TEMENOS Group AG

(incorporated in Switzerland with limited liability)

CHF 175,000,000
2.00% Bonds due 2022

This prospectus (the **Prospectus**) relates to the offering (the **Offering**) of 2.00% bonds in the aggregate principal amount of Swiss francs (**CHF**) 175,000,000 due 2022 (the **Bonds**, and each a **Bond**) of TEMENOS Group AG (the **Company** or the **Issuer**, and together with its subsidiaries **TEMENOS** or the **Group**), and the listing of the Bonds on the SIX Swiss Exchange Ltd (**SIX Swiss Exchange**).

Issuer:	TEMENOS Group AG, 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland
Issue Price:	The Syndicate Banks have purchased the Bonds at the price of 100.00% of the aggregate principal amount of the Bonds (before commissions)
Placement Price:	According to demand
Payment Date:	17 June 2015
Maturity Date:	17 June 2022
Reopening:	The Issuer reserves the right to reopen this issue at any time before the maturity of the Bonds in accordance with the Terms of the Bonds.
Interest Rate:	2.00% per annum (calculated on a 30/360 basis), payable annually in arrears on 17 June each year, for the first time on 17 June 2016. Interest payments are subject to Swiss Federal Withholding Tax of currently 35%.
Redemption Price:	100% of principal amount.
Denominations:	CHF 5,000.
Assurances:	Pari passu clause, negative pledge clause (with exceptions), change of control provision, and cross default provision, all as provided in the Terms of the Bonds.
Status:	The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer.
Form of the Bonds:	The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations.
Trading and Listing:	The Bonds have been provisionally admitted to trading on the SIX Swiss Exchange with effect from 15 June 2015. Application will be made for the Bonds to be listed on the SIX Swiss Exchange. The last day of trading is expected to be 15 June 2022.
Selling Restrictions:	United States of America and United States Persons, United Kingdom, European Economic Area, and general selling restrictions (see pages 4 et seqq. of this Prospectus).
Governing Law and Jurisdiction:	Swiss Law, Zurich 1.

Lead Manager: **Credit Suisse**
Co-Manager: **BZ Bank Aktiengesellschaft**

	Swiss Security Number	ISIN	Common Code
CHF 175,000,000 2.00% bonds due 2022	28 410 056	CH0284100564	124250528

Prospectus dated 15 June 2015

IMPORTANT INFORMATION

Prospective Bondholders are expressly advised that an investment in the Bonds entails financial risks (including, without limitation, that (a) the Bond prices may be volatile, and (b) there is no prior market for the Bonds and no active trading market may develop). Prospective Holders should therefore carefully review the entire content of this Prospectus. For a description of certain further risks see also "Risk Factors" on pages 7 to 15.

The distribution of this Prospectus and the offering or sale of the Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Syndicate Banks (as defined hereinafter) to inform themselves about and to observe such restrictions. This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Syndicate Banks to subscribe for, any of the Bonds. This Prospectus may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

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SELLING RESTRICTIONS

United States of America and United States Persons

No substantial U.S. market interest: The Issuer reasonably believes that at the time the offering of the Bonds began, there was no substantial U.S. market interest in its debt securities in the meaning of Rule 902 (j) (2) of Regulation S under the Securities Act of 1933 of the United States of America.

Each Syndicate Bank understands that the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to or for the account or benefit of United States persons (except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act).

Each Syndicate Bank has also represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds constituting part of their allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Each Syndicate Bank has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Syndicate Bank has represented, warranted and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with their affiliates or with the prior written consent of the Issuer.

United Kingdom

Each Syndicate Bank has represented and agreed that: (i) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the **FSMA**) with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and (ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorized person, apply to the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area, which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Syndicate Bank has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Lead Manager; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer or the Syndicate Banks to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

SELLING RESTRICTIONS

For the purposes of this provision, the expression an **"offer of Bonds to the public"** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **"Prospectus Directive"** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **"2010 PD Amending Directive"** means Directive 2010/73/EU.

General

Neither the Issuer nor any of the Syndicate Banks represent that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to TEMENOS that are based on the current expectations, estimates, plans, strategic aims, vision statements, and projections of its management and information currently available to TEMENOS.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results of operations, financial condition, performance or achievements of TEMENOS to be materially different from any future results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Terms and phrases such as "will", "believe", "expect", "anticipate", "intend", "plan", "predict", "estimate", "project", "target", "assume", "may" and "could", and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These statements reflect the current views of TEMENOS' management with respect to future events and are not a guarantee of future performance. Various factors could cause actual results or performance to differ materially from the expectations reflected in these forward-looking statements, including those described under the heading "Risk Factors" and elsewhere in this Prospectus. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Therefore, no undue reliance should be placed on forward-looking statements and Bondholders should assess and take into account these risks as part of their investment decision. Neither the Issuer nor the Syndicate Banks undertake to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading. All subsequent written and oral forward-looking statements attributable to the Issuer or any other entity of TEMENOS are qualified in their entirety by the risk factors outlined below.

RISK FACTORS

The Group operates in a rapidly changing environment that involves a number of risks and uncertainties, some of which are beyond its control. Prospective Bondholders should carefully consider each of the risks and uncertainties described below and all other information in this Prospectus before deciding to invest in the Bonds. If any of the following events actually occur, the Group's business, operating results and financial condition would likely suffer. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our cash flows, business, results of operations and financial condition. In addition, the risks and uncertainties described below are not the only ones that the Group faces. Additional risks and uncertainties that the Group does not currently know of or that the Group currently believes to be immaterial may also adversely affect the Group's business operations.

