

FOR IMMEDIATE RELEASE

TEMENOS ANNOUNCES RESULTS FOR QUARTER AND HALF YEAR ENDED JUNE 30TH 2004

Geneva, Switzerland, Wednesday 28th July 2004, TEMENOS Group AG (SWX: TEMN), a leading provider of integrated core banking software for the financial services industry, today announced its second quarter and half year 2004 financial results.

Summary

- ILF signings of US\$ 16.2 million for the quarter, compared to US\$ 14.0 million for Q2 2004 (up 15.7%).
- Total revenues of US\$ 37.3 million, up 1.9% compared to Q2 2003
- Licence revenues of US\$ 15.2 million, flat compared to Q2 2003
- Maintenance revenues of US\$ 9.4 million, up 19.6% compared to Q2 2003
- Service revenues of US\$ 12.6 million, down 5.2% compared to Q2 2003
- Operating costs of US\$ 33.8 million, down 2.1% compared to Q2 2003
- Operating profit of US\$ 3.5 million, up 70.6% compared to Q2 2003
- EBITDA of US\$ 7.0 million, up 20.0% compared to Q2 2003
- Net profit of US\$ 3.0 million, up 73.1% compared to Q2 2003
- Fully diluted EPS of US\$ 0.05, compared to a US\$ 0.03 for Q2 2003

Operational Review

Andreas Andreades, CEO, TEMENOS says: "We are clearly pleased with our results and our progress to date. We are growing ILF signings at a rate of 43% in the half year, significantly ahead of our target and competition. We continue to demonstrate significant leverage with net earnings growing by more than 140% on top line growth of 11%. Growth in our maintenance stream has accelerated to 20%, its highest rate of growth for three years as our client base is expanding through signing new deals. I believe we are in an excellent position to capitalise on the strength of our products, single focus on the financial services industry and global distribution."

The value of Initial Licence Fees (ILF) for new contracts signed during the second quarter of 2004 amounted to US\$ 16.2 million, an increase of 15.7% compared to the same period last year. During the second quarter TEMENOS delivered in line with its target of new signings of US\$ 16.0 million bringing the first half of 2004 ahead of its initial target by US\$ 6.9 million (+27.6%) and ahead of last year by US\$ 9.7 million (+43.7%).

Total revenues for Q2 2004 were US\$ 37.3 million, up 1.9% on the same period last year bringing revenues for first half 2004 to US\$ 77.0 million compared to US\$ 69.5 million, up 10.8% on the comparable period last year. The drivers for the increase in revenues are explained below.

Licencing revenues for Q2 2004 were approximately at the same level as the comparable period last year bringing the first half of the year to US\$ 32.7 million, up 17.8% compared to the same period last year. Licencing revenues for the first half 2003 were at US\$ 27.7 million compared to US\$ 22.0 million of ILF signings in the same period. This was due to an unusually high number of milestones on

which licencing could be recognised during the comparative period in 2003. As we are working more with partners and have matured our offering and business model we are in a position to increasingly achieve the recognition criteria under US GAAP SOP 97-2 for unbundling licencing revenue from services and book licence revenues on a milestone basis rather than a percentage of completion. This results in licencing revenues that more closely correlate to ILF signings, with licence revenues for the second quarter at US\$ 15.3 million and ILF signings at US\$ 16.2 million.

Maintenance revenues increased by 19.6% to US\$ 9.4 million in Q2 2004 bringing our first half 2004 to US\$ 18.3 million, up 20.5% on the comparable period last year. Maintenance grows as we sign new licenses which carry a standard maintenance rate of 21% applied on the ILF. New licences contributing to maintenance in the quarter compared to last year amount to US\$ 60.7 million, our 12 months run rate. In the absence of material attrition rate our maintenance revenues grow as our cumulative client base grows.

Services revenues decreased by 5.2% in Q2 2004 bringing the first half services revenues at US\$ 26.0 million, down 2.0% compared to the prior period. Services is a lower margin business than licencing, as well as potentially being a constraint to growth. As a result, our objective is to grow licencing without increasing services revenue to the same extent, thereby improving the revenue mix and overall profitability. Services now represent 34% of total revenues for the quarter and first half 2004, in line with our target model of services representing 30% to 35% of total revenues. We have managed to bring services down from 43% in 2002 and 37% in 2003. This has now created surplus capacity to drive additional licencing out of the existing organisation and cost base for 2005 with consultants utilisation down about 5% compared to prior year. The service margin is broadly in line with last year at 9% and we have absorbed approximately 2.5% points in 2004 of currency movement compared to our budget.

