (USD m)



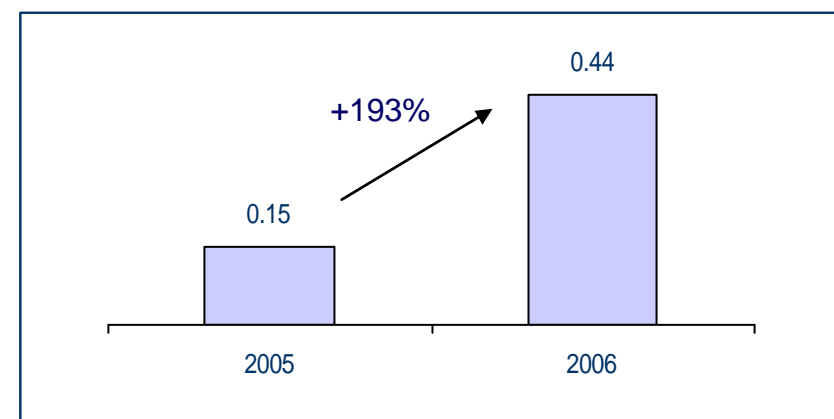
Costs (USD m)



Cash Flow from Operations and EBIT (USD m)



Fully Diluted EPS (USD per share)



SALES PERFORMANCE – BUSINESS UPDATE (CONT.)

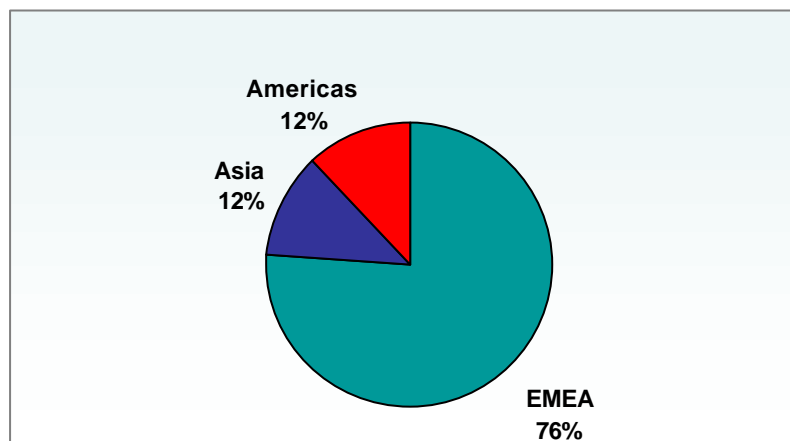
- T24 license revenues grew by 74% in the quarter compared to Q2 2005 and by 36% in the last 12 months compared to the same period last year. On a like for like basis, T24 license revenues in the last 12 months grew by 54% compared to the same period last year.
- TCB license revenues increased by 307% ie more than quadrupled in the last 12 months compared to the same period last year.
- Revenues and license revenues per geography shown below.

	LTM % growth		
	EMEA	Asia	Americas
Licensing	26.6%	233.4%	96.0%
Total revenues	6.8%	138.6%	46.7%

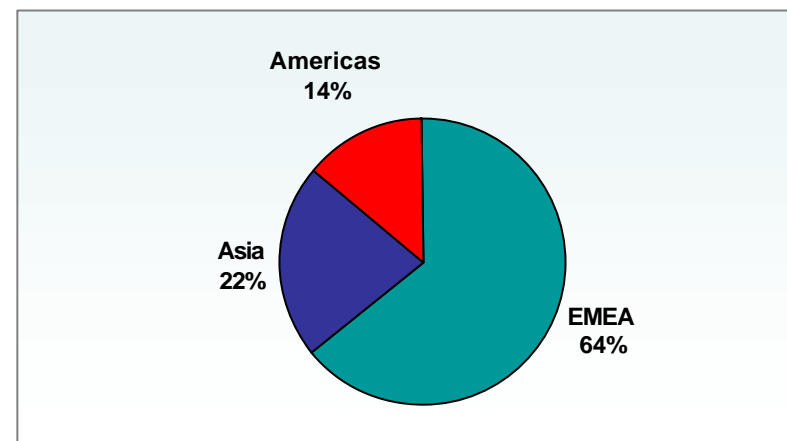
- In the last 12 months Tier 1&2 represented 41% of license revenues compared to 25% in 2005, providing continued validation of our strategy. We continue to increase the mix of Tier 1&2 consistent with our strategy.
- In the last 12 months, Retail and Universal banking reached 84% (05: 74%) sales mix with Private Banking and Wholesale constituting the balance, consistent with our focus on these segments.
- During the quarter price dynamics were good across all regions and business lines.

ROLLING 12 MONTHS - BUSINESS UPDATE (CONT.)