Risks factors relating to the Issuer

The Issuer is reliant on the support of the wider Group to conduct its business

The Issuer is dependent upon the Group for various services including but not limited to software development and support, centralised administrative functions, licensing of IP and management. These services are centralised within the Group for cost effectiveness and expertise and are provided to all Group companies from numerous locations. Any contingency that affects the Group's ability to provide the various services to the Issuer will have a material effect on the Issuer's operations, financial condition, results and ability to fulfil its obligations.

The Issuer is reliant on the support of the wider Group to fulfil its obligations

In order to satisfy its obligations in respect of the Bonds the Issuer will depend upon payments made to it by other members of the Group. Therefore the Issuer's ability to fulfil its obligations is subject to any contingency that affects the Group's business, financial condition and results.

Risks factors relating to the Group

The Group depends on the banking and financial services industry

The Group derives all of its licensing, vendor-hosted software delivery, maintenance and services revenues from banks and other financial institutions. The banking industry is sensitive to changes in economic conditions and is highly susceptible to unforeseen external events, such as political instability, recession, inflation or other adverse occurrences that may result in a significant decline in the use and/or profitability of financial services. Any event that results in decreased consumer or corporate use of financial services, cost-cutting measures by financial services companies, or increased pressure on banks and financial institutions to develop, implement and maintain solutions in-house rather than going to external providers, may negatively affect the level of demand for the Group's products and services. Any reduction in the demand for the Group's products in the banking and finance industries or decrease in success in marketing the Group's products to financial sector clients and prospective clients could have a material adverse effect on the Group's operations and financial condition and results.

Increased competition may result in price reductions and decreased demand for the Group's products and services

The Group competes both to attract new customers and to retain and provide additional services to its existing customers. The market for banking industry software is intensely competitive and continues to change in response to technological innovation and other factors. The Group's competitors are diverse and offer a variety of solutions directed at various segments of the banking and financial services industry software market. These competitors include large software vendors offering banking software solutions, such as SAP, Infosys and Tata Consultancy Services, as well as focussed providers such as Oracle Financial Services Software and Misys. The IT departments of financial institutions that conduct internal development efforts and smaller independent companies that provide specialised solutions addressing discrete needs or specific geographic regions are also in direct competition with the Group. A number of the Group's competitors have certain competitive advantages such as: longer operating histories; greater financial, technical and marketing resources; stronger brand recognition; and a larger installed client base. In addition, several of the Group's competitors have well established relationships with a number of the Group's current and potential clients and strategic partners. Furthermore, the same competitors also have extensive knowledge of the banking software industry and have the resources to enable them to offer clients single-vendor solutions for all of their banking related software requirements. As a response to a changing competitive environment, changes to pricing, service or marketing decisions could have a material adverse effect on the Group's business, financial condition and results.

As a result, some of the Group's competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the development, promotion and sale of their products and new technologies. Failure to respond as quickly as its competitors could have a material adverse effect on the results of operations and financial condition of the Group.

There can be no assurance that established software companies, that are significant players in other vertical industries, will not enter the market for banking and financial industry software. Any increase in competition to the Group's product and services could have a material adverse effect on the revenues, results of operations and financial condition of the Group.

The Group faces challenges maintaining its products' market leading positions in an environment of rapid technological development, new business models and changing market expectations

The future success of the Group depends upon its ability to keep pace with technological developments, new business models among its customers (such as Software-as-a-Service (SaaS)) and changing market expectations. The market for banking software is characterised by rapid technological change, frequent new product introductions, technology enhancements, changes in customer demands and evolving market standards. This requires the Group to be constantly developing new products and services, enhancing existing products and services, integrating any new products and services that may be acquired through acquisitions and anticipating any future changes in customer's needs. There can be no assurance that the Group will be successful in developing new products and services or enhancing existing products and services and bringing them to market in a timely and cost effective manner. Failure to make sufficient investments in research and development or if such investments were costly and/or ineffective could have a material adverse effect on the results of operations and financial condition of the Group. With increasingly sophisticated customer requirements, the Group may not succeed in developing high quality products or enhancements necessary to compete with products, enhancements or other technologies offered by competitors. In addition, there can be no guarantee that expenditure on research and development will directly result in increases to the Group's revenue in excess of the costs associated with the research and development. If the cost of researching and developing a new product is in excess of any additional revenues generated by the new product the Group's profitability will decrease.

Increased proportion of clients that are "Tier 1" may increase the reputational risk to the Group

The Group's "Tier 1" client list, which includes clients such as ABN Amro, Credit Suisse and J.P. Morgan, is a key competitive strength, which strengthens the reputation and brand of the Group within the banking industry. However, the continued acquisition of "Tier 1" clients increases the reputational exposure of the Group in the event of a product defect or customer complaint in relation to a Tier 1 client. Any incident or action that damages the reputation or brand of the Group could adversely affect its business, financial condition and operating results.

The Group is dependent on its ability to attract and retain key management and other skilled personnel

The Group operates in an industry in which there is intense competition for experienced and highly qualified individuals. The economic success of the Group is partly dependent on its ability to identify, attract, develop, motivate, adequately compensate and retain highly skilled and qualified management, sales, support, service, marketing and software development personnel, particularly those with expertise in the banking software industry. In particular, the Group depends heavily on the continued services and performance of its directors, members of its Executive Committee and other senior managers and technical personnel. In addition, the Group relies on hubs of its technical staff at its facilities in India, Romania and other locations for cost-effective development, support and other activities. The Group believes that in order to grow its business it will need to continue to hire and retain highly qualified employees with the requisite skills and expertise to support its growing client base. There is intense competition for experienced and highly skilled personnel, particularly in India, and there is no guarantee that the Group will continue to be able to successfully and consistently meet its personnel recruitment goals. If the Group fails to recruit and retain the numbers and types of employees that it requires, its business, operating results and financial condition may be adversely affected.