During the quarter, signings have continued to shift towards larger deals due to take up of TEMENOS T24, TEMENOS' flagship product. Average deal size continued to increase with an average deal size for the first half of the year at US\$ 2.6 million compared to US\$ 1.7 million for the same period last year and an average of US\$ 2.2 million for the full year 2003. TEMENOS' success in retail banking is demonstrated by the continuing shift of our business towards retail banking totalling 45% of TEMENOS' Q2 signings and bringing it to 57% for the first half of the year compared to 13% for the same period last year.

In the first half of the year we have seen growth across all regions. Therefore all regions are either ahead or on target. ILF signings comprised 92% new licences and 8% upgrade licences to existing customers. In 2004, TEMENOS targets 10% of its signings to derive from upgrade licences to existing customers. TEMENOS' 12 months ILF signings running rate (ie signings achieved in the 12 months to June 30th, 2004) is now at US\$ 60.7 million, its highest level ever, compared to US\$ 51.0 million on December 31st 2003 and US\$ 58.5 million on March 31st 2004.

During the quarter, new single and multiple site licence contracts were signed with Sacombank, Vietnam's leading joint stock commercial bank, to supply real-time banking services for the bank and more than 60 branches nationwide, United Nations Federal Credit Union (UNFCU) in the U.S. to provide its members with functionality-rich, multiple currency financial service capabilities in real time, Raiffeisen Krekova Bana d.d in Slovenia, Bank of Botswana in Botswana and the Joint Stock Commercial Bank for Social Development « Ukrainsbank » in Ukraine.

Operating costs in Q2 2004 were at US\$ 33.8 million, compared to US\$ 34.5 million for Q2 2003, down 2.1%. At constant currency rates, adjusted cash operating costs for the second quarter 2004 decreased by 4.9% compared to the same period in the prior year, as we have successfully managed growth initiatives within our existing cost base. Operating costs in the first half of the year were at US\$ 69.8 million, compared to US\$ 66.4 million for the same period last year. We have been able to grow our revenues by 10.8% in the first half of the year whereas our operating cost base grew only by 5.3%. We are confident on the leverage of our business model. At constant currency rates, adjusted cash operating costs for the first half of the year were at US\$ 64.8 million compared to US\$ 63.6 million for the same period last year, up 1.9%.

An operating profit was recorded for the quarter of US\$ 3.5 million compared to US\$ 2.0 million for the same period last year (+70.6%). At constant currency rates, adjusted operating profit in Q2 2004

increased by 250% compared to the same period in the prior year. For the first half of the year we achieved an operating profit of US\$ 8.1 million compared to US\$ 3.1 million, for the same period last year (+164.4%). Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the second quarter of 2004 were US\$ 7.0 million compared to US\$ 5.9 million for the same period last year (+20.0%). At constant currency rates, adjusted EBITDA for Q2 2003 was US\$ 4.8 million, bringing the growth to 45.8%. EBITDA for the first half of the year was US\$ 15.0 million compared to US\$ 10.8 million for the same period last year (+39.1%). At constant currency rates, adjusted EBITDA for the first half of the year was US\$15.0 million compared to US\$ 8.8 million for the same period last year, up 70.5%.

Included in operating costs is an amount of US\$ 3.6 million for depreciation and amortisation of COREBANKING and other Intellectual Property rights, representing an annual cost of approximately US\$ 13.0 million. These costs are being amortised over three years. 2004 is the last full year of amortisation costs, with the full year amortisation charge for 2005 dropping off considerably to approximately US\$ 8.0 million.

Net earnings for the quarter were at US\$ 3.0 million, compared to US\$ 1.8 million for the same period last year (+73.1%) – resulting in EPS of US\$ 0.05 per share on a fully diluted basis compared to a US\$ 0.03 per share for the comparative period.

Operating cash inflows were US\$ 0.3 million in Q2 2004 compared to cash inflows of US\$ 8.3 million in Q2 2003 bringing total cash at the end of June 2004 to US\$ 25.3 million compared to US\$ 26.2 million as of March 31st 2004 and US\$ 25.7 million as of June 2003. The operating cash flow for the quarter was impacted by the timing of cash flows around the end of the quarter. Available cash (defined as cash plus unutilised facilities less debt) remains at US\$ 50.3 million with unutilised working capital facilities of US\$ 25.0 million. We continue to target operating cash inflows for the year of US\$ 20 million, the majority of which will be generated in the last quarter of the year.

