

FOR IMMEDIATE RELEASE

TEMENOS ANNOUNCES RESULTS FOR QUARTER ENDED DECEMBER 31ST 2004

Geneva, Switzerland, Wednesday 23rd February 2005, TEMENOS Group AG (SWX: TEMN), a provider of integrated core banking software, today announced its fourth quarter and full year 2004 financial results.

Highlights – Full Year 2004

- EPS of US\$ 0.26 per share for 2004 (2003: US\$ 0.19) up 36.8%
- EBIT of US\$ 17.4 million for 2004 (2003: US\$ 10.7 million) up 62.6%
- EBITDA of US\$ 31.3 million for 2004 (2003: US\$ 25.4 million) up 23.2%

Highlights – Fourth Quarter 2004

- EPS of US\$ 0.13 per share for Q4 2004 (Q4 2003: US\$ 0.09) up 44.4%
- EBIT of US\$ 8.2 million for Q4 2004 (Q4 2003: US\$ 4.6 million) up 79.3%
- EBITDA of US\$ 11.6 million for Q4 2004 (Q4 2003: US\$ 7.4 million) up 58.1%

Operational Review

TEMENOS reported significantly increased profitability during the fourth quarter and full year with diluted Earnings Per Share (“EPS”) growing by 44% and 37% respectively. This is due to higher licence signings during 2004, the significant increase of recurring maintenance revenues and strong control of operating costs.

Total revenues for Q4 2004 were US\$ 40.6 million, up 4.4% on the same period last year bringing revenues for the full year 2004 to US\$ 154.6 million compared to US\$ 146.2 million, up 5.7% on the comparable period last year. The drivers for the increase in revenues are explained below :

Licensing revenues for Q4 2004 were flat compared to the same period last year due to lower Initial License Fee (ILF) signings in the quarter compared to the same period last year. Licence revenues for the full year 2004 were at US\$ 63.8 million compared to USD 59.7 million, up 6.9%. This is lower than the 22% growth in signings that we achieved over the same period because 2003 licence revenues included a significant amount of revenues relating to contracts signed in prior periods and deferred into 2003 under ‘percentage completion’ accounting. We are now largely unbundling licensing revenues from services which results in licensing revenues more closely correlating to ILF signings.

Maintenance revenues increased to US\$ 10.9 million in Q4 2004, up 26.2% 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\$ 62.0 million, our 12 months run rate. In the absence of a material attrition rate our maintenance revenues grow as our cumulative client base grows.

Services revenues decreased by 3.2% in Q4 2004 compared to the same period last year. Services are a lower margin business than licensing, as well as potentially being a constraint to growth. As a result, our objective is to grow licensing without increasing service revenues to the same extent, thereby improving the revenue mix and overall profitability. Services now represent 33% of total revenues for the year 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. In the short term the change in our service model is adversely impacting margins as we manage down our services organisation as a percentage of total revenues, but we are achieving this necessary step in our evolution whilst increasing overall profit margins for the group.

The value of ILF for new contracts signed during the full year of 2004 amounted to US\$ 62 million, an increase of 22% compared to the same period last year, TEMENOS' strongest ever year. During the fourth quarter new contract signings amounted to US\$ 19 million compared to US\$ 22 million for the previous year (-14%). In the second half of the year signings were at US\$ 30 million, up 5% on 2003. During the year, signings have shifted towards larger deals due to take up of TEMENOS T24™, TEMENOS' flagship product and to TEMENOS CoreBanking™ (TCB). Median deal size continued to increase with a median deal size of US\$ 2.6 million for the year compared to US\$ 2.2 million for the full year 2003 (+18%). During 2004, TEMENOS continued to attract top tier clients as a result of superior products in the form of TEMENOS T24 and TCB. More than 40% of TEMENOS' signings were made with tier 1 and tier 2 financial institutions, compared with around 29% for 2003. In 2004 more than 73% of signings were with retail and universal banks compared to 55% for 2003 in line with TEMENOS' retail strategy.

The growth in signings for 2004 is driven by very strong performance in Asia, where TEMENOS almost tripled signings compared to last year, EMEA where signings grew at more than 20% and approximately flat signings year on year in North America. TEMENOS has not been able to replicate last year's performance in South America where we signed Bansefi in Mexico, our second TCB deal in the fourth quarter of 2003. However the pipeline in South America is now growing strongly on the back of new live reference accounts and TEMENOS is confident that it supports its 2005 targets.

