

FOR IMMEDIATE RELEASE

TEMENOS ANNOUNCES RESULTS FOR QUARTER ENDED SEPTEMBER 30, 2003 AND GUIDANCE FOR 2004

Geneva, Switzerland, 23rd October 2003, TEMENOS Group AG (SWX: TEMN), a global vendor of integrated banking software, today announced its third quarter 2003 financial results.

Financial Highlights

- Total revenues of US\$ 37.9 million, up 42.8% compared to Q3 2002
- Licence revenues of US\$ 15.2 million, up 81.3% compared to Q3 2002
- Maintenance revenues of US\$ 8.4 million, up 11.4% compared to Q3 2002
- Service revenues of US\$ 14.2 million, up 34.6% compared to Q3 2002
- Operating costs of US\$ 34.8 million, down 22.1% compared to Q3 2002
- Operating Profit of US\$ 3.1 million, compared to a loss of US\$ 18.2 million in Q3 2002
- EBITDA of US\$ 7.0 million, compared to a loss of US\$ 14.4 million Q3 2002
- Fully diluted EPS of US\$ 0.05, compared to a loss of US\$ (0.32) for Q3 2002
- Operating cash outflows of US\$ 1.4 million, compared to US\$ 12.9 million outflows for Q3 2002
- ILF signings of US\$ 6.8 million for the quarter and US\$ 29.0 million year to date

Operational Review

Total revenues for Q3 2003 were US\$ 37.9 million, up 42.8% on the comparable period last year. The increase in total revenues is due to higher ILF signings in the prior 12 months, which drove growth across all revenue lines. Licencing revenues were especially strong, growing by 82%, while services increased by 35%, due to a better contract mix. Maintenance grew by 11% as we increased our client base.

The value of Initial Licence Fees (ILF) for new contracts signed during the third quarter of 2003 amounted to US\$ 6.8 million. During the quarter new contracts were signed with Bank of China in New York to support their US domestic Retail and Corporate operations as well as Bank of Shanghai in China. This is our second deal in China this year which is showing concrete signs of adoption of third party vendor software. Signings for the quarter was lower than forecasted due to the quarter being the most volatile quarter with only one month available to close business. Since the end of the quarter we have won two significant deals which will be included in the fourth quarter ILF signings.

Operating costs in Q3 2003 were US\$ 34.8 million, compared to US\$ 44.7 million for Q3 2002, down 22.1%. At constant currency rates and adjusted for restructuring and one-off charges, cash operating costs for the third quarter 2003 decreased by 15.4% compared to the same period in the prior year. This is due primarily to the effect of restructuring our operations during the year 2002 which reduced our costs across all line items. During the 3rd quarter we have been able to

absorb the impact of investment initiatives in Asia, South Africa and the US within our existing cost base.

- Cost of licencing comprises the cost of third party software sold to our clients as well as third party commissions. Costs incurred in the quarter totalled US\$1.8 million compared to US\$1.2 million for the comparative period, because of the higher percentage of Finantix software in our contracts.
- The service margin for Q2 2003 was 16.2%, or 17% when adjusted for restructuring charges. This represents a considerable turnaround from a negative services margin for the same period last year. This primarily reflects a sustainable utilisation rate of around 78%, a more selective use of external consultants and more profitable contract mix. Service costs in Q3 2003 were US\$ 11.9 million compared to \$12.5 million for the prior quarter, down 4.8%. Activity in Asia has recovered during the quarter.
- Software development costs for Q3 2003 were 27.3% lower than for the comparative period, at US\$ 8.1 million. When adjusted for restructuring and one-off charges as well as for capitalised development and non-cash costs, the underlying cash cost of our development organisation has decreased by 20.8% compared to the comparable period last year. Our 2002 restructuring programme of lowering our costs of development has allowed us to continue to invest in our product while still delivering an overall reduction in development cash costs.
- Sales and marketing costs amounted to US\$ 6.4 million in Q3 2003, 35.0% lower than the comparable period last year. When adjusted for restructuring and one-off charges the underlying cost has decreased by 20.0%. This is due to lower marketing costs during the year.
- General and administrative costs amounted to US\$ 6.3 million in Q3 2003, 5.4% lower than in Q3 2002. When adjusted for restructuring and one-off charges we have increased our G&A cost by approximately 12.5%. The increase compared to last year is mainly due to our investment in new office infrastructure over the past year, notably in South African and in Asian countries.

An operating profit was recorded for the quarter of US\$ 3.1 million compared to a loss of US\$ (18.2) million for the same period last year. At constant currency rates and when adjusted for restructuring and one-off charges, the operating profit for the quarter was US\$ 3.4 million compared to a loss of US\$ 12.1 million for the same period last year. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the third quarter of 2003 were US\$ 7.0 million compared to a loss of US\$ 14.4 million for the same period last year. Year to date the company has generated US\$ 17.8 million in EBITDA compared to a loss of US\$ 8.9 million for the same period last year.

A net profit was realised for the quarter of US\$ 2.8 million, compared to a loss of US\$ (16.6) million for the same period last year – resulting in EPS of US\$ 0.05 on a fully diluted basis compared to a loss of US\$ (0.32) for the comparative period.

