

FOR IMMEDIATE RELEASE

TEMENOS REPORTS:

- EXCELLENT START TO 2006 WITH STRONG BUSINESS MOMENTUM
- INCREASE IN 2006 LICENSE REVENUE OUTLOOK
- INCREASE IN MEDIUM TERM T24 LICENSE REVENUE GROWTH
- ANNOUNCEMENT OF STRATEGIC REPOSITIONING OF SERVICES BUSINESS

Geneva, Switzerland, Wednesday 3rd May 2006, TEMENOS Group AG (SWX: TEMN), a provider of integrated core banking software, today announced its first quarter 2006 financial results.

Highlights – First Quarter 2006

- Excellent start to the year with strong business momentum
- License Revenues exceeding our target at US\$ 11.1 million, up 16% compared to Q1 2005. Like for like License Revenues up 41% compared to Q1 2005. Excellent cost management with costs growing by 6%, and cash flow of US\$ 2.7 million compared to US\$ (7.6) million in Q1 2005
- Since the end of the quarter we have won and are concluding contracts for a number of large and strategic T24 and TCB deals with Tier 1 and Tier 2 banks
- Business model on target – last 12 months (“LTM”) comparisons favourable and point to excellent top line and Licence Revenue growth, cost leverage and cash flow generation:
 - LTM Revenues up 15% (Like for like Revenues up 20%)
 - LTM License Revenues up 20% (Like for like Licence Revenues up 38%)
 - LTM Expenses up 6%
 - LTM EPS up 106%
 - LTM Cash Flow form Operations up 45%
- TEMENOS announces strategic repositioning of its Services business to accelerate services revenue growth and improve margin
- TEMENOS to increase its License Revenue outlook for 2006 from US\$ 75-80 million to US\$ 80-85 million. License Revenues are now expected to grow by 28% compared to 2005
- TEMENOS to increase its medium term T24 growth target from 10% to 20%

Andreas Andreades, Chief Executive, commented:

"I am delighted with the excellent start to the year and the strong momentum we are seeing in the business. In the first quarter, we have exceeded our targets across all line items. We see this momentum continuing and since the end of the quarter we have won and are concluding contracts for a number of large and strategic T24 and TCB deals with Tier 1 and Tier 2 banks. This allows us to upgrade our 2006 outlook. This is the second year in a row that TEMENOS revises its outlook statement upwards.

TEMENOS is now in excellent shape with product superiority, global sales coverage, domain expertise and a strong management team. Our market is experiencing accelerating growth and it is time to capitalise on our strong competitive position. We now target organic revenue to grow at an accelerated rate for the next few years complemented by a successful acquisition model. This will consolidate our leadership position and deliver exceptional shareholder value."

Operational Review

Like for like revenues in Q1 2006 (revenues adjusted for the legacy of percentage completion) were US\$ 36.8 million compared to US\$ 33.2 million in the same period, up 11%. Reported total revenues for Q1 2006 were at US\$ 36.8 million compared to US\$ 34.9 million in the same period last year, up 5%. Since large deals can cause fairly large swings in our quarterly reporting, we believe the last 12 month figures more accurately reflect the underlying performance of our business. Revenues for the last 12 months reached US\$ 170.6 million compared to US\$ 148.8 million for the same period last year, an increase of 15%.

The drivers for the change in revenues are explained below:

Reported licensing revenues for Q1 2006 increased by 16% compared to US\$ 9.6 million in the same period last year. License revenues, adjusted for license revenues relating to contracts signed in prior periods and deferred into 2005 under 'percentage completion' accounting, increased by 41% to US\$ 11.1 million in Q1 2006. Q1 2005 is the last quarter containing legacy of percentage of completion revenues. On a reported basis, the last 12 month license revenues grew by 20% compared to the comparative period. On a 12 month basis, like for like license revenues increased by 38% compared to the comparative period.

Maintenance revenues increased to US\$ 12.9 million in Q1 2006, up 14% on the comparable period last year in line with our plan. Maintenance revenue growth is assisted by the fact that we now have a standard maintenance rate of 21% applied to T24 ILF signings and a rate of between 10% to 15% applied to TCB ILF signings; TCB is still at an earlier stage in its life cycle. In the absence of a material attrition rate our maintenance revenues grow as our cumulative client base grows. For the last 12 months, maintenance revenues increased to US\$ 48.3 million in Q1 2006,

compared to US\$ 42.2 million for the comparable period, an increase of 14% compared to the same period last year.

Service revenues decreased by 8% in Q1 2006 compared to the same period last year. This reflects the timing of project starts and completion during the current and comparative quarters. On a 12 month basis, services revenues increased by 9% compared to same period last year.