From a product point of view, TEMENOS T24 grew at approximately 10% compared to last year whilst the TCB offering almost doubled compared to last year. TEMENOS has been able to reach

its target of two TCB deals for the year, the first one in the first quarter with the Bank for Agriculture and Agricultural Cooperation (BAAC) in Thailand and the second one during the last quarter of the year with Bank Thai. Bank Thai has already implemented T24 for its trade finance division and will implement TCB to support its retail operations. We now have six clients who have chosen the TCB offering, three of whom are live.

Total expenses in Q4 2004 were at US\$ 32.4 million, compared to US\$ 34.3 million for Q4 2003, down 5.5%. At constant currency rates, cash cost for the fourth quarter 2004 decreased by 2.4% compared to the same period in the prior year. Total expenses for the full year were at US\$ 137.2 million, compared to US\$ 135.5 million for the same period last year (+1.3%). At constant currency rates, cash cost for the full year 2004 increased by 1.7%. During the fourth quarter costs were reduced by a one-off financial gain from the sale of our investment in Finantix which has allowed us to restructure US\$ 2 million of non recurring costs, primarily related to vacating our remaining surplus premises in the UK, for which we took a charge of the full remaining lease commitment during the quarter. As a result, our reported costs are unaffected on a net basis.

Earnings before interest and taxes (EBIT) for the quarter were US\$ 8.2 million compared to US\$ 4.6 million for the same period last year, up 78.3%. For the full year 2004 we achieved an EBIT of US\$ 17.4 million compared to US\$ 10.7 million, for the same period last year (+62.5%). Earnings before interest, taxes, depreciation and amortization (EBITDA) for the fourth quarter of 2004 were US\$ 11.6 million compared to US\$ 7.4 million for the same period last year (+58.1%). EBITDA for the full year 2004 was US\$ 31.3 million compared to US\$ 25.2 million for the same period last year (+24.2%) on an only marginally lower depreciation and amortisation charge.

Net profit for the quarter was US\$ 7.4 million, compared to US\$ 5.1 million for the same period last year (+45.0%). For the full year 2004 we achieved net profit of US\$ 15.4 million compared to US\$ 10.9 million for the same period last year, up 41.2% – resulting in EPS of US\$ 0.26 per share on a fully diluted basis compared to a US\$ 0.19 per share for the comparative period. Net earnings grew at a slower rate than EBIT as a result of two factors. Firstly foreign exchange gains (included in other income) in 2003 were US\$1 million higher than in 2004, as a result of non operating financial instrument profits realised during 2003. Secondly, our tax charge in 2003 was lower than our historically consistent 17% effective rate as a result of unusually low withholding taxes during 2003. The inclusion of stock option grants at the start of 2004 in the calculation of diluted earnings per share reduced diluted earnings per share for 2004 by one US\$ cent.

Operating cash inflows were US\$ 22.6 million in Q4 2004 compared to cash inflows of US\$ 12.9 million in Q4 2003 bringing total net cash at the end of December 2004 to US\$ 30.8 million compared to US\$ 17.1 million as of September 30th 2004 and US\$ 26.7 million as of December 2003. The fourth quarter's operating cash flow generation was by far the strongest quarter ever for us, and reflects an increasing quarterly seasonality, with Q4 contributing over 100% to the full

years cash flow for the past two years. In February 2005, we have agreed to put in place two working capital facilities of a total amount of US\$ 40 million with two leading European banks. This raises our available medium term funding to US\$ 70 million. For the full year operating cash flows were US\$15.9 million, broadly flat on US\$ 16.4 million in 2003.

Deferred revenues as at December 31st, 2004 were US\$ 34.6 million compared to US\$ 28.0 million as at September 30, 2004, up 23.9%. Deferred revenues are at a peak on December 31st each year reflecting higher seasonality in new contract signings and maintenance invoicing. At the end of 2003 both deferred revenues and accounts receivable included approximately US\$6 million relating to the Bansefi project. This results in an inflated comparative for both accrued and deferred revenues. Over the past 18 months we have been increasingly successful in removing licence inflows based on achievement of operational milestones in favour of calendar date triggers. This significantly improves our cash flow visibility and has resulted in a dramatic reduction of accrued receivables, which are down from US\$ 31.0 million to at the start of 2004 to US\$ 22.6 million at the end of year, a decrease of 27%.

Finantix Disposal

TEMENOS invested US\$2.5 million in a 20% equity stake in Finantix, formerly known as INFOservice, in January 2002. TEMENOS was granted an option to acquire the remaining equity for a combination of equity and cash, which must have been exercised by the end of 2002. Given the economic climate within the banking industry at that time, the exercise of the option was unacceptably dilutive to TEMENOS shareholders and therefore we decided not to proceed. At the same time we decided to write off our investment. Whilst the relationship between our two companies has continued to flourish very strongly at the operating/sales level, in the absence of a defined model with which to value an acquisition of the remaining 80% of Finantix, there was no strategic rationale for us to continue to hold a 20% stake. As a result we agreed to sell the stake back to Finantix shareholders/management for a consideration of US\$ 2.1 million during December 2004.