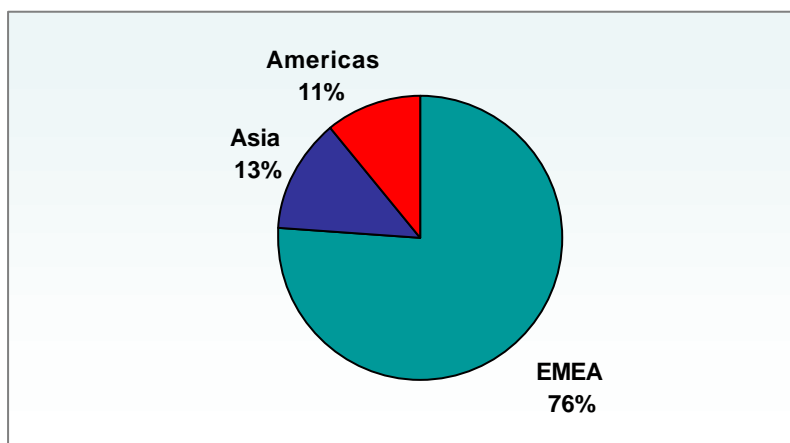
Revenues – LTM 2005



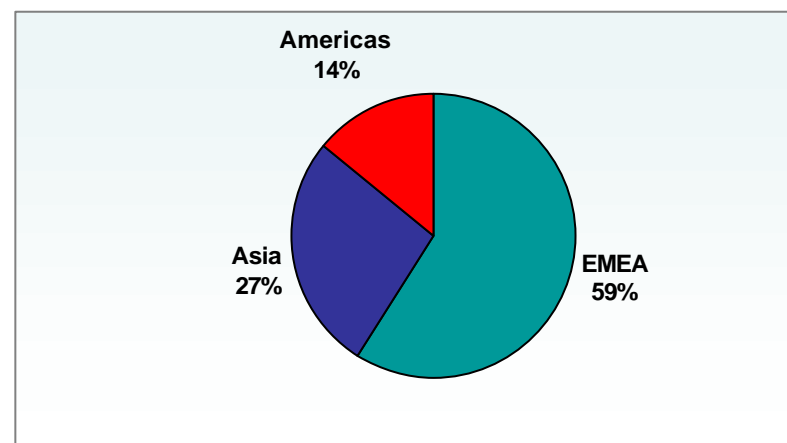
Revenues – LTM 2006



License Revenues – LTM 2005



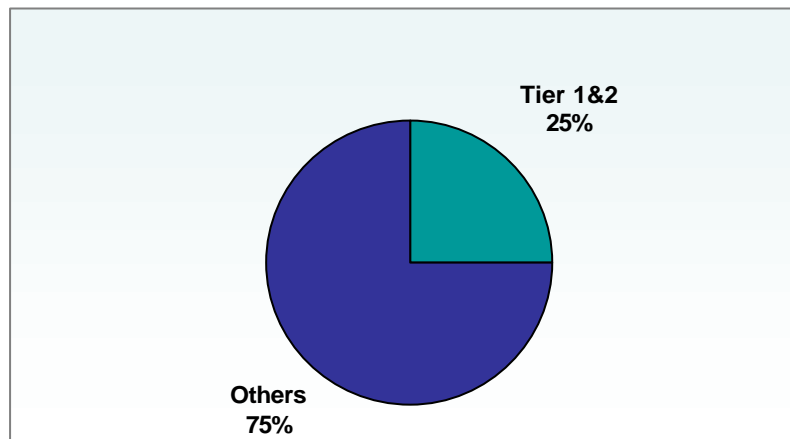
License Revenues – LTM 2006



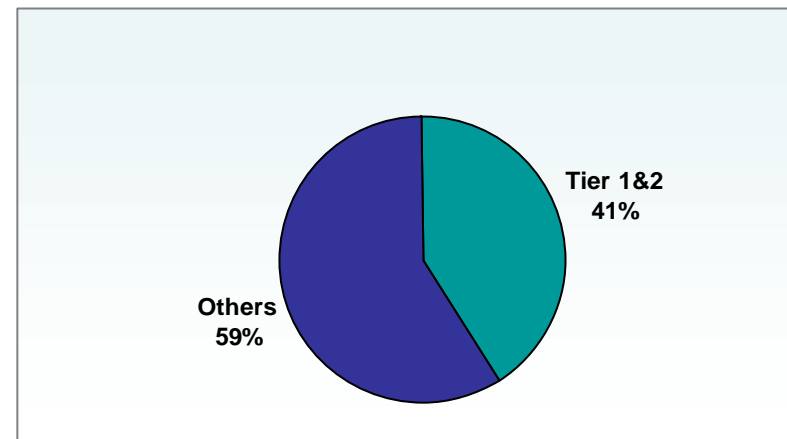
(1) On a \$ basis

ROLLING 12 MONTHS - BUSINESS UPDATE (CONT.)

