

FOR IMMEDIATE RELEASE

TEMENOS ANNOUNCES RESULTS FOR QUARTER ENDED DECEMBER 31ST, 2003

Geneva, Switzerland, 8th March 2004, TEMENOS Group AG (SWX: TEMN), a global vendor of integrated banking software, today announced its fourth quarter 2003 financial results.

Summary

- Total revenues of US\$ 38.9 million, up 93.4% compared to Q4 2002
- Licence revenues of US\$ 16.8 million, up 633.2% compared to Q4 2002
- Maintenance revenues of US\$ 8.6 million, up 23.2% compared to Q4 2002
- Service revenues of US\$ 13.5 million, up 24.7% compared to Q4 2002
- Operating costs of US\$ 34.3 million, down 27.1% compared to Q4 2002
- Operating Profit of US\$ 4.6 million, compared to a loss of US\$ 26.9 million in Q4 2002
- EBITDA of US\$ 7.4 million, compared to a loss of US\$ 22.7 million Q4 2002
- Fully diluted EPS of US\$ 0.09, compared to a loss of US\$ (0.62) for Q4 2002
- Operating cash inflows of US\$ 12.9 million, compared to US\$ 8.4 million inflows for Q4 2002
- ILF signings of US\$ 22.0 million for the quarter, compared to US\$ 23.2 million for Q4 2002

Operational Review

Total revenues for Q4 2003 were US\$ 38.9 million, up 93.4% on the comparable period last year. For the full year revenues grew by 29% to US\$ 146.2 million. The principal driver behind increased total revenues was higher ILF signings in the prior 12 months, which drove growth across all revenue lines.

Licencing revenues were especially strong, growing by 633.2% for the quarter. This is due to higher licence signings, a higher ratio of upgrades at approximately 19%, good execution on projects where ILF revenues are recognised on a percentage completion basis and greater proportion of contracts which are unbundled from a revenue recognition basis.

Services increased by 24.7%, due to a better contract mix and better overall services pricing on deals signed in the second half of 2003.

Maintenance revenue increased by 23.2% to US\$ 8.6 million, reflecting strong ILF signings over the past 18 months. Clients have been paying on average 18% of their initial licence fees annually for maintenance, and this is reflected in growing maintenance revenues, which have a cumulative revenue effect over time.

The value of Initial Licence Fees (ILF) for new contracts signed during the fourth quarter of 2003 amounted to US\$ 22.0 million. During the quarter, new single and multiple site licence contracts

were signed with Joint-Stock Commercial Bank “Menatep St. Petersburg” in Russia, with IBM Mexico on behalf of Banco del Ahorro Nacional y Servicios Financieros S.N.C. (Bansefi) in Mexico, Turkish Bank (UK) Ltd. in London, SwaziBank in Swaziland, Capital Bank International Limited in Lagos, Nigeria and Banco Ve Por Mas Institucion de Banca Multiple in Mexico.

Operating costs in Q4 2003 were US\$ 34.3 million, compared to US\$ 47.0 million for Q4 2002, down 27.1%. Operating costs for the full year were 14% down on 2002 at US\$ 135.5 million. At constant currency rates and adjusted for restructuring and one-off charges, cash operating costs for the fourth quarter 2003 decreased by 21.4% 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 fourth quarter we have been able to absorb the impact of out of plan initiatives in Asia and South Africa within our existing cost base.

As a result of the weakening of the US\$ against major currencies during 2003, our operating costs during 2003 (which are predominantly in Europe) were exposed to a weaker US\$ on translation when compared to 2002, and this mitigated the extent of the cost reduction benefit arising from restructuring. We have quantified the impact of this on the cost line items below. Going forward we have hedged the majority of our 2004 structural mismatch at rates prevailing in November 2003 such that our cost base is protected from the impact of the weakening of the USD against major currencies in recent months.