Business Outlook

In 2005 we target to grow fully diluted Earnings Per Share ("EPS") at between 20% to 25% compared to 2004. Our assumptions are based on ILF signings of between US\$ 70-75 million, a tax rate of 16% and an exchange rate of US\$/Euro at 1:1.35.

Andreas Andreades, CEO, TEMENOS says: "I am pleased with our performance for 2004. We have continued to grow our profitability at exceptional rates and in the two year period since 2002

we have turned a US\$ 49.5 million net loss to a US\$ 15.4 million net profit. The executive team has demonstrated exceptional discipline to improve the underlying fundamentals of the company and deliver on our commitments. Our products are excellent and well invested in, our distribution capability is extensive and we are in the right growth segments within our industry. We continue to outpace competition and gain market share as our top line growth indicates. I am confident that with the model we have put in place, we can continue to grow top line and earnings per share at above market growth rates over the next few years.”

Trading in TEMENOS shares

Over the next 18 months approximately 1.5 million TEMENOS Stock Options will vest and could be exercised by option holders. Based on our current stock price, management believes that it is accretive to shareholders to fund this potential obligation out of stock purchased in the market up to a maximum amount of 2% of our outstanding shares. Shares purchased will not be actively traded and will be held as treasury shares on the company’s balance sheet, and any fair value adjustments will be taken directly to reserves until the shares are issued to option holders.

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About TEMENOS

Founded in 1993, TEMENOS Group AG is a provider of integrated modular core banking systems to over 300 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 34 offices in 29 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 statements**

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 December 2004 unaudited	Three months to 31 December 2003 unaudited	Twelve months to 31 December 2004 audited	Twelve months to 31 December 2003 audited
Revenues				
Software licensing	16'652	16'762	62'829	59'741
Maintenance	10'894	8'634	39'806	32'227
Services	13'042	13'475	50'940	54'223
<i>Total revenues</i>	<u>40'588</u>	<u>38'871</u>	<u>153'575</u>	<u>146'191</u>
Operating expenses				
Cost of licences	1'290	1'458	6'091	6'694
Services	12'468	13'312	47'668	48'830
Software development and maintenance	4'685	6'415	28'005	30'113
Sales and marketing	7'317	5'981	27'023	23'458
General and administrative	8'334	6'704	28'794	24'679
Amortisation of goodwill	374	416	1'689	1'695
<i>Total operating expenses</i>	<u>34'468</u>	<u>34'286</u>	<u>139'270</u>	<u>135'469</u>
Other operating income	-	-	1'020	-
Operating profit	<u>6'120</u>	<u>4'585</u>	<u>15'325</u>	<u>10'722</u>
Reversal of impairment of investment	2'100	-	2'100	-
Earnings before interest and tax	<u>8'220</u>	<u>4'585</u>	<u>17'425</u>	<u>10'722</u>
Other income (expenses)				
Interest expense - net	(46)	(61)	(96)	(277)
Income (expense) from financial instruments	-	637	(20)	892
Financial instrument related expenses	(77)	(171)	(406)	(449)
Foreign exchange gain	995	1'145	694	1'800
<i>Total other income</i>	<u>872</u>	<u>1'550</u>	<u>172</u>	<u>1'966</u>
Profit before taxation	<u>9'092</u>	<u>6'135</u>	<u>17'597</u>	<u>12'688</u>
Taxation	(1'752)	(1'010)	(3'041)	(1'763)
Profit for the period after taxation	<u>7'340</u>	<u>5'125</u>	<u>14'556</u>	<u>10'925</u>
Minority interest	45	(30)	812	(38)
Net profit for the period	<u>7'385</u>	<u>5'095</u>	<u>15'368</u>	<u>10'887</u>
Earnings per Share (in US \$):				
<i>basic</i>	0.13	0.09	0.28	0.20
<i>diluted</i>	0.13	0.09	0.26	0.19