Operating cash outflows were US\$ 1.4 million in Q3 2003 compared to cash outflows of US\$ 12.8 million in Q3 2002. This is a result of strong EBITDA grow as well as good cash management. Q3 is traditionally a cash flow negative quarter as a result of lower than average new Initial Licence Fees (ILF) signings over the summer months. This also adversely impacts maintenance cashflows, which are due on the anniversary of signing. Total available cash at the end of the quarter was US\$ 29.2 million compared to an opening position of US\$ 30.7 million.

Business Outlook

Software spending continues to be consistent with restricted 2003 capital expenditure within financial institutions. We continue to see a steady but not accelerating flow of RFPs. Conversion during Q4 is in line with our expectations. There is increasing evidence that 2004 budgets are set at a growth to 2003.

Financial Guidance

During 2003 we have been guiding for full year revenues of US\$130 million and costs of US\$ 120 million, an EBIT of US\$10 million. Our current expectation is that revenues (net of cost of licence) will be approximately \$139 million, driven by contribution from second half year ILF signings, and favourable forex impact on our non-USD based revenue streams. We anticipate full year operating expenses (excluding cost of licence) of approximately US\$ 129 million. This reflects the adverse impact of forex on operating costs (the majority of which has a structural match against the positive revenue variance above), our expansion in South Africa, and additional investment in the US and parts of Asia following signs of recovery in those markets. We have therefore been able to absorb these initiatives within our EBIT guidance, which is reconfirmed at US\$ 10 million, corresponding to US\$ 25 million of EBITDA.

Looking forward into 2004, we currently target revenues in the range of US\$150 million to US\$160 million. We will monitor this as visibility improves during Q4 2003. Going into 2004 we target a cost base at 2003 levels, and therefore plan to fund growth within the existing cost base. We target an EBIT in the range of US\$ 15-20 million, which corresponds to an EBITDA in the range of US\$ 30-35 million.

Calendar

TEMENOS will be holding an investor and analyst day on Wednesday 26th of November 2003 in our offices in London. Starting at 2 pm CET time, you will have the opportunity to listen to management about the company goals, strategies and financials for the year 2004 and forward. This is a unique opportunity to broaden your understanding of TEMENOS. Further information will be communicated before the event. In the meantime, please confirm your attendance by e-mail to mchuard@temenos.com before the 10th of November 2003.

Location: 71 Fenchurch Street
5th Floor
London, EC3M 4TD
UK

Date: 26th of November 2003

Time: 2 pm (CET time)

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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 33 offices in 20 countries and has installed over 500 systems since being founded in 1993. In June 2001, TEMENOS became a public company, listed on the main segment of 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 statement of earnings

All amounts are expressed in thousands of US dollars
except earnings per share

	Three months to 30 September 2003 unaudited	Three months to 30 September 2002 unaudited	Nine months to 30 September 2003 unaudited	Nine months to 30 September 2002 unaudited
Revenues				
Software licensing				
Initial licenses	14,447	7,704	39,495	31,505
Development licenses	793	700	3,484	2,800
<i>Total software licensing</i>	<u>15,240</u>	<u>8,404</u>	<u>42,979</u>	<u>34,305</u>
Maintenance	8,409	7,548	23,593	20,990
Services	14,221	10,562	40,748	37,944
<i>Total revenues</i>	<u>37,870</u>	<u>26,514</u>	<u>107,320</u>	<u>93,239</u>
Operating expenses				
Cost of licences	1,766	1,208	5,236	3,093
Services	11,922	15,626	35,518	40,742
Software development and maintenance	8,054	11,079	23,698	24,503
Sales and marketing	6,383	9,823	17,477	24,972
General and administrative	6,261	6,597	17,975	16,619
Amortisation of goodwill	426	381	1,279	774
<i>Total operating expenses</i>	<u>34,812</u>	<u>44,714</u>	<u>101,183</u>	<u>110,703</u>
Operating profit	<u>3,058</u>	<u>(18,200)</u>	<u>6,137</u>	<u>(17,464)</u>
Other income (expenses)				
Interest expense	(38)	(33)	(216)	(69)
Income from financial instruments	135	-	255	-
Financial instrument related expenses	(95)	(83)	(278)	(345)
Foreign exchange gain (loss) - net	(5)	481	655	2,750
Other non-operating expense	-	(30)	-	(57)
Equity accounted investments	-	(363)	-	(543)
<i>Total other income (expenses)</i>	<u>(3)</u>	<u>(28)</u>	<u>416</u>	<u>1,736</u>
Profit before taxation	<u>3,055</u>	<u>(18,228)</u>	<u>6,553</u>	<u>(15,728)</u>
Taxation	(188)	1,876	(753)	1,472
Net profit for the period, after taxation	<u>2,867</u>	<u>(16,352)</u>	<u>5,800</u>	<u>(14,256)</u>
Minority share of subsidiary	(20)	(291)	(8)	(1,865)
Net profit for the period attributable to the Group	<u>2,847</u>	<u>(16,643)</u>	<u>5,792</u>	<u>(16,121)</u>
Earnings per Share (in US \$):				
<i>basic</i>	0.05	(0.32)	0.11	(0.31)
<i>diluted</i>	0.05	(0.32)	0.10	(0.31)