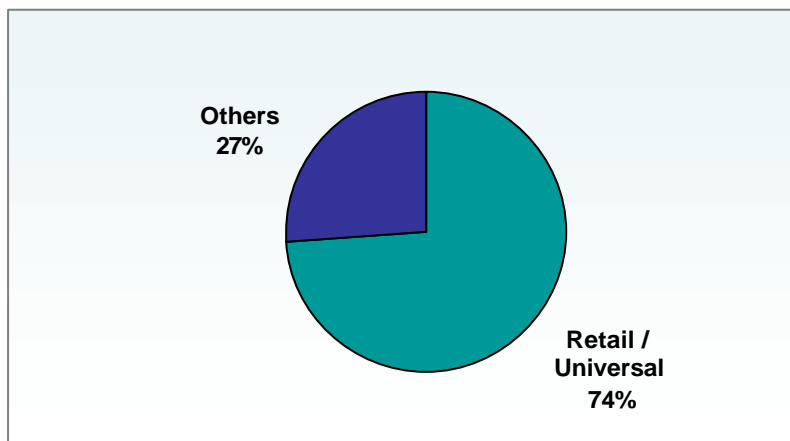
License Revenues – LTM 2005



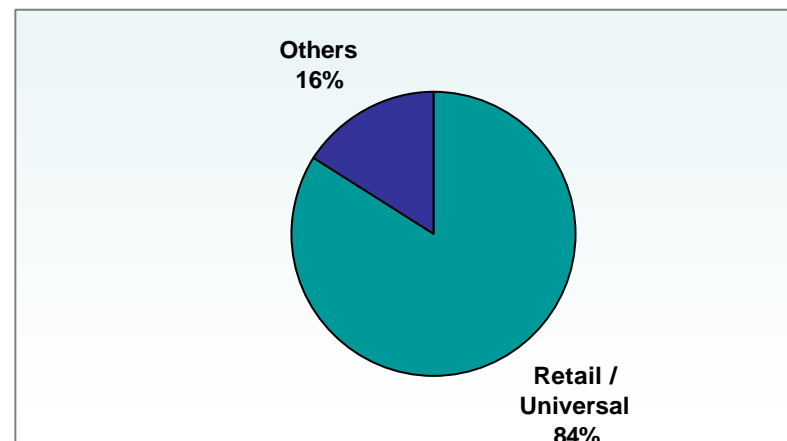
License Revenues – LTM 2006



License Revenues – LTM 2005



License Revenues – LTM 2006



(1) On a \$ basis

COMPETITION & MARKET SHARE

- In the last 5 quarters, we have been steadily improving our win ratios from an already high 80% and winning consistently against competition including iflex, Misys, Fidelity, Infosys and SAP.
- TEMENOS has the richest product and broader distribution, as well as domain expertise to compete effectively against any combination of players:
 - **The combination of T24 as a broad, open technology product with TCB as a large scale retail, mainframe based product is unique and covers the market fully**
 - **The excellent architecture of T24 and TCB as a single products developed organically and coherently presents a unique competitive advantage**
- Success demonstrated by 2005 IBS Report which ranked Temenos No1 in terms of new licenses by dollar value and No2 for number of new deals
- TEMENOS market share for new licenses in our target markets was approximately 30% in 2005 (2004: 23%)

POSITION IN THE MARKET

IBS League Table

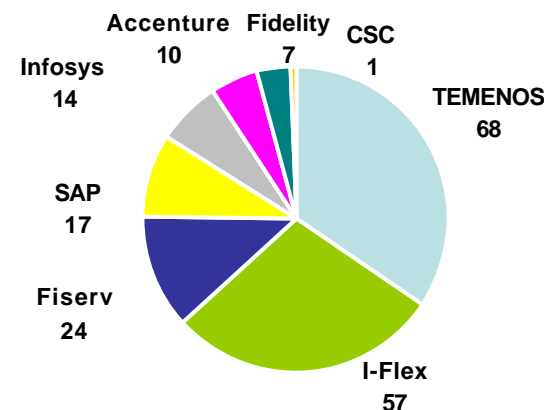
Supplier	Product	New name customers signed in 2005(1)	Customers	Live sites
i-flex Solutions	Flexcube	38	170	200+
TEMENOS	T24/TCB	34	478	645
Misys	Summit	17	110	200+
R-Style	RS-Bank	16	370	370
Calypso Tech.	Calypso	15	27	16
Infosys	Finacle	13	88	72
Misys	Equation/Midas	9	646+	924+
Fidelity	Corebank/Profile/Systematics	5	176	190
SAP	BCA, AM	4	35	28
Fiserv	ICBS	3	110	130