The Group's business could be adversely affected if it fails to successfully identify, complete or manage acquisitions

The Group pursues a strategy of making targeted acquisitions. The risks associated with such a strategy include the availability of suitable candidates, integration issues such as the failure to assimilate operations and personnel, and the risk of entering markets in which the Group has no or limited prior experience. The process of integrating an acquired company or business is risky and may create unforeseen operating difficulties and expenditures, including: difficulties in integrating the operations, technologies, services and personnel of the acquired businesses; unexpected costs or liabilities of acquired businesses (or future acquisitions); ineffectiveness or incompatibility of acquired technologies or services; failure to realise operating benefits or synergies from completed transactions; potential loss of key employees of acquired business and cultural challenges associated with integrating employees from the acquired company; inability to maintain the key business relationships and the reputations of acquired businesses; and diversion of management's attention from other business concerns.

Further consolidation in the Group's industry may decrease the number of potential desirable acquisition targets. Failure to acquire, integrate and derive the desired value of any businesses or assets in the future could materially adversely affect the Group's business, results of operations and financial condition.

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets on the Group's statements of financial position. Moreover, the funding of future acquisitions by the Group may require the use of significant amounts of cash, potentially dilutive issuances of equity securities and the incurrence of debt or amortisation expenses related to intangible assets.

The Group's results of operations may be adversely affected by foreign exchange and/or interest rate fluctuations

The Group's financial statements are expressed in U.S. dollars and the Group generates the majority of its revenues in U.S. dollars. However, a significant portion of its operating expenses is incurred in currencies other than the U.S. dollar, particularly in euros, Swiss francs, Indian Rupees and Pounds Sterling. In addition, the proceeds of the sale of the Bonds will be denominated in Swiss francs. In some jurisdictions the Group receives payment in U.S. dollars or other currencies, while independent distributors resell the products to clients in the local currency. In the event of the depreciation of the local currency against the U.S. dollar, the Group may be forced to reduce the sale price. As a result, fluctuations in the exchange rate of the U.S. dollar against other currencies could materially affect the Group's reported results from year to year. The appreciation of the U.S. dollar relative to other currencies would generally have an adverse effect while depreciation of the U.S. dollar relative to another currency would have a positive effect.

Furthermore, the Group is exposed to the fluctuation in interest rates of each of these currencies.

The Group makes efforts to mitigate its foreign exchange risk by aligning its revenue streams to currencies that match its cost base and hedges most of the residual exposure by the use of derivative instruments. However, such hedging may not be sufficient protection against significant fluctuations in the exchange rate of the U.S. dollar to other currencies, in particular those currencies in which the Group incurs operating expenses, generates revenues or holds assets. Such fluctuations may impose additional costs on the Group and have a material adverse effect on the Group's financial condition and results of operations, and on the comparability of its results between financial periods.

The Group relies on third parties and strategic partners for sales and implementation services

The Group delivers its products to customers directly and indirectly through distributors and through strategic alliances with IT service providers. The Group's strategic partners sell to customers and provide implementation services through a contract with the partner, rather than with the Group. These relationships with IT service providers and strategic partners help to drive co-innovation of the Group's products, profitably expand the Group's routes-to-market to enhance market coverage and provide high quality services in connection with the Group's product offerings. Any failure to maintain and expand these relationships could adversely affect the Group's products and services which, in turn, would have an adverse effect on the Group's ability to compete successfully with its competitors and therefore negatively affect the results of operations and financial condition.

Operating results may be negatively impacted by increased use of professional subcontractors by the Group

The Group relies on professional subcontractors to fulfil certain of its obligations to customers, in particular in the context of implementing Group products. The Group's use of subcontractors reduces its professional services gross margins, and so any increase in the use of subcontractors may negatively impact the Group's services margins.

Due to the typically short-term nature of the contracts with professional subcontractors, there is a risk that should they be terminated on short notice, the Group's ability to implement its products could be materially reduced. Such a reduction could have a material adverse effect on the Group's financial condition and results of operations.

The Group's sales cycle is long and may cause its operating results to vary widely

A decision by a potential customer to purchase the products of the Group involves a significant commitment of its resources and is influenced by its budget cycles. The process of winning new customers can require a significant amount of management time and resources as the Group must educate any potential new clients regarding how they could use and benefit from the Group's products and services. Consequently, the period between initial contact and the purchase of products is often long and subject to delays associated with the lengthy budgeting, approval and competitive evaluation processes that typically accompany significant IT expenditures. The Group's sales cycles typically range between nine and twelve months from initial contact with a potential customer to the signing of a licence agreement. Lengthy delays between the purchase of products and payment may cause the Group to incur significant expenses before payment by the customer, which could have a material adverse effect on the Group's financial condition and results of operations in the intervening period. In addition, the Group's operating results may vary widely from period to period.