Deferred revenues as at June 30, 2004 were US\$ 27.9 million compared to US\$ 31.1 million as at March 31, 2004 and US\$ 35.9 million as at December 31, 2003, reflecting the seasonality of our maintenance invoicing. Deferred revenues are at a peak on December 31st each year reflecting higher seasonality in new contract signings and maintenance invoicing.

Business Outlook

On the basis of our pipeline and closeable opportunities, we are confident to reach our Q3 2004 signings target of US\$ 11.0 million, itself an increase of 61.8% compared to the same period last year. This will bring our nine months ILF signings to US\$ 42.9 million compared to US\$ 29.0 million for the same period last year (+48.0%) and will set us on course to deliver on our targeted signings of US\$ 68.0 million for the full year, up 33.3% compared to 2003. Early indicators point to a healthy quarter. In what are usually very slow months in the summer we have already won and are in the process of concluding contracts with a significant number of banks.

We continue to see strong demand for our products as evidenced by our ILF signings growth of 43.7% in the first half of the year which put us ahead of our targets. Pipeline remains strong across both T24 and COREBANKING. We now target 2-3 COREBANKING deals in the next 12 months and approximately four COREBANKING deals in 2005.

Financial Guidance

We continue to target revenues in the range of US\$ 158 – 168 million for the full year 2004, with full year operating profit in the range US\$ 17 – 22 million. This corresponds to an EBITDA in the range of US\$ 32 – 37 million and an EPS in the range of US\$ 0.26 – 0.32 per share, an increase of between 50% and 65% compared to 2003.

Financial Calendar

Investor and Analyst Day: 11th October, 2004 – London

Q3 2004 Results: 27th October, 2004 – Conference Call

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About TEMENOS

TEMENOS Group AG is a global leader in providing financial institutions with integrated banking systems to support increased productivity and profitability and that allow institutions to respond quickly to changing market conditions. TEMENOS' customers include a number of Tier 1 institutions across the globe. TEMENOS has 34 offices in 29 countries and has installed over 500 systems since being founded in 1993. In June 2001, TEMENOS became a public company, listed on the SWX Swiss Exchange (TEMN).

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 30 June 2004	Three months to 30 June 2003	Six months to 30 June 2004	Six months to 30 June 2003
Revenues				
Software licensing	15'228	15'366	32'666	27'739
Maintenance	9'413	7'872	18'300	15'184
Services	12'623	13'315	26'001	26'527
<i>Total revenues</i>	<u>37'264</u>	<u>36'553</u>	<u>76'967</u>	<u>69'450</u>
Operating expenses				
Cost of licences	966	2'462	2'861	3'470
Services	11'755	12'471	23'459	23'596
Software development and maintenance	7'497	7'635	15'859	15'644
Sales and marketing	6'833	5'301	13'431	11'094
General and administrative	6'313	6'229	13'351	11'714
Amortisation of goodwill	442	426	884	853
<i>Total operating expenses</i>	<u>33'806</u>	<u>34'524</u>	<u>69'845</u>	<u>66'371</u>
Other operating income	-	-	1'020	-
Operating profit	3'458	2'029	8'142	3'079
Other non-operating income (expenses)				
Interest expense - net	(34)	(143)	(28)	(178)
Income (expense) from financial instruments	-	120	(20)	120
Financial instrument related expenses	(75)	(95)	(254)	(183)
Foreign exchange gain (loss) - net	(129)	253	(190)	660
<i>Total other income (expenses)</i>	<u>(238)</u>	<u>135</u>	<u>(492)</u>	<u>419</u>
Profit before taxation	3'220	2'164	7'650	3'498
Taxation	(610)	(396)	(1'135)	(565)
Profit for the period after taxation	2'610	1'768	6'515	2'933
Minority interest	434	(7)	663	12
Net profit for the period	3'044	1'761	7'178	2'945
Earnings per Share (in US \$):				
<i>basic</i>	0.06	<i>0.03</i>	0.13	<i>0.06</i>
<i>diluted</i>	0.05	<i>0.03</i>	0.12	<i>0.05</i>