- For the last eight years, TEMENOS has been ranked either #1 or #2 in terms of new client wins per year by IBS
- TEMENOS market share for new licenses in its target markets was approximately 30% (2004: 23%)

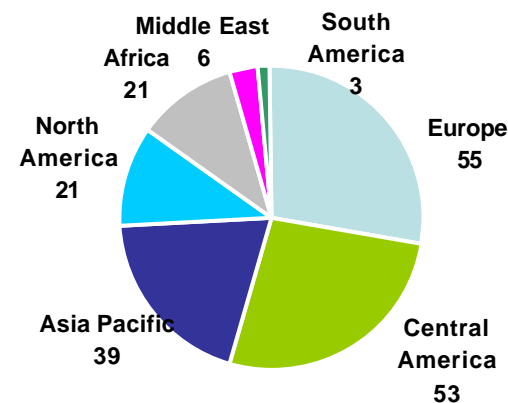
(1) Number of known wins

Source: International Banking Systems, 2005; TEMENOS

Forrester Research, Inc Banking Platform Wins 2005



Vendor' 2005 banking platform deals



The geographical distribution of banking platform deals in 2005

MARKET OUTLOOK

- Robust and increased growth in core spending for Retail, Universal and Private banks on a global basis
- Core system replacement today represents the number one or number two priority for CIO's of major institutions
- Key drivers are growth and strategic cost management, this is not a cyclical driver but a compelling case for restructuring
 - **Customer retention**
 - **Introduction of new products**
 - **Effective cross selling**
 - **Reduction of maintenance cost of legacy systems to allow strategic investment**
- Acceleration in Tier 1 western European banks to evaluate core system replacement requirements as evidenced by recent successes
- Temenos is ready to service this significant market opportunity

MARKET TRENDS

Industry analysts also forecast significant growth in spending on corebanking systems :

- Forrester reported that more than 68% of western European banks will commence a core renewal project in the period 2005 to 2010 (Source: Forrester Research 2005)
- Gartner expects 6 European Core projects in following 12 to 18 months (Source: Gartner Symposium IT Expo 2006)
- More than 50% of banks in a survey of 100 decision makers in European retail banking expect to replace some core systems in the next 5 years (Source: Datamonitor Feb 2006)

NEW PRODUCT OFFERING – TEMENOS FRONT OFFICE - ARC

- In response to Banks' focus on driving revenue growth through managing their client relationships more efficiently we are releasing our Front office suite – ARC (Acquire, Retaining, Cross selling): operational and analytical customer relationship management, process workflow and channel banking
- We want to revolutionise and bring product discipline to the front office – apply 12 years of back office expertise
- Unique features:
 - **Single architecture: fully integrated with our products**
 - **Fully packaged**
 - **Banking Industry specific**
- Potentially as big a market as for back office
- Phased release throughout 2006, pilots in 2006 and GA in Q1 2007

OTHER NEW PRODUCT OFFERINGS

- T Risk: TEMENOS risk, Basle II & enterprise risk platform
- Data warehouse and management information
- T24 on Microsoft stack
- J2EE offering and componentisation of our TCB product

MISYS USER TARGET REPLACEMENT PROGRAMME

- Ghana International selected TEMENOS T24 Model Bank for Midas users, to implement in their London operations
- This is the fourth Misys replacement win since we started the program seven months ago
- The pilot project for validation of the implementation timeline is scheduled for completion in Q3 06 taking less than 10 months
- We expect an acceleration in the number of banks converting from Midas as we prove the low implementation timeline and cost of migration

CLIENT SERVICES STRATEGY: AN UPDATE

- Our services strategy to achieve both faster revenue growth and margin improvement have been launched at our Temenos Client Forum in June.
- Faster revenue growth will be achieved by broadening our basic implementation services offering as follows:
 - **High value consulting focused on helping banks optimise processes and practices with our software as the enabler delivered by dedicated locally based banking experts**
 - **Local development services and upgrade services delivered offshore through a dedicated development factory based in Chennai. We have already increased capacity and won our first 3 contracts.**
- A large part of our basic implementation work is already being transferred to our Chennai facility.
- We expect these initiatives will deliver compound revenue growth of around 20% per annum for the next 24 months and significantly improved net services margins of 10%-15% within approximately the same time frame, and a breakeven services margin within the next 6 months.