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

**consolidated balance sheet
and retained earnings**

	30 September 2003 unaudited	30 June 2003 unaudited	31 December 2002 audited	30 September 2002 unaudited
Assets				
Current assets				
Cash and cash equivalents	21,655	25,691	23,993	38,055
Accounts receivable	35,024	37,868	20,474	34,428
Accrued revenues	26,405	27,338	20,315	37,445
Deferred expenses	6,025	6,086	4,649	5,332
<i>Total current assets</i>	89,109	96,983	69,431	115,260
Non-current assets				
Tangible fixed assets – net	9,690	10,080	11,473	11,797
Intangible fixed assets – net	14,196	16,006	21,122	23,353
Capitalised development costs	7,311	7,852	8,248	8,498
Investment in associate	-	-	-	1,957
Guarantees and escrowed bank deposits	11,486	11,605	12,111	1,251
Deferred tax asset	636	586	-	2,783
<i>Total assets</i>	132,428	143,112	122,385	164,899
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	15,911	15,495	17,574	12,745
Accrued expenses	12,982	11,933	7,188	13,013
Short term portion of loan	17,500	10,000	5,000	12,500
Income taxes payable	1,830	2,018	2,507	1,548
<i>Total current liabilities</i>	48,223	39,446	32,269	39,806
Deferred revenues	23,909	36,464	22,208	19,940
Non-current liabilities				
Long term loan	-	10,000	15,000	17,274
Long term liabilities under finance leases	254	272	180	285
<i>Total liabilities</i>	72,386	86,182	69,657	77,305
Shareholders' equity				
Share capital	154,190	154,190	154,190	154,157
Treasury shares	(245)	(4,582)	(5,486)	(5,865)
Share premium	(67,379)	(63,557)	(62,829)	(62,952)
Retained earnings and reserves	(26,532)	(29,109)	(33,147)	(2,101)
<i>Total shareholders' equity</i>	60,034	56,942	52,728	83,239
Minority interest	8	(12)	-	4,355
<i>Total equity and liabilities</i>	132,428	143,112	122,385	164,899

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

	Three months to 30 September 2003 unaudited	Three months to 30 September 2002 unaudited	Nine months to 30 September 2003 unaudited	Nine months to 30 September 2002 unaudited
Profit before taxation	3,055	(18,228)	6,553	(15,728)
Adjustments:				
Depreciation and amortization	3,939	3,646	11,646	8,580
Profits on disposal of assets	(6)	-	68	-
Equity accounted investments	-	363	-	543
Financial instrument related expenses	95	83	278	345
Interest expense	38	33	216	69
Income from financial instruments	(135)	-	(255)	-
Movement in receivables	3,933	(2,617)	(20,311)	(10,952)
Movement in payables	152	2,328	4,353	1,400
Movement in deferred revenues	(12,481)	1,595	1,647	3,237
<i>Net cash from (used in) operating activities</i>	<u>(1,410)</u>	<u>(12,797)</u>	<u>4,195</u>	<u>(12,506)</u>
Income taxes paid	(21)	(73)	(693)	(699)
<i>Net cash before investing activities</i>	<u>(1,431)</u>	<u>(12,870)</u>	<u>3,502</u>	<u>(13,205)</u>
<i>Cash flows from investing activities</i>				
Acquisition of tangible fixed assets	(286)	(935)	(552)	(2,926)
Proceeds from sale of tangible fixed assets	36	-	309	-
Acquisition of intangible fixed assets	(244)	(16)	(550)	(560)
Proceeds from sale of intangible fixed assets	216	-	216	-
Capitalised development costs	(528)	(770)	(1,805)	(4,369)
Net cash effect of acquisitions	-	(1,066)	(2,050)	(6,403)
<i>Net cash used in investing activities</i>	<u>(806)</u>	<u>(2,787)</u>	<u>(4,432)</u>	<u>(14,258)</u>
<i>Cash flows from financing activities</i>				
Interest payments, net of receipts	(41)	(15)	(164)	(51)
Proceeds from financial instruments	48	-	457	-
Proceeds from issuance of shares, net of related expenses	545	34	560	40
Payment of financial instrument related expenses	(2)	-	(200)	-
Payment of capital restructuring loan	(2,500)	-	(2,500)	-
Payment of finance lease liabilities	(14)	(41)	(76)	(123)
<i>Net cash used in financing activities</i>	<u>(1,964)</u>	<u>(22)</u>	<u>(1,923)</u>	<u>(134)</u>
<i>Overall effect of exchange rate changes</i>	<u>165</u>	<u>(149)</u>	<u>515</u>	<u>393</u>
Net decrease in cash and cash equivalents in the period	(4,036)	(15,828)	(2,338)	(27,204)
Cash and cash equivalents at the beginning of the period	25,691	53,883	23,993	65,259
Cash and cash equivalents at the end of the period	21,655	38,055	21,655	38,055