Total expenses in Q1 2006 increased by 6% to US\$ 36.4 million, compared to US\$ 34.5 million for Q1 2005. On a 12 month basis, total expenses in 2006 increased by 6% compared to the comparative period. Capitalised development costs were US\$ 3.2 million for Q1 2006, compared to US\$ 1.6 million for the same period last year. Due to our significant investment in both T24 and TCB, a portion of our development effort is capitalised where the compulsory criteria are met. This represents around 30% of our annual R&D spend. We believe that this is conservative as industry experts believe that companies reporting under IFRS will need to capitalise on average 50% of their R&D costs. Capitalisation of development costs by quarter is uneven, and in 2006 capitalisation will be more evenly spread than in prior years and reduce as a percentage of total R&D costs compared to 2005.

Reported EBIT for Q1 2006 was US\$ 0.5 million, flat compared to the same period last year. On a like for like basis, EBIT for Q1 2006 were at US\$ 0.5 million compared to US\$ (1.2) million for the same period last year. On a 12 month basis, EBIT amounted to US\$ 22.8 million compared to US\$ 11.4 million, up 99%.

Net profit for the quarter was US\$ 0.5 million, compared to US\$ 0.0 million for the same period last year – resulting in diluted EPS of US\$ 0.01 per share on a fully diluted basis compared to a US\$ 0.00 per share for the comparative period. Like for like diluted EPS for the quarter was US\$ 0.01 compared to US\$ (0.02) for 2005. On a 12 month basis, net profit for the quarter was US\$ 18.8 million compared to US\$ 9.4 million, up 99%— resulting in diluted EPS of US\$ 0.33 per share on a fully diluted basis compared to a US\$ 0.16 per share for the comparative period, up 106%.

Cashflow from Operations was US\$ 2.7 million in Q1 2006 compared to US\$ (7.6) for the same period last year, correcting a lower than usual Q4 2005. This is the first time that Temenos has generated positive operating cashflow in the first quarter, which is seasonally low due largely to the absence of material maintenance inflows. On a 12 month basis, cashflow from operations was US\$ 15.4 million compared to US\$ 10.6 million for the comparative, an increase of 45%. We anticipate that this strong performance will continue throughout 2006.

Sales Performance

T24 license revenue growth continued to be exceptional with like for like growth in Q1 2006 of 64% compared to same period last year. As reported, T24 grew by 27% in the quarter compared to the same period last year. On a 12 month basis, like for like T24 license revenues grew by 32% compared to the same period last year. In the absence of a TCB deal in the quarter, TCB was flat in Q1 2006 compared to Q1 2005. In the last 12 months, TCB grew by 73% compared to the same period last year.

Growth came from all regions, but with faster growth in Asia Pacific and the Americas resulting in a better balanced region mix. On a 12 month basis, EMEA represents 58% of license revenues, Americas 21% and Asia Pacific 21%. We are pleased to have established an Americas and Asia Pacific business of around 20% each of license revenues mix following our infrastructure investment and market focus.

On a 12 month basis, the share of Tier 1 and Tier 2 institutions in our license revenues is going up from 27% in 2005 to 39% in 2006. On a 12 month basis, the share of our retail and universal banking new deals moved from 73% in 2005, to 75% in 2006 which is in line with our focus on retail banking – a segment of growth.

During the quarter, our increased client referenceability for both T24 and TCB, our improved sales engagement and coverage, combined with consistent product superiority, have started to result in an improvement in pricing across both license and services. Pricing has been under pressure in the Universal Banking market segment for the past two to three years and while competitive pressure still remains we are better placed to defend our value proposition.

During the quarter, a major Japanese bank and long-standing Misys client has selected T24 for its Indonesian subsidiary. T24 will enable the bank to have one centralised system with real-time processing that complies with all Central bank regulations. The timeframe for this implementation is an aggressive 10 months.

Client Services

Historically the role of the Temenos Services business was to complement our product business. Our services offering was therefore restricted in scope to basic implementation and support for our clients delivered primarily with the engagement of locally based consultants. Services growth has therefore lagged licensing growth and services margins have been below industry standard.

Management have now completed a strategic review of our services business taking into account market opportunities as well as client feedback. As a result of this strategic review we will develop and target a broader services offering, giving the opportunity to our clients to obtain services previously offered by partner organizations or delivered by in house staff. The services business will carry its own revenue, profitability and capital allocation targets as opposed to simply being complementary to our product business.

We have identified strategies to achieve both faster revenue growth, and margin improvement:

1. We target to achieve faster revenue growth by broadening our basic implementation services offering and extend it to the following areas which we believe there is a significant untapped revenue opportunity:
 - The first is high value consulting, focused on helping banks optimize processes and practices with our software as the enabler delivered by dedicated locally based banking experts
 - The second is local development services and upgrade services delivered offshore through a dedicated development factory based in Chennai
2. We target to achieve margin improvement through increasing the percentage mix of consultants engaged in basic software implementations that are based out of Chennai, India and other lower cost locations, whilst accelerating the use of Model bank in order to reduce implementation times and improve profitability.