ACQUISITIONS

- Organic growth model on track delivering exceptional EPS growth
- Majority of banks are expected to replace their Core Banking systems in the next 5 years. Vendor growth over the next 3-5 years will determine long term leadership in our market. TEMENOS intends to take advantage of the opportunity to complement an accelerating organic growth model with acquisitions in order to achieve this leadership.
- TEMENOS has a significant pipeline of potential acquisitions in its core business areas:
 - **Enhance product**
 - **Acquire client base**
 - **Strengthen delivery capability and distribution**
- Management continues to maintain a disciplined approach in conducting acquisitions and will remain focused on delivering shareholder value.
- Acquisitions will be funded either through cash or equity. Company raised CHF 132.5 million or equivalent of approx. USD 100 million in March through a convertible bond offering.

BUSINESS OUTLOOK

- We continue to see strong business momentum into the second half of the year fuelled by banks necessity to correct significant structural issues that precipitate changing their aging legacy systems.
- We expect our medium term T24 license revenues to grow at 20% (LTM like for like T24 growth at 54%) and CAGR for the last 36 months 48%.
- We continue to target aggressive medium term TCB growth around a Tier 1&2 conversion (LTM growth at 307%) and CAGR for the last 48 months 77%.
- We are investing in product, technology, services and sales infrastructure in order to continue to grow market share in a faster growing market. This will enable TEMENOS to consolidate our leadership position.
- 2006:
 - Our revised outlook is for EPS in excess of \$45 cents per fully diluted share (2005: \$32 cents), a growth in excess of 40% from the prior year, compared to our previous outlook of fully diluted EPS growth in excess of 30% on 2005
 - Revised growth of licensing revenues outlook for USD 85-90 million compared to USD 80-85, a growth of 36% compared to 2005
 - We are now expecting to reach USD 205 - 210 million of revenues in 2006 compared to our previous guidance of approximately USD 200 million, a growth of 23% on 2005

2003 – 2005: WHAT HAVE WE ACHIEVED?

- Established a growing and profitable company
- Built product superiority and client referenceability
- Strengthened management team
- Broadened sales coverage
- Demonstrated increasing Tier 1 and Tier 2 penetration

THE NEXT CHALLENGES

- Accelerate organic revenue growth for the next 3 to 5 years beyond 2006 levels of 23% (15% CAGR for the past 4 years)
- Consolidate a clear leadership in high end retail banking with TCB
- Establish a profitable and growing services business model
- Demonstrate a credible and growing U.S. proposition
- Complete the roll out of our sales organization
- Demonstrate a successful acquisition model to enhance organic growth

Financial Results

David Arnott
CFO

Q2 2006 FINANCIAL HIGHLIGHTS

Earnings Per Share

- **Fully diluted EPS** for the quarter of **USD 0.15** per share compared to **USD 0.03** per share for the same period last year. **Fully diluted EPS** for the **LTM** of **USD 0.44** per share compared to **USD 0.15** per share for the same period last year, **up 193.3%**.

EBIT

- **EBIT** at **USD 5.5 million** for the quarter compared to **USD 2.1 million** for the same period last year, **up 162.5%**. **EBIT** at **USD 26.2 million** for the **LTM** compared to **USD 10.8 million** for the same period last year, **up 143.0%**.

Revenue

- **Revenues** at **USD 55.8 million** for the quarter compared to **USD 37.2 million** for the same period last year, **up 50.1%**. **Revenues** at **USD 189.2 million** for the **LTM** compared to **USD 148.7 million** for the same period last year, **up 27.2%**.

Operating Costs

- **Operating Costs** at **USD 50.3 million** for the quarter compared to **USD 35.1 million** for the same period last year, **up 43.4%**. **Operating costs** at **USD 163.0 million** for the **LTM** compared to **USD 140.1 million** for the same period last year, **up 16.4%**.

EBITDA

- **EBITDA** at **USD 7.7 million** for the quarter compared to **USD 5.3 million** for the same period last year, **up 45.1%**. **EBITDA** at **USD 35.3 million** for the **LTM** compared to **USD 24.6 million** for the same period last year, **up 43.6%**.

Cash Flows from Operations

- **Cash Flows from Operations** at **USD 1.3 million** for the quarter compared to **USD 3.1 million** for the same period last year. **Cash Flows from Operations** at **USD 13.6 million** for the **LTM** compared to **USD 13.2 million** for the same period last year, **up 2.9%**.