- 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\$ 1.5 million compared to US\$ 0.1 million for the comparative period, because of the higher percentage of Finantix software in our contracts.
- Cost of services for Q4 2003 were at US\$ 13.3 million compared to US\$ 12.4 million for the same period last year. When restated at constant foreign exchange rates, costs are flat year on year despite the significant improvement in revenues over the same period. For the full year we achieved a services margin of 10%, which 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.
- Software development costs for Q4 2003 were 41.2% lower than the comparative period, at US\$ 6.4 million. At constant currency rate and 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 37.5% 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. During the full year 2003 we have increased the funded part to 21.1% of our cash development cost compared to 16.2% for the prior year.
- Sales and marketing costs amounted to US\$ 6.0 million in Q4 2003, 65.7% lower than the comparable period last year. At constant currency rate and when adjusted for restructuring and one-off charges the underlying cost has decreased by 39.0%. This is due to a more focused and overall lower cost marketing plan followed during the period.
- General and administrative costs amounted to US\$ 6.7 million in Q4 2003, 17.5% higher than in Q4 2002. At constant currency rate and when adjusted for restructuring and one-off charges we have increased our G&A cost by approximately 24.1%. The increase compared to last year is due to our investment in new office infrastructure over the past year, notably in South Africa, Latin America and in Asian countries.

An operating profit was recorded for the quarter of US\$ 4.6 million compared to a loss of US\$ 26.9 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\$ 4.8 million compared to a loss of US\$ 16.2 million for the same period last year. Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the fourth quarter of 2003 were US\$ 7.4 million compared to a loss of US\$ 22.7 million for the same period last year. For the full year

EBITDA of US\$ 25.2 million compares to a negative US\$ 31.6 million for the same period last year.

At constant currency rate and when adjusted for restructuring and one-off charges, EBITDA for the quarter was US\$ 7.6 million compared to a loss of US\$ 15.2. At constant currency rate and when adjusted for restructuring and one-off charges, the company has generated for the full year 2003 US\$ 27.2 million in EBITDA compared to a loss of US\$ 22.6 million for the same period last year. The results for 2003 were exceptionally hit by approximately US\$ 15 million of depreciation and amortisation impacted by our amortisation of Corebanking and other Intellectual Rights acquisitions amortised during three years, which most of it is taking place by December 2004. We have managed interest cost at less than US\$ 0.3 million and a net forex upside reported as other financials were approximately US\$ 2.3 million against a tax rate of about 14%.

A net profit was realised for the quarter of US\$ 5.1 million, compared to a loss of US\$ (33.4) million for the same period last year – resulting in EPS of US\$ 0.09 per share on a fully diluted basis compared to a loss of US\$ (0.62) per share for the comparative period. For the full year net profit was US\$ 10.9 million compared to a loss of US\$ 49.5 million for 2002 – resulting in EPS of US\$ 0.20 per share compared to a loss of US\$ (0.95) per share for the comparative period.

Operating cash inflows were US\$ 12.9 million in Q4 2003 compared to cash inflows of US\$ 8.4 million in Q4 2002. This is a result of strong EBITDA growth as well as good cash management. This brings the operating cash inflow for the full year to US\$ 16.4 million compared to an outflow of US\$ 4.8 million for 2002.

Total available cash (defined as cash plus unutilised facilities less debt) at the end of the quarter was US\$ 41.7 million compared to an opening position of US\$ 29.2 million. In February 2004 we renegotiated our facilities and secured a US\$ 25.0 million medium term facility and repaid all outstanding indebtedness.

Deferred revenues, which is a key metric on the visibility of incoming revenues for the year, is at US\$ 35.9 million compared to US\$ 22.2 million as at December 31, 2002. “We are very pleased to have such visibility on our revenues, it’s the highest level ever, which represents 23% of our expected revenues for this year”, said David Arnott, CFO.

Business Outlook

On the basis of our pipeline and closeable opportunities, we are confident to exceed our Q1 2004 signings target of US\$ 9.0 million, itself an increase of 10% compared to the same period last year, driven by strong performance in the retail banking sector. We continue to see a steady flow of RFPs globally as well as increasing activity in Europe. “I am delighted by our results for 2003 which have put TEMENOS back to growth, profitability and a cash generative position. These results demonstrate the strength of our product, distribution and revenue generating capacity of our client base and they clearly set TEMENOS aside from competition.

I am particularly encouraged by our top line organic growth of 29%, while managing to a cost base which quarter on quarter is stable. I am also excited by our performance on large scale retail banking deals, a key growth segment for Temenos. I believe that with our investment and focus in this segment we will be able to start growing our ILF signings beyond the levels achieved in 2002 and 2003”, said Andreas Andreades, CEO.