We expect these initiatives will deliver compound revenue growth of around 20% per annum for the next 24 months and significantly improved net service margins of 10%-15% within approximately the same time frame. This results in a revision to our 3 year plan.

Acquisitions

The 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.

Our strategy in this respect is to focus on transactions which strengthen our core business rather than any diversification transactions. These would relate to the acquisition of product, such as the recently completed Basle II /risk solution transaction, or the acquisition of a client base to be upgraded to our software, or the strengthening of our delivery capability and distribution.

Management is committed to continue to follow a disciplined approach on potential transactions to ensure that we enter into accretive transactions that enhance shareholder value. We will be funding these transactions either through cash or equity. The company raised approx. US\$ 100 million in March through a convertible bond offering for this purpose.

Business Outlook

We see increased and robust growth in core spending for retail, universal and private banks on a global basis. Core system replacement represents today either the top or the number 2 priority for CIOs of large institutions driven by the inadequacy of current systems to provide a platform for growth. The ability to retain customers, introduce new innovative products and cross sell effectively is core to banks' strategy today. The findings from market research organisations about trends in the market place is overwhelming and is consistent with what we see today. Our own engagement and pipeline suggests acceleration in evaluation of Core System replacement by Tier 1 Western European banks.

Our value proposition centres on the ability of banks to manage their client relationships effectively, launch new products effortlessly and quickly, provide a modern technology platform on which this is done and manage their IT infrastructure effectively. This is 100 per cent aligned with market needs.

Since the end of the quarter, we have won and are concluding contracts for a number of large and strategic T24 and TCB deals with Tier 1 and Tier 2 banks. On the basis of consistently strong performance to date, momentum, the size of deals mentioned above and pipeline visibility, we are increasing our Licence Revenue outlook for 2006 from US\$ 75-80 million to US\$ 80-85 million. License Revenues are now expected to grow by 28% compared to 2005.

On the basis of strong core market spending, and our overall competitive position we are also increasing our medium term T24 License Revenues growth target from 10% to 20%. T24 Licence Revenue growth for the past 24 months was on average 30% per annum. This results in an upwards revision to our three year plan.

As we are revising our three year revenue plans consistent with the above we will also be investing for further growth in key strategic product initiatives and sales coverage. We will be announcing a number of key strategic product initiatives in our Temenos Client Forum on June 13th 2006 which are intended to significantly broaden our addressable market in our core space as well as extend our product offering leadership.

2006 Outlook

Since the end of the quarter, we have won and are concluding contracts for a number of large and strategic T24 and TCB deals with Tier 1 and Tier 2 banks. On the basis of consistently strong performance to date and momentum, the size of deals mentioned above and pipeline visibility, we increase our outlook for the year:

Revised Outlook:

- Fully Diluted EPS growth for 2006 in excess of 30% compared to 2005
- License Revenues of US\$ 80 – 85 million an increase of 28% compared to last year (previous outlook was for License Revenues of US\$ 75-80 million)
- We are now expecting to reach approximately USD 200 million of revenues in 2006, a growth of 19% on 2005.

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About TEMENOS

Founded in 1993, TEMENOS Group AG is a provider of integrated modular core banking systems to over 500 financial institutions worldwide. TEMENOS software provides banks with a single, real-time view of the client across the enterprise, enabling banks to maximize returns while streamlining costs. Whether providing 24/7 functionality to the wholesale, retail and private banking sectors, partnering with central banks on core system replacement, or working with the World Bank on solutions for the emerging markets, TEMENOS knows banking. The company has a transparent approach to its operations and brings to bear its experience, expertise, commitment and professionalism on every project.

Headquartered in Geneva, Switzerland, the company has 39 offices in 31 countries and is listed on the main segment of the SWX Swiss Exchange (TEMN). www.temenos.com

Any statements in this press release about future expectations, plans and prospects for the company and statements containing the words “believes”, “anticipates”, “plans”, “expects”, “will” and similar expressions, 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 press release represents the company’s estimates as today’s date. 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. These forward-looking statements should not be relied upon as representing the company’s estimates of its future financial performance as of any date subsequent to today’s date.