INCOME STATEMENT

USD million

Quarter ended June 30

LTM

	2006	2005	Growth	2006	2005	Growth
Revenues						
Licensing	29.2	11.7	148.9%	83.4	51.4	62.0%
Maintenance	12.9	11.4	13.2%	49.8	44.2	12.8%
Services	13.8	14.1	(2.3)%	56.0	53.1	5.5%
Total revenues	55.8	37.2	50.1%	189.2	148.7	27.2%
Total operating costs	50.3	35.1	43.4%	163.0	140.1	16.4%
Other Non-Operating Income	0.0	0.0	n/a	0.0	2.1	n/a
EBIT	5.5	2.1	162.5%	26.2	10.8	143.0%
EBITDA	7.7	5.3	45.1%	35.3	24.6	43.6%
Net profit	8.8	1.5	503.3%	25.8	8.4	208.0%
Diluted EPS (in USD per share)	0.15	0.03	400.0%	0.44	0.15	193.8%
Cashflow from operations	1.3	3.1	(56.8)%	13.6	13.2	2.9%

LIKE FOR LIKE INCOME STATEMENT

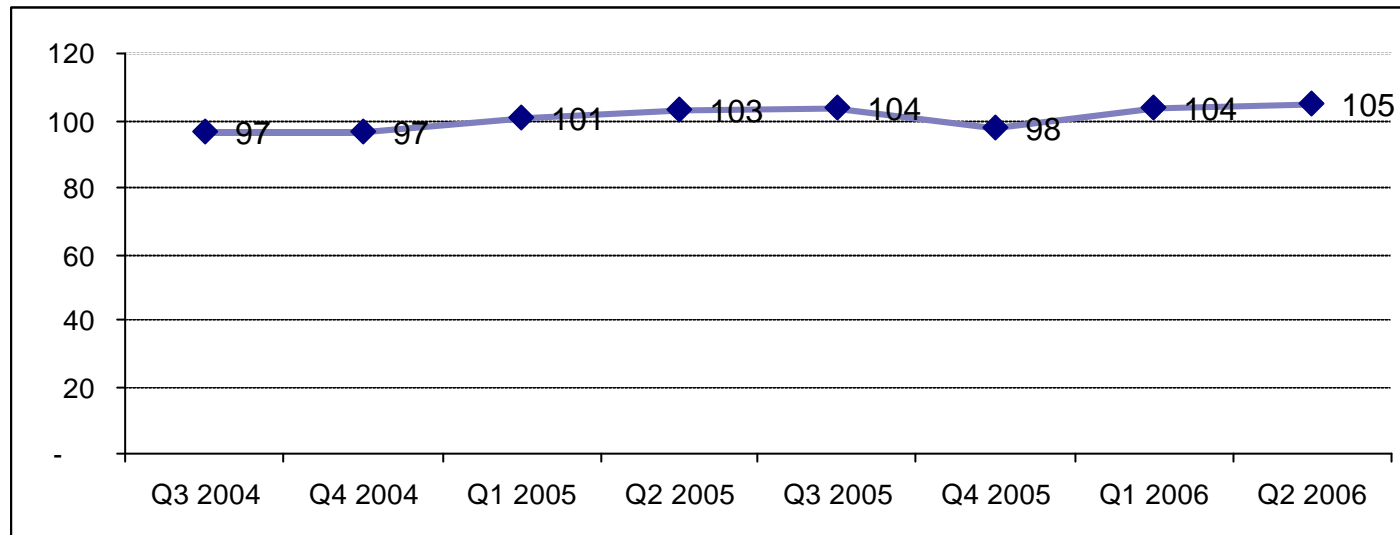
USD million	LTM June 30		%
	2006	2005	
License revenues as reported	83.4	51.4	62.0%
Change in methodology - % of completion		(5.2)	
Like for like license revenues	83.4	46.2	80.5%
Reported Revenues	189.2	148.7	27.2%
Like for like Revenues	189.2	143.5	31.9%
Like for like Revenues currency adj.	189.2	141.2	34.0%
Reported EBIT	26.2	10.8	143.0%
Like for like EBIT	26.2	5.6	367.9%
Like for like EBIT currency adj.	26.2	4.8	445.8%
Like for like diluted EPS	0.44	0.06	633%

OPERATING COSTS

USD million	Quarter		%
	Q2	Q1	
Reported operating costs	50.3	36.4	62.3%
Variable costs with higher profit	(6.7)		
One off costs absorbed in Q2	(6.4)		
Underlying costs	37.3	36.4	2.5%

- On an underlying basis, our operating costs have increased by US\$0.9 million quarter on quarter. This underlying rate of cost increase supports our full year costs in our business outlook for the year.

DSOs ANALYSIS



- DSO definition (see below) based on using average LTM receivables. This allows trend comparisons without the distortion of deal lumpiness and seasonality.
- DSOs have remained broadly constant over the last 24 months despite our higher exposure in Tier 1&2.