Cyclical fluctuations may cause the Group's quarterly operating results to vary widely

The Group's quarterly results are subject to cyclical fluctuations that are a factor of the market and sectors within which the Group operates. In particular, licence revenues are typically strongest in the fourth quarter, when the large proportion of customers with calendar year-end budgeting procedures make their purchasing decisions. In contrast, first quarter results are typically the weakest in the annual reporting cycle. In addition, the third quarter includes the summer months when both sales and billable client services activity, as well as client purchase decisions, tend to be lower, particularly in Europe. Such cyclical fluctuations could put stress on the Group's cash position which may necessitate the Group drawing on existing working capital facilities or other sources of liquidity. As a result of seasonality of the Group's revenues, the Group's quarterly operating results may fluctuate materially and could lead to volatility in the price of the Issuer's shares, which could, overall, have a material adverse effect on the value attributed to the Group. In addition, the Group may have difficulty in accurately forecasting revenues on a quarterly basis, which may have a material adverse effect on the Group's results, financial condition and ability to meet its payment obligations in connection with the Bonds.

The Group may face difficulties in the provision of its SaaS and Cloud services offering

SaaS and Cloud technology are relatively new to the banking and financial market sector with broad adoption occurring only in certain fields such as customer relationship management in both retail banking and private wealth management. Accordingly, the Group may be subject to changing regulatory requirements, evolving customer attitudes and technical complexities in developing a new business offering and support services. The Group may fail to achieve desired operating profit results in this new market due to regulatory changes or inability to develop a competitive product which appeals to its clients.

By providing Cloud technology to customers the Group will hold a large amount of customer data. Hardware failures, product defects or system errors could result in data loss or corruption, or cause the information held to be incomplete or contain inaccuracies. The availability of the Group's application suite could be interrupted by a number of factors, such as the failure of a key supplier, its network or software systems due to human or other error and security breaches.

Although the Group employs security, data protection and privacy measures there is a risk that such measures could be breached as a result of third party action, employee error and malfeasance, or otherwise, and if as a result unauthorised access is obtained to customer data, which may include personally identifiable information about users, the Group could suffer significant reputational damage and be exposed to major liabilities. Any such incident in relation to the Cloud services, including reputational damage or exposure to major liability, would have a material adverse effect on the Group's financial condition and results of operations.

Undetected errors or defects in the Group's software could adversely affect the Group's performance and reduce the demand for its products

There can be no assurance that the Group's products do not contain errors or defects that the Group has not been able to detect and that could adversely affect the performance of the products and negatively impact the Group's relationship with its customers and clients. This could occur when developing a new product or service or when developing a new version or enhancement of an existing product. It is not always possible to identify and rectify any errors or defects during a product or services developmental phase, and more commonly the Group has discovered minor software defects in certain new versions and enhancements of its products after they have been introduced. The detection and subsequent correction of any errors or defects can be expensive and time consuming, and it is not always possible to meet the expectations of customers regarding the timeliness and the quality of the defect resolution process. In a worst case scenario, it might not be possible to wholly rectify certain defects or entirely meet customer expectations. In such circumstances it is possible that customers may pursue claims for refunds, damages, attempt to terminate existing arrangements, request replacement software or seek other concessions. Any such action by customers could have a material adverse effect on the business, financial condition and results of operations of the Group.

A defect or error in any newly developed software of the Group could result in adverse customer reactions and negative publicity, as the Group's customers and potential customers are highly sensitive to defects in the software they use. Any negative publicity could hinder the successful marketing of the new software, reducing demand for the software. A defect or error in new versions or enhancements of the Group's existing products could result in the loss of orders or a delay in the receipt of orders and could result in reduced revenues, delays in market acceptance, diversion of development resources, product liability claims or increased service and warranty costs, any of which may have a material adverse effect on the Group's business, results of operations and financial condition. Any claim brought against the Group in connection with defective software, regardless of its merits, could entail substantial expense and require a significant amount of time and attention by management personnel.

The Group may encounter difficulties in migrating clients to T24 and other Group products

Historically, the Group's business strategy was focused almost exclusively on the licensing and servicing of a single integrated banking software product, known as T24. Over the years, the Group has acquired and developed additional products to offer a multi-product suite to a broad client base. Both the migration to new products and the introduction of new products entail implementation risks for the client. Although the Group has successfully migrated many clients to T24 and other products of the Group, there remains a risk that a new client may encounter technical difficulties, delays or unexpected expenses as it completes the migration to this platform.

Unsuccessful, lengthy or costly customer migration projects could result in claims from customers and/or reputational damage to the Group, and accordingly could therefore have a material adverse effect on its business, financial condition and results.

The Group's business may be adversely affected by conflicting legal and regulatory requirements associated with international operations

The Group's systems are currently installed at more than 2,000 live sites in 150 countries and it has sales and support offices in 40 countries. The Group's future revenue growth depends on the successful continued expansion of its development, sales, marketing, support and service organisations, through direct or indirect channels, in the various countries around the world where its current and potential clients are located, including in many developing or newly industrialised countries. Such expansion will require the opening of new offices, hiring new personnel and managing operations in widely disparate locations with different economies, legal systems, languages and cultures, and will require significant management attention and financial resources. The Group's operations are also affected by other factors inherent in international business activities, such as:

- differing laws governing regulation, risk and compliance in the banking sector;
- difficulties in staffing including works councils, labour unions and immigration laws and foreign operations;

- the complexity of managing competing and overlapping tax regimes;
- differing import and export licensing requirements;
- operational difficulties in countries with a high corruption perception index;
- protectionist trade policies such as tariffs;
- limited protection for intellectual property rights in some countries;
- difficulties enforcing intellectual property and contractual rights in certain jurisdictions;
- differing data protection and privacy laws;
- political and economic instability, outbreaks of hostilities, international embargos sanctions and boycotts; and
- longer accounts receivable payment cycles or bad debt.