Financial Guidance

Looking forward into 2004, we continue to target revenues in the range of US\$ 150 million to US\$ 160 million. We will monitor this as visibility improves during the year. 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 and an EPS in the range of US\$ 0.23 – 0.29 per share, an increase of between 15% to 45% compared to the same period last year.

Calendar

Event: Q1 2004 Earnings Release
Date: Wednesday, 28th of April 2004
Time: 2.30 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 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 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

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

consolidated income statement

	Three months ended 31 December 2003 unaudited	Three months ended 31 December 2002 unaudited	Twelve months ended 31 December 2003 audited	Twelve months ended 31 December 2002 audited
Revenues				
Software licensing	16'762	2'286	59'741	36'591
Maintenance	8'634	7'010	32'227	28'000
Services	13'475	10'803	54'223	48'747
<i>Total revenues</i>	<u>38'871</u>	<u>20'099</u>	<u>146'191</u>	<u>113'338</u>
Operating expenses				
Cost of licences	1'458	108	6'694	3'201
Services	13'312	12'435	48'830	53'177
Software development and maintenance	6'415	10'902	30'113	34'905
Sales and marketing	5'981	17'459	23'458	42'931
General and administrative	6'704	5'707	24'679	22'326
Amortisation of goodwill	416	435	1'695	1'209
<i>Total operating expenses</i>	<u>34'286</u>	<u>47'046</u>	<u>135'469</u>	<u>157'749</u>
Operating profit (loss)	<u>4'585</u>	<u>(26'947)</u>	<u>10'722</u>	<u>(44'411)</u>
Other income (expenses)				
Interest expense - net	(61)	(278)	(277)	(347)
Income from financial instruments	637	-	892	-
Financial instrument related expenses	(171)	(425)	(449)	(770)
Foreign exchange gain (loss) - net	1'145	(1'748)	1'800	945
Impairment of equity investment	-	(1'957)	-	(2'500)
<i>Total other income (expenses)</i>	<u>1'550</u>	<u>(4'408)</u>	<u>1'966</u>	<u>(2'672)</u>
Profit (loss) before taxation	<u>6'135</u>	<u>(31'355)</u>	<u>12'688</u>	<u>(47'083)</u>
Taxation	<u>(1'010)</u>	<u>(3'876)</u>	<u>(1'763)</u>	<u>(2'404)</u>
Profit (loss) for the period after taxation	<u>5'125</u>	<u>(35'231)</u>	<u>10'925</u>	<u>(49'487)</u>
Minority interest	<u>(30)</u>	<u>1'865</u>	<u>(38)</u>	<u>-</u>
Net profit (loss) for the period	<u>5'095</u>	<u>(33'366)</u>	<u>10'887</u>	<u>(49'487)</u>
Earnings (losses) per Share (in US \$):				
<i>basic</i>	0.09	(0.62)	0.20	(0.95)
<i>diluted</i>	0.09	(0.62)	0.19	(0.95)