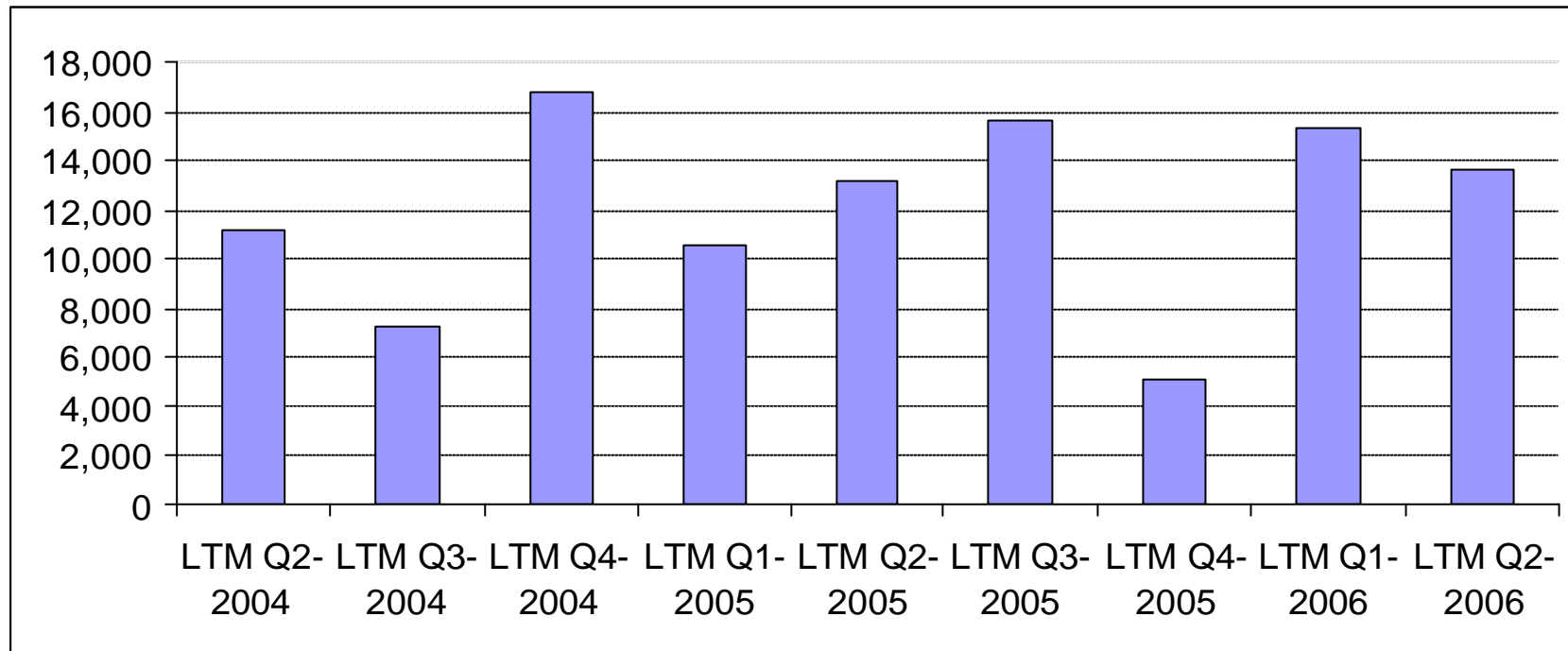
*DSOs defined as average of lagging 12 months receivables and divided by lagging 12 months revenues adjusted for maintenance invoicing (see appendix for calculation).

DSO's ANALYSIS (CONT.)

USD million	LTM 2006	LTM 2005	%
Revenues	189	149	27%
EBITDA	35	25	44%
Average LTM Receivables	96	76	26%
DSO's	105	103	2%

- With broadly constant DSOs average LTM receivable have grown in line with revenues.
- As we continue to leverage revenues, EBITDA is expected to grow faster than revenues and constant DSOs will cause operating cashflows to grow faster than EBITDA.

12 MONTH ROLLING CASHFLOW FROM OPERATIONS (US\$'000)



- Cashflow from operations in line with our plan for the quarter and on target to reach approximately USD 30 million for calendar 2006, based on DSO's of approximately 100 days.

CASH EBITDA

USD million	LTM 2006	LTM 2005	%
Revenues	189.2	148.7	27%
Reported Operating Costs	163.0	140.1	16%
Capitalised development	13.9	8.4	65%
Non-cash costs	(4.7)	(2.7)	74%
Depreciation & amortisation	(9.2)	(13.8)	(33)%
Cash cost	163.0	132.0	23%
“Cash EBITDA”	26.2	16.7	57%
EBITDA	35.3	24.6	44%

- Significant leverage for both EBITDA and Cash EBITDA for 2006.
- As Capitalization and amortization of development costs will have no significant net impact on our reported earnings from 2007 onwards, Free Cashflow is expected to grow faster than Cash EBITDA and EBITDA.