The risks associated with the factors stated above will intensify as the Group expands further into new countries and markets. Additionally laws and regulations and governments' approaches to their enforcement, as well as the Group's products and services, are continuing to change and evolve. Compliance with the laws and regulations in the various jurisdictions may involve significant management time, costs and require costly changes to products and/or business practices. Failure to comply with laws in the various jurisdictions could result in prosecution, fines or reputational damage.

The Group's business could be adversely affected if the Group is unable to protect its proprietary technology

The Group relies upon a combination of copyright, trademark and trade secrecy laws, trade secrets, confidentiality procedures, contractual provisions and licence arrangements to establish and protect its proprietary rights and the Group's ability to do so effectively is crucial to its success. The Group enters into agreements with its employees, partners, distributors and clients that seek to limit the distribution of and otherwise protect its proprietary information. However, the Group cannot give any assurances that the steps taken to protect its proprietary rights will be adequate to prevent misappropriation of its proprietary information as all of the protection measures afford only limited protection. The Group's proprietary rights could be challenged, invalidated, held unenforceable or otherwise affected. Certain proprietary technology may be vulnerable to disclosure or misappropriation by employees, partners or other third parties and third parties might reverse-engineer or otherwise obtain and use technology and information that the Group regards as proprietary. Accordingly the Group might not be able to protect its proprietary rights against unauthorised third-party copying or utilisation, which may undermine the Group's market position and deprive it of revenues.

The Group may not be able to detect unauthorised use of its intellectual property, or take appropriate steps to enforce the Group's intellectual property rights. The Group's products are used in operations in over 150 countries and are therefore subject to varying laws governing the protection of software and intellectual property in each of these jurisdictions. The Group cannot guarantee that its software and intellectual property will be afforded the same level of protection in each jurisdiction, as some jurisdictions may offer no effective means to enforce the Group's rights to its proprietary information, which could result in competitors offering products that incorporate features equivalent to the Group's most technologically advanced features, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Any legal action that the Group may bring to enforce its proprietary rights could involve enforcement against a partner or other third party, which may have a material adverse effect on its ability, and its clients' ability, to use that partner's or other third parties' products. Moreover, litigation, which could involve significant financial and management resources, may be necessary to enforce the Group's proprietary rights. Any material infringement of the Group's proprietary technology could have an adverse effect on its reputation, business, financial position, profit and cash flows.

The Group may be subject to third party claims for intellectual property infringement

There can be no assurance that the litigation of intellectual property infringement claims will not significantly increase as a result of the following factors: the number of products in the financial services software market growing, the Group acquiring companies which rely on third-party code, the expanding use of open source code, the Group expanding into new areas of the banking industry resulting in greater overlap in the functional scope of products, and increasing assertion of intellectual property infringement claims by non-practising entities that do not design, manufacture, or distribute products.

Although the Group believes that its products do not infringe upon the intellectual property rights of others, and that the Group has all the rights necessary to utilise the intellectual property employed in its business, the Group is still subject to the risk of claims alleging infringement of third-party intellectual property rights, including in respect of intellectual property that has been developed by third parties and acquired by the Group in business or asset purchase transactions. Responding to such claims, regardless of whether they are with or without merit and negotiations or litigation relating to such claims could require the Group to spend significant sums in litigation costs, payment of damages and expend significant management resources. In addition, such claims could lead to shipment delays or require the Group to enter into royalty or licensing agreements on unfavourable terms, discontinue the use of challenged trade names or technology, or develop non-infringing intellectual property. The Group's liability insurance does not protect it against the risk that its own or licensed third-party technology infringes the intellectual property of others. Therefore, any such claims could have a material adverse effect on the Group's reputation, business, operating results and financial condition.

Legal proceedings or litigious actions against the Group could have a material adverse effect on business, financial position, profit, cash flows and reputation

The Group operates in various legal jurisdictions and as such is subject to various legal and regulatory requirements. The possibility exists that a member of the Group may have legal proceedings or litigious actions brought against it. The outcome of legal proceedings or litigious actions are intrinsically uncertain and the actual outcomes of legal proceedings or litigious actions could differ from the assessments made by management in prior periods, resulting in increases in provisions for litigations in the accounts of the Group. Adverse outcomes to legal proceedings or litigious actions could result in the award of significant damages or injunctive measures that could hinder the Group's ability to conduct business and could have a material adverse effect on its reputation, business, financial position, profit, and cash flows.

Failure to comply with the terms of the Group's credit facilities could materially adversely affect the Group's liquidity and therefore the results of operations

The Group has credit facilities in place with a syndicate of banks. The facilities contain financial and negative covenants, undertakings and event of default provisions. Moreover, the facilities contain cross-default provisions such that a default under another debt instrument, such as the Bonds, could result in a default under the credit facilities and acceleration of the debt thereunder.

The inability of the Group to draw under the credit facilities to satisfy its working capital requirements, and/or the impact on the Group of any cross-acceleration or cross-default provisions could have a material adverse effect on the Group's business, results of operations and financial condition.

Complex software and hardware systems may be breached, interrupted or could fail

The Group is highly dependent on the proper functioning of complex software and hardware systems. The Group cannot guarantee uninterrupted operation and full security of all its systems. Any failure of such systems or associated back-up facilities could lead to a business disruption. Failure to manage IT security risks appropriately or data losses, breaches to the IT security systems or any other significant failure of the complex software and hardware systems could lead to legal sanctions, civil claims, significant remediation costs, reputational damage, potential cancellation of customer contracts and inability to compete future business.