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

consolidated balance sheet

	31 December 2003 audited	30 September 2003 unaudited	31 December 2002 audited
Assets			
<i>Current assets</i>			
Cash and cash equivalents	31'736	21'655	23'993
Accounts receivable	39'669	35'024	20'474
Accrued revenues	30'990	26'405	20'315
Prepayments and other assets	5'819	6'025	4'649
<i>Total current assets</i>	<u>108'214</u>	<u>89'109</u>	<u>69'431</u>
<i>Non-current assets</i>			
Tangible fixed assets – net	9'189	9'690	11'473
Intangible fixed assets – net	12'830	14'196	21'122
Capitalised development costs	8'639	7'311	8'248
Guarantees and escrowed bank deposits	11'403	11'486	12'111
Deferred tax asset	1'515	636	-
<i>Total non-current assets</i>	<u>43'576</u>	<u>43'319</u>	<u>52'954</u>
<i>Total assets</i>	<u><u>151'790</u></u>	<u><u>132'428</u></u>	<u><u>122'385</u></u>
Liabilities and shareholders' equity			
<i>Current liabilities</i>			
Accounts payable	16'937	15'911	17'574
Accrued expenses	14'539	12'982	7'188
Deferred revenues	35'897	23'909	22'208
Short term portion of loan	15'000	17'500	5'000
Income taxes payable	3'066	1'830	2'507
<i>Total current liabilities</i>	<u>85'439</u>	<u>72'132</u>	<u>54'477</u>
<i>Non-current liabilities</i>			
Long term loan	-	-	15'000
Long term liabilities under finance leases	156	254	180
<i>Total liabilities</i>	<u>85'595</u>	<u>72'386</u>	<u>69'657</u>
<i>Minority interest</i>			
	38	8	-
<i>Shareholders' equity</i>			
Share capital	155'560	154'190	154'190
Treasury shares	(33)	(245)	(5'486)
Share premium	(69'121)	(67'379)	(62'829)
Fair value and other reserves	3'861	2'673	1'850
Retained earnings	(24'110)	(29'205)	(34'997)
<i>Total shareholders' equity</i>	<u>66'157</u>	<u>60'034</u>	<u>52'728</u>
<i>Total equity and liabilities</i>	<u><u>151'790</u></u>	<u><u>132'428</u></u>	<u><u>122'385</u></u>

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

	Three months ended 31 December 2003 unaudited	Three months ended 31 December 2002 unaudited	Twelve months ended 31 December 2003 audited	Twelve months ended 31 December 2002 audited
Profit (loss) before taxation	6'135	(31'355)	12'688	(47'083)
Adjustments for:				
Depreciation and amortization	2'827	4'221	14'473	12'801
Gain (losses) on disposal of assets	115	(279)	183	(279)
Cost of the employee share option scheme	(79)	565	(79)	565
Impairment of equity investment	-	1'957	-	2'500
Financial instrument related expenses	171	425	449	770
Interest expense	61	278	277	347
Income from financial instruments	(637)	-	(892)	-
<i>Operating cash flow before changes in net working capital</i>	8'593	(24'188)	27'099	(30'379)
Changes in working capital:				
(Increase) decrease in receivables	(10'477)	26'010	(30'789)	15'058
Increase in payables	4'234	3'478	8'587	4'878
Increase in deferred revenues	11'292	3'173	12'940	6'410
<i>Net cash from (used in) operating activities before taxes paid</i>	13'642	8'473	17'837	(4'033)
Income taxes paid	(722)	(70)	(1'415)	(769)
<i>Net cash from (used in) operating activities</i>	12'920	8'403	16'422	(4'802)
<i>Cash flows from investing activities</i>				
Purchase of tangible fixed assets	(206)	(1'261)	(758)	(4'187)
Disposal of tangible fixed assets	126	-	435	-
Purchase of intangible fixed assets	(677)	(4'377)	(1'227)	(4'937)
Disposal of intangible fixed assets	217	-	433	-
Capitalised development costs	(1'092)	(71)	(2'897)	(4'440)
Payments for acquisitions	-	3'903	(2'050)	(2'500)
Allocation of cash to minority interest	-	(1'004)	-	(1'004)
Interest received	112	121	306	729
<i>Net cash used in investing activities</i>	(1'520)	(2'689)	(5'758)	(16'339)
<i>Cash flows from financing activities</i>				
Proceeds from issuance of shares, net of related expenses	70	179	630	219
Payment of capital restructuring loan	(2'500)	(9'774)	(5'000)	(9'774)
Restricted cash deposited with a banking institution	-	(10'000)	-	(10'000)
Interest paid	(222)	(417)	(580)	(1'076)
Proceeds from financial instruments	456	-	913	-
Payment of financial instrument related expenses	(166)	(80)	(366)	(80)
Payment of finance lease liabilities	(20)	(47)	(96)	(170)
<i>Net cash used in financing activities</i>	(2'382)	(20'139)	(4'499)	(20'881)
<i>Overall effect of exchange rate changes</i>	1'063	362	1'578	756
Increase (decrease) in cash and cash equivalents in the period	10'081	(14'063)	7'743	(41'266)
Cash and cash equivalents at the beginning of the period	21'655	38'056	23'993	65'259
Cash and cash equivalents at the end of the period	31'736	23'993	31'736	23'993