FREE CASH FLOW AND REPURCHASE OF OWN SHARES TO FUND STOCK OPTION OBLIGATIONS

- Continued consistent management of our DSO's and working capital, as achieved in the last 8 quarters, is expected to result in free cash flow at an accelerated pace, when compared to EBIT and EBITDA, during the next few years.
- Convertible bond issuance has provided the acquisition capital the company requires for the medium term in addition to available working capital.
- Temenos will be using free cash flow generation to fund its stock option obligations and therefore limit shareholder dilution from its employee stock option plans.
- During Q2 we have anticipated our free cash flow generation for 2006 and repurchased 670,000 TEMENOS shares at an average price of chf 12.4 or a value of USD 6.7 million.
- We will take an opportunistic view on the timing of buying back our own shares to maximize shareholder value.

OUTLOOK 2006

US\$ million	Previous	Mvt	Revised	2005	%	LTM Q2 06
License Revenues	80 - 85	+ 5	85 - 90	64.4	+36%	+62%
Revenue	200	+ 5 -10	205 - 210	168.7	+23%	+27%
EPS per diluted shares	n/a		+45cts	+32cts	+40%	44cts
EPS Growth*	+ 30%	+10%	+ 40%			+193%

* Our EPS outlook excludes any potential profit from financial instruments in 2006.

ASSUMPTIONS DRIVING OUTLOOK

- Foreign Exchange Gain (Losses) – net
 - We are assuming no gain or losses on our hedging activities during 2006. We have taken the view that H1 gain on foreign exchange will revert during H2. This means that we are assuming that USD 4 million exceptional foreign exchange gain in H1 will reverse in H2
- Number of Diluted Shares
 - The outlook is based on 60.8 million of diluted shares

Appendix

Q2 2006 CASH FLOW

US\$ million	Qtr ended June 30		LTM	
	2006	2005	2006	2005
Net cash at beginning of period	116.6	19.3	17.3	25.3
Cashflow from operating activities	1.3	3.1	13.6	13.2
Capital spending	(4.8)	(4.1)	(17.7)	(19.0)
Other (tax, FX impact, etc)	(0.1)	(0.4)	(1.4)	(1.0)
Free cashflow	(3.6)	(1.4)	(5.5)	(6.8)
Financing- convertible bond	-	-	100.0	-
Financing- buy back	(6.8)	(0.5)	(6.4)	(0.6)
Financing- other	1.1	(0.0)	2.0	(0.6)
Net cash at end of period	107.3	17.3	107.3	17.3

SERVICES MARGIN

USD million	Q2 2006	Q1 2006	Q2 2005	LTM
Services revenue	13.8	12.9	14.1	56.0
Costs	(16.0)	15.0	(14.1)	64.3
Margin	<u>(2.2)</u>	<u>(2.1)</u>	<u>(0.0)</u>	<u>(8.3)</u>
% Margin	(16.0%)	(16.3%)	(0.0%)	(14.8%)

RESEARCH & DEVELOPMENT

US\$ million	Q2 2006	Q1 2006	Q2 2005
R&D costs – as reported	9.2	7.5	5.7
Capitalised development costs	3.6	3.2	2.1
Non cash items	<u>(2.4)</u>	<u>(1.9)</u>	<u>(2.6)</u>
Cash R&D costs	10.4	8.8	5.2

RESEARCH & DEVELOPMENT (CONT.)

US\$ million	LTM 2006	LTM 2005	%
R&D costs – as reported	28.3	24.7	15%
Capitalised development costs	13.9	8.4	
Non cash items	<u>(8.7)</u>	<u>(10.6)</u>	
Cash R&D costs	33.5	22.5	49%

CURRENCY MOVEMENTS

USD millions	Q2 06	Q2 05	%	LTM 06	LTM 05	%
Revenue – as reported	55.8	37.2	50.1%	189.2	148.7	27.2%
Currency impact	n/a	n/a		n/a	(2.2)	
Revenue adj. for Currency	55.8	37.2	50.1%	189.2	146.5	29.1%
Operating costs – as reported	(50.3)	(35.1)	43.4%	(163.0)	(140.0)	16.4%
Currency impact	n/a	0.1		n/a	1.5	
Operating expenses adj. for Currency	(50.3)	(35.0)	43.7%	(163.0)	(138.5)	17.7%
Net operating currency impact		0.1			(0.7)	

CALCULATION OF DSO's

	DSOs	Average receivables ('000 USD)	LTM revenues*('000 USD)
Q3 2004	97	70,254	187,507
Q4 2004	97	73,045	196,805
Q1 2005	101	74,707	192,967
Q2 2005	103	75,924	191,579
Q3 2005	104	76,746	192,471
Q4 2005	98	80,463	214,174
Q1 2006	104	87,245	217,145
Q2 2006	105	95,790	236,646

*revenues adjusted for maintenance invoicing

•DSO's = (Average receivables divided by LTM revenues*)*52*5