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

	31 December 2004 audited	30 September 2004 unaudited	31 December 2003 audited
Assets			
Current assets			
Cash and cash equivalents	30'788	17'084	31'736
Accounts receivable	52'252	44'443	39'669
Available for sale investments	2'100	-	-
Accrued revenues	22'614	36'298	30'990
Prepayments and other assets	6'751	6'027	5'819
<i>Total current assets</i>	<u>114'505</u>	<u>103'852</u>	<u>108'214</u>
Non-current assets			
Tangible fixed assets	10'394	8'433	9'189
Intangible assets	20'651	21'809	12'830
Capitalised development costs	12'482	9'863	8'639
Long-term receivables	2'637	-	-
Guarantees and restricted bank deposits	1'207	311	11'403
Deferred tax assets	2'174	2'811	1'515
<i>Total non-current assets</i>	<u>49'545</u>	<u>43'227</u>	<u>43'576</u>
<i>Total assets</i>	<u>164'050</u>	<u>147'079</u>	<u>151'790</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	18'449	16'559	16'937
Accrued expenses	15'897	14'186	14'539
Deferred revenues	34'626	27'958	35'897
Bank loans	-	-	15'000
Income taxes payable	2'397	2'895	3'066
<i>Total current liabilities</i>	<u>71'369</u>	<u>61'598</u>	<u>85'439</u>
Non-current liabilities			
Long-term payables	8'274	11'293	-
Long-term liabilities under finance leases	224	281	156
<i>Total liabilities</i>	<u>79'867</u>	<u>73'172</u>	<u>85'595</u>
Minority interest			
	<u>723</u>	<u>756</u>	<u>38</u>
Shareholders' equity			
Share capital	157'454	157'312	155'560
Treasury shares	(124)	(223)	(33)
Share premium	(70'119)	(69'903)	(69'121)
Fair value and other reserves	4'991	2'094	3'861
Retained (deficit) earnings	(8'742)	(16'129)	(24'110)
<i>Total shareholders' equity</i>	<u>83'460</u>	<u>73'151</u>	<u>66'157</u>
<i>Total equity and liabilities</i>	<u>164'050</u>	<u>147'079</u>	<u>151'790</u>

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

consolidated statements of cash flows

	Three months to 31 December 2004 unaudited	Three months to 31 December 2003 unaudited	Twelve months to 31 December 2004 audited	Twelve months to 31 December 2003 audited
Profit before taxation	9'092	6'135	17'597	12'688
Adjustments:				
Depreciation and amortisation	3'486	2'827	13'904	14'473
Reversal of impairment of investment	(2'100)	-	(2'100)	-
(Gains) losses on disposal of assets	(16)	115	102	183
Cost of employee share option scheme	17	(79)	123	(79)
Interest expense - net	46	61	96	277
(Income) expense from financial instruments	-	(637)	20	(892)
Financial instrument related expenses	77	171	406	449
Changes in working capital:				
Increase in receivables, accrued revenues and prepayment	1'777	(10'477)	(10'837)	(30'789)
Increase in accounts payables and accrued expenses	3'922	4'234	1'065	8'587
Increase (decrease) in deferred revenues	6'725	11'292	(3'652)	12'940
<i>Cash generated from operations</i>	23'026	13'642	16'724	17'837
Income taxes paid	(469)	(722)	(790)	(1'415)
<i>Net cash generated from operating activities</i>	22'557	12'920	15'934	16'422
<i>Cash flows from investing activities</i>				
Purchase of tangible fixed assets	(1'675)	(206)	(3'327)	(758)
Disposal of tangible fixed assets	115	126	304	435
Purchase of intangible assets	(1'240)	(677)	(2'070)	(1'227)
Disposal of intangible assets	215	217	864	433
Capitalised development costs	(3'374)	(1'092)	(6'558)	(2'897)
Acquisitions	(3'420)	-	(3'511)	(2'050)
Allocation of cash to minority interest	-	-	1'844	-
Interest received	42	112	244	306
<i>Net cash used in investing activities</i>	(9'337)	(1'520)	(12'210)	(5'758)
<i>Cash flows from financing activities</i>				
Proceeds from issuance of shares, net of related expenses	69	70	833	630
Acquisition of treasury shares	(91)	-	(91)	-
Repayment of bank loan	-	(2'500)	(15'000)	(5'000)
Restricted cash released from a banking institution	-	-	10'000	-
Interest payments	(100)	(222)	(325)	(580)
Proceeds from (settlement of) financial instruments	-	456	(20)	913
Payment of financial instrument related expenses	(77)	(166)	(406)	(366)
Payment of finance lease liabilities	(22)	(20)	(107)	(96)
<i>Net cash used in financing activities</i>	(221)	(2'382)	(5'116)	(4'499)
<i>Effect of exchange rate changes</i>	705	1'063	444	1'578
(Decrease) increase in cash and cash equivalents in the period	13'704	10'081	(948)	7'743
Cash and cash equivalents at the beginning of the period	17'084	21'655	31'736	23'993
Cash and cash equivalents at the end of the period	30'788	31'736	30'788	31'736