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

consolidated balance sheet

	30 June 2004 unaudited	31 December 2003 audited	30 June 2003 unaudited
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	25'255	31'736	25'691
Accounts receivable	36'646	39'669	37'868
Accrued revenues	36'712	30'990	27'338
Prepayments and other assets	5'838	5'819	6'086
<i>Total current assets</i>	<u>104'451</u>	<u>108'214</u>	<u>96'983</u>
<i>Non-current assets</i>			
Tangible fixed assets	8'320	9'189	10'080
Intangible assets	11'117	12'830	16'006
Capitalised development costs	9'286	8'639	7'852
Guarantees and restricted bank deposits	274	11'403	11'605
Deferred tax asset	1'980	1'515	586
<i>Total non-current assets</i>	<u>30'977</u>	<u>43'576</u>	<u>46'129</u>
<i>Total assets</i>	<u>135'428</u>	<u>151'790</u>	<u>143'112</u>
<i>Liabilities and shareholders' equity</i>			
<i>Current liabilities</i>			
Accounts payable	13'820	16'937	15'495
Accrued expenses	13'451	14'539	11'933
Deferred revenues	27'929	35'897	36'464
Bank loans	-	15'000	10'000
Income taxes payable	4'214	3'066	2'018
<i>Total current liabilities</i>	<u>59'414</u>	<u>85'439</u>	<u>75'910</u>
<i>Non-current liabilities</i>			
Bank loans	-	-	10'000
Liabilities under finance leases	228	156	272
<i>Total liabilities</i>	<u>59'642</u>	<u>85'595</u>	<u>86'182</u>
<i>Minority interest</i>			
	2'836	38	(12)
<i>Shareholders' equity</i>			
Share capital	157'200	155'560	154'190
Treasury shares	(256)	(33)	(4'582)
Share premium	(69'783)	(69'121)	(63'557)
Fair value and other reserves	2'721	3'861	2'944
Retained earnings	(16'932)	(24'110)	(32'053)
<i>Total shareholders' equity</i>	<u>72'950</u>	<u>66'157</u>	<u>56'942</u>
<i>Total equity and liabilities</i>	<u>135'428</u>	<u>151'790</u>	<u>143'112</u>

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

	Three months to 30 June 2004	Three months to 30 June 2003	Six months to 30 June 2004	Six months to 30 June 2003
Profit before taxation	3'220	2'164	7'650	3'498
Adjustments:				
Depreciation and amortisation	3'535	3'877	6'815	7'707
Losses on disposal of assets	45	117	43	74
Cost of employee share option scheme	23	-	106	-
Financial instrument related expenses	75	95	254	183
Interest expense - net	34	143	28	178
(Income) expense from financial instruments	-	(120)	20	(120)
Changes in working capital:				
Decrease (increase) in receivables, accrued revenues and prepaymen	(1'814)	(6'032)	4'770	(24'230)
Increase (decrease) in accounts payables and accrued expenses	(1'466)	5'559	(10'482)	4'186
Increase (decrease) in deferred revenues	(3'251)	2'955	(10'229)	14'129
<i>Net cash from (used in) operations</i>	401	8'758	(1'025)	5'605
Income taxes paid	(97)	(472)	(23)	(672)
<i>Net cash from (used in) operating activities</i>	304	8'286	(1'048)	4'933
<i>Cash flows from investing activities</i>				
Purchase of tangible fixed assets	(500)	(78)	(835)	(266)
Disposal of tangible fixed assets	139	159	154	273
Purchase of intangible assets	(97)	(306)	(97)	(306)
Disposal of intangible assets	216	-	433	-
Capitalised development costs	(1'207)	(537)	(1'884)	(1'277)
Acquisitions	-	-	-	(2'050)
Allocation of cash to minority interest	-	-	1'844	-
Interest received	50	66	130	116
<i>Net cash used in investing activities</i>	(1'399)	(696)	(255)	(3'510)
<i>Cash flows from financing activities</i>				
Proceeds from issuance of shares, net of related expenses	671	15	685	15
Payment of bank loan	-	-	(15'000)	-
Restricted cash deposited with a banking institution	-	-	10'000	-
Interest payments	(77)	(154)	(159)	(239)
Proceeds from financial instruments	-	409	(20)	409
Payment of financial instrument related expenses	(94)	(15)	(250)	(198)
Payment of finance lease liabilities	(27)	(12)	(43)	(62)
<i>Net cash from (used in) financing activities</i>	473	243	(4'787)	(75)
<i>Effect of exchange rate changes</i>	(357)	318	(391)	350
Increase (decrease) in cash and cash equivalents in the period	(979)	8'151	(6'481)	1'698
Cash and cash equivalents at the beginning of the period	26'234	17'540	31'736	23'993
Cash and cash equivalents at the end of the period	25'255	25'691	25'255	25'691