The Group's business may be interrupted and adversely affected by incidents such as state based conflicts, terrorism or natural disasters

The Group's business operations are vulnerable to interruption from natural and man-made threats including but not limited to fire, floods, earthquakes, volcanic activity, explosions or other threats such as terrorist activity, social unrest, pandemic and other disasters. This risk is increased by the fact that some of the Group's systems or facilities are based in locations with increased exposure to such natural or social risks. As the Group continues to expand into new countries and markets, these risks could intensify.

Any such interruption or incident could have a material adverse effect on the Group's partners as well as customers and their investment decisions. The occurrence of any of such events, or other events with similar effects, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's information technology and network systems may be vulnerable to cyber-security risks

The Group's information technology systems and network infrastructure may be exposed to physical damage or cyber-attacks including the risk of state or competitor driven industrial espionage. An external information security breach, such as a hacker attack, a virus or worm, or an internal problem with information protection, such as failure to control access to sensitive systems, could materially interrupt the Group's or client's business operations or cause disclosure or modification of sensitive or confidential information. Such a failure could result in material financial loss, breach of client contracts, reputational harm or legal liability, which, in turn, could adversely affect the Group's business, results of operations and financial condition.

If the Group's security measures are breached and unauthorised access is obtained to the Group's IT systems, the Group's business could be disrupted and the Group may suffer financial losses as a result of the loss of confidential client information or otherwise.

In addition, the Group's insurance coverage might not cover claims against it for loss or security breach of data or other indirect or consequential damages. Moreover, defending a suit, regardless of its merit, could be costly and time-consuming.

If the Group experiences interruptions in the availability of its application suite, the Group's reputation could be harmed, which may have a material adverse effect on the Group's business and financial condition.

Internal controls may not effectively address all material risks affecting the Group

Although the Group considers the controls and procedures it currently has in place to minimise the financial reporting, legal, disclosure and other regulatory, compliance and operational risks associated with its business to be adequate for its purposes, the Group recognises that the efficacy of some of these controls and procedures depends significantly on employees and contractors, and on input from external legal and other advisers and all of these controls and procedures need to be kept under regular review, particularly given the pace at which the Group's business has developed and generally increasing regulatory scrutiny. There can be no assurances that the Group will be able to identify and adequately remedy all failures or weaknesses in the internal controls and procedures of the Group.

There is no assurance that the Group will not be targeted by those willing to commit fraud against the Group. Such an action could come from either an internal or external source and could result in a significant adverse impact on the Group's business, results of operations and financial condition.

Risk factors relating to the Bonds

There may be limited liquidity in the market for the Bonds

There is no established trading market for the Bonds. There can be no assurance regarding the future development of a market for the Bonds, or the ability of Bondholders to sell their Bonds, or the price at which such holders may be able to sell their Bonds. The liquidity of any market will depend upon the number of Bondholders, the market for similar securities, the interest of securities dealers in making a market in the Bonds and other factors. A liquid trading market may not develop for the Bonds.

The price of the Bonds may be highly volatile

The trading price of the Bonds may be subject to fluctuations as a result of numerous factors including, but not limited to, variations in the periodic operating results or financial condition of the Group or the Issuer, changes in investor perceptions of the Group and the Issuer, the depth and liquidity of the market for the Bonds and changes in actual or forecasted global or regional economic conditions or conditions in the banking or banking software industries. In addition, the global bond markets have from time to time experienced extreme price and volume fluctuations, notably in response to changes in interest rates and credit spreads. Any such broad market fluctuations may adversely affect the trading price of the Bonds. Developments and changes in securities analyst recommendations regarding the shares of the Company may also influence and bring volatility to the price of the Bonds.

The absence of a credit rating may make it more difficult for the Bondholders to benchmark their investment

The absence of a credit rating for the Issuer may make it more difficult for the Bondholders to benchmark their investment or to become aware of any adverse change in the credit of the Group.

The Bonds will be unsecured indebtedness and will rank equally with all existing and future unsecured indebtedness

The Bonds will be unsecured indebtedness of the Issuer and will rank equally in right of payment with all the Issuer's respective existing and future unsecured indebtedness. In addition, the Bonds will be effectively subordinated to all of the Issuer's respective future secured indebtedness, to the extent of the value of the collateral securing such indebtedness, and other liabilities of the Issuer's respective subsidiaries. The Terms of the Bonds do not limit the amount of additional indebtedness that the Issuer's respective subsidiaries can create, incur, assume or guarantee.

The Bondholders' claims under the Bonds will be structurally subordinated to the claims of certain third-party creditors

The Group consists of the Issuer and its direct and indirect subsidiaries. The Issuer may use a portion of the net proceeds of the Offering to finance loans to others of these Group companies, which may in turn make further loans within the Group. Group companies may agree among themselves or with third-party creditors to subordinate their claims arising from any loans among Group companies to the claims of such third-party creditors. This structure results in de facto subordination, or so-called "structural subordination," of the Bondholders' claims under the Bonds. As a result of this structure, in the event of the liquidation of a Group company, the claims of other third-party creditors may be satisfied in priority to inter-Group claims against such company, and therefore in priority to the Bondholders' claims under the Bonds.

RESPONSIBILITY STATEMENT

The Issuer, having made all reasonable enquiries, confirms to the best of its knowledge and belief that the information contained in this Prospectus is in all material respects true and accurate, and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion, in any material respect. The Issuer accepts responsibility accordingly.

Geneva, as of 15 June 2015 TEMENOS Group AG

SECTION 1: GENERAL INFORMATION

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer, passed on 6 May 2015, and a Bond Purchase Agreement dated 15 June 2015 among the Issuer and Credit Suisse AG, (the **Lead Manager**) and BZ Bank Aktiengesellschaft (the **Co-Manager**, and together with the Lead Manager, the **Syndicate Banks**), the Issuer has decided to issue and the Syndicate Banks have decided to purchase the Bonds.

Use of Proceeds

The Group intends to use the net proceeds from the Offering of CHF 174,495,000 million, after placement commissions and expenses, for general corporate purposes (which may include acquisitions, the repayment of existing debt, dividend payments and share buybacks). None of the Syndicate Banks shall have any responsibility for or be obliged to concern itself with the application of the net proceeds of the issue of the Bonds.

Notice to Investors

The financial institutions involved in the issuance and offering of the Bonds are banks, which directly or indirectly have participated, or will participate, in financing transactions and/or banking business with the Issuer which are not disclosed herein.

Representatives

In accordance with Art. 43 of the Listing Rules of the SIX Swiss Exchange (the **SIX Listing Rules**) Credit Suisse AG has been appointed by the Issuer as representative to lodge the listing application with SIX Exchange Regulation.

Documents Available

Copies of this Prospectus are available free of charge from Credit Suisse AG, Uetlibergstrasse 231, CH-8070 Zurich, Switzerland, or may be obtained upon request by telephone (+41 44 333 28 86), fax (+41 44 333 57 79) or e-mail to newissues.fixedincome@credit-suisse.com. This Prospectus may be downloaded from the Issuer's website under http://www.temenos.com/investor-relations/.

SECTION 2: TERMS OF THE BONDS

The terms and conditions of the bonds (each a **Condition**, and together the **Terms of the Bonds**) issued by the Issuer, are as follows:

1 Amount and Reopening, Form of the Bonds, Denomination, Custodianship and Transfer of the Bonds

(a) The initial aggregate principal amount of the Bonds of Swiss francs (**CHF**) 175,000,000 (in words: one hundred and seventy-five million Swiss francs) (the **Aggregate Principal Amount**) is divided into bonds (each a **Bond** and collectively the **Bonds**) with denominations of CHF 5,000 (five thousand Swiss francs) per Bond.

The Issuer reserves the right to reopen (the **Reopening**) and increase the Aggregate Principal Amount at any time and without prior consultation of or permission of the holders of the bonds (the **Holders** and, individually, a Holder) through the issuance of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

(b) The Bonds and all rights in connection therewith are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations.

Such uncertificated securities (*Wertrechte*) will then be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS or any other intermediary in Switzerland recognized for such purposes by SIX Swiss Exchange (SIX SIS or any such other intermediary, the **Intermediary**). Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bonds will constitute intermediated securities (*Bucheffekten*) (Intermediated Securities) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

(c) So long as the Bonds are Intermediated Securities (*Bucheffekten*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

(d) The records of the Intermediary will determine the number of Bonds held through each participant of that Intermediary. In respect of Bonds held in the form of Intermediated Securities, the Holders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (Verwahrungsstellen) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.

(e) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*). No physical delivery of the Bonds shall be made.

2 Interest

The Bonds bear interest from (but excluding) 17 June 2015 (the **Closing Date**) until (and including) the Maturity Date (as defined below) at the rate of 2.00 per cent. of their Aggregate Principal Amount per annum, payable annually in arrears on 17 June of each year (the **Interest Payment Date**), for the first time on 17 June 2016. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

3 Redemption, Purchase and Cancellation

(a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on 17 June 2022 (the **Maturity Date**).

(b) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Closing Date and prior to the Maturity Date, in whole, but not in part only, at par of their Aggregate Principal Amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) per cent. or more of the Aggregate Principal Amount have been redeemed or purchased and cancelled at the time of such notice.

(c) Redemption at the Option of the Holders upon **Change of Control**

A A Change of Control occurs when:

(a) an offer to acquire Shares, whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (i) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with such offeror or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions, and (ii) such offer having become or been declared unconditional in all respects, the Issuer becomes aware that the right to cast more than 50% of all the voting rights (whether exercisable or not) of the Issuer has become unconditionally vested in the offeror and any persons acting in concert with the offeror; or

(b) the Issuer consolidates with or merges into any other company, provided that the shareholders of the other company immediately after the consolidation or merger as a result of the consolidation or merger hold more than 50% of all the voting rights (whether exercisable or not) of the Issuer resulting from the consolidation or merger; or

(c) the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, either directly or indirectly, are acquired by one or more other persons.

B Upon a Change of Control:

the Issuer shall forthwith, or, if it is not clear at that point in time whether the Holders are entitled to exercise their redemption rights pursuant to Condition 3 (c) because the Issuer's rating of at least "BBB" is not yet available, immediately following the receipt of the rating decision of the relevant rating agency or after two months, whatever is earlier, give notice of that fact to the Holders (the **Change of Control Notice**) in accordance with Condition 10. The Change of Control Notice shall:

(a) inform the Holders of their right to require redemption of the Bonds pursuant to Condition 3 (c);

(b) specify the date (the **Change of Control Redemption Date**), being not more than sixty (60) and not less than thirty (30) days after giving such notice, on which the Bonds may be redeemed pursuant to Condition 3 (c); and

(c) provide details concerning the Change of Control.

C Early Redemption at the Option of Holders upon Change of Control

Upon the occurrence of a Change of Control, the Issuer will at the option of a Holder, redeem such Bond at par on, together with interest accrued up to, the Change of Control Redemption Date unless,

(a) in the event of a merger or consolidation of the Issuer, the surviving entity has or receives a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt on a consolidated basis and assumes or keeps, as the case may be, the Issuer's obligations under the Bonds pari passu with its own senior obligations, or

(b) in the event of an offer to acquire Shares, or in the event of a transfer of the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer, the acquirer has a rating of at least BBB by Standard & Poor's or the equivalent by Moody's for its senior unsecured long-term debt or receives such a rating on a consolidated basis after giving effect to the acquisition and assumes or guarantees the Issuer's obligations under the Bonds pari passu with its own senior obligations.

It is understood that where no rating exists for the senior unsecured long term debt of the surviving entity, the acquiring entity or the Issuer, as the case may be, or a rating is not received within a period of two months since the occurrence of a Change of Control, respectively, then the Holders shall have a redemption right as described in the first sentence of this Condition 3 (c).

To exercise such option, a Holder must deliver a duly completed redemption notice in a form satisfactory to the Principal Paying Agent (a **Change of Control Redemption Notice**) and transfer the relevant Bonds to the Principal Paying Agent by not later than fourteen (14) days prior to the Change of Control Redemption Date. No Bond or Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

(d) Purchases

The Issuer or any Subsidiary may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(e) Cancellation

All Bonds which are redeemed or surrendered shall forthwith be cancelled. All Bonds so cancelled cannot be reissued or resold.

(f) Notice

Where the provisions of this Condition 3 provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Condition 10. Such notices shall be irrevocable.

4 Payments

The amounts required for payments with respect to the Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds will be made to the Holders in CHF without collection costs. No payments with respect to the Bonds shall be made at any office of the Issuer or any office or counter of the Principal Paying Agent or the Paying Agent outside Switzerland.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as above provided shall release the Issuer of its payment obligations under the Bonds to the extent of such payments.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

5 Statute of Limitations

In accordance with Swiss law, claims for interest payments shall become time-barred after a period of five (5) years and claims for the repayment or redemption of Bonds after a period of ten (10) years, calculated from their respective due dates.

6 Taxation

All payments in respect of the Bonds are subject to all applicable taxes, including the deduction of the Swiss Federal Withholding Tax (*Verrechnungssteuer*), currently levied at a rate of thirty-five (35) per cent.

7 Status of the Bonds and Negative Pledge

(a) Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, rank *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

(b) Negative Pledge

So long as any Bond remains outstanding, the Issuer will not, and the Issuer will procure that none of its Material Subsidiaries will, create or have outstanding, any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest other than a Permitted Security upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and rateably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or, (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holders' Representative.

8 Events of Default

If any of the following events (each event an **Event of Default**) shall occur, Credit Suisse in its capacity as Holders' representative (the **Holders' Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

(a) there is a failure by the Issuer to pay principal and/or interest on any of the Bonds, if and when due and such failure continues for a period of twenty (20) calendar days; or

(b) a default is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under the Terms of the Bonds and (except where the Holders' Representative certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice or continuation as is mentioned below shall be required) such default continues for a period of twenty (20) calendar days following the service by the Holders' Representative on the Issuer, of notice requiring such default to be remedied; or

(c) any other present or future indebtedness of the Issuer or a Material Subsidiary for or in respect of monies borrowed is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer or a Material Subsidiary is not honored when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this para. (c) unless such indebtedness, either alone or when aggregated with other indebtedness subject to such events which shall have occurred and are continuing shall at any time equal or exceed the amount of at least CHF 10,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates); or

(d) any guarantee, mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person but not the serving of a payment order (*Zahlungsbefehl*)) provided that the aggregate amount of the relevant indebtedness in respect of which such guarantee, mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds CHF 10,000,000 or its equivalent in any other currency or currencies (calculated on the basis of the middle spot rate for the relevant currency against CHF as quoted by any leading bank at the place of payment of such debt on the day on which this para. operates), and any such steps taken are not abandoned or discontinued within twenty (20) calendar days of being taken; or

(e) the Issuer or a Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments (*Stillhaltevereinbarung*) is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer or a Material Subsidiary; or

(f) the Issuer or a Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or substantially all of its assets, change in the objects of the legal entity and/or commercial activities or merger, in so far as the relevant action, in the Holders' Representative's opinion, has a material adverse effect on the capacity of the Issuer to meet its obligations under the Terms of the Bonds, unless the Holders' Representative considers the situation of the Holders as adequately protected based on securities created or other steps taken by the Issuer; or

(g) a dissolution or merger involving the Issuer as result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities in respect of the Bonds.

The Issuer undertakes to inform the Holders' Representative without delay if any event mentioned under para. (b) through (g) has occurred and to provide the Holders' Representative with all necessary documents and information in connection therewith.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at the Aggregate Principal Amount plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with art. 1157 seq. of the Swiss Code of Obligations to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9 Substitution of the Issuer

The Issuer may, without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer (the **New Issuer**), provided that:

(a) the New Issuer is in the opinion of the Holders' Representative in a position to fulfill all payment obligations arising from or in connection with the Bonds, and

(b) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

In the event of a substitution of the Issuer, notice of such substitution