TEMENOS GROUP AG**consolidated income statement***All amounts are expressed in thousands of US dollars**except earnings per share*

	Three months to 31 March 2006	Three months to 31 March 2005
Revenues		
Software licensing	11,108	9,566
Maintenance	12,856	11,309
Services	12,881	14,054
<i>Total revenues</i>	<u>36,845</u>	<u>34,929</u>
Operating costs and expenses		
Cost of sales	1,089	364
Services	14,978	14,129
Software development and maintenance	7,495	6,555
Sales and marketing	6,699	7,060
General and administrative	6,101	6,344
<i>Total operating costs and expenses</i>	<u>36,362</u>	<u>34,452</u>
Operating profit	<u>483</u>	<u>477</u>
Other income (expenses)		
Interest expense, net	(72)	(108)
Financial instrument related expenses	(74)	(14)
Foreign exchange losses, net	201	(409)
<i>Total other income (expenses)</i>	<u>55</u>	<u>(531)</u>
Profit (loss) before taxation	538	(54)
Taxation	(70)	9
Profit (loss) for the period	<u>468</u>	<u>(45)</u>
Attributable to:		
Equity holders of the Company	542	9
Minority interest	(74)	(54)
	<u>468</u>	<u>(45)</u>
Earnings per share (in US\$):		
basic	0.01	0.00
diluted	0.01	0.00

TEMENOS GROUP AG**consolidated balance sheet***All amounts are expressed in thousands of US dollars*

	31 March 2006	31 December 2005 audited	31 March 2005
Assets			
Current assets			
Cash and cash equivalents	116,618	15,584	19,264
Trade and other receivables	105,736	107,730	82,087
Prepayments and other assets	4,463	4,492	6,733
<i>Total current assets</i>	226,817	127,806	108,084
Non-current assets			
Tangible fixed assets	10,575	9,402	9,652
Intangible assets	43,525	36,937	32,188
Long-term trade and other receivables	1,067	3,565	2,347
Guarantees and restricted deposits	1,280	1,160	1,189
Deferred tax assets	2,515	2,500	2,023
<i>Total non-current assets</i>	58,962	53,564	47,399
<i>Total assets</i>	285,779	181,370	155,483
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	37,093	37,542	32,570
Deferred revenues	30,609	33,596	28,978
Income taxes payable	2,946	3,357	2,040
<i>Total current liabilities</i>	70,648	74,495	63,588
Non-current liabilities			
Long-term payables	100,358	5,568	8,353
Long-term liabilities under finance leases	520	280	215
<i>Total liabilities</i>	171,526	80,343	72,156
Capital and reserves attributable to the Company's equity			
Share capital	165,933	159,009	157,870
Treasury shares	(196)	(196)	(374)
Share premium and capital reserves	(58,501)	(63,973)	(66,518)
Fair value and other reserves	(598)	(963)	3,620
Retained earnings (deficit)	7,295	6,753	(11,938)
	113,933	100,630	82,660
Minority interest	320	397	667
	114,253	101,027	83,327
<i>Total liabilities and equity</i>	285,779	181,370	155,483

TEMENOS GROUP AG**consolidated cash flow statement***All amounts are expressed in thousands of US dollars*

	Three months to 31 March 2006	Three months to 31 March 2005
<i>Cash flows from operating activities</i>		
Profit (loss) before taxation	538	(54)
Adjustments:		
Depreciation and amortisation	2,500	3,517
Gains on disposal of assets	(81)	(5)
Interest expense - net	72	108
Gains from financial instruments	(305)	-
Financial instrument related expenses	74	14
Changes in working capital:		
Decrease (increase) in receivables, work-in-progress and prepayments	4,031	(5,423)
Decrease in accounts payables and accrued expenses	(1,267)	(357)
Decrease in deferred revenues	(2,899)	(5,372)
<i>Cash generated from (used in) operations</i>	2,663	(7,572)
Income taxes paid	(88)	(122)
<i>Net cash generated from (used in) operating activities</i>	2,575	(7,694)
<i>Cash flows from investing activities</i>		
Purchase of tangible fixed assets	(1,405)	(842)
Disposal of tangible fixed assets	-	3
Purchase of intangible assets	(307)	(649)
Capitalised development costs	(3,177)	(1,626)
Acquisitions from prior periods	(226)	-
Disposal of available-for-sale investment	300	300
Interest received	62	87
<i>Net cash used in investing activities</i>	(4,753)	(2,727)
<i>Cash flows from financing activities</i>		
Proceeds from issuance of shares, net of related expenses	3,422	11
Proceeds from issuance of convertible bond, net of related expenses	100,015	-
Interest payments	(43)	(103)
Payment of financial instrument related expenses	(129)	(436)
Payment of finance lease liabilities	(110)	(32)
<i>Net cash generated from (used in) financing activities</i>	103,155	(560)
<i>Effect of exchange rate changes</i>	57	(543)
Increase (decrease) in cash and cash equivalents in the period	101,034	(11,524)
Cash and cash equivalents at the beginning of the period	15,584	30,788
Cash and cash equivalents at the end of the period	116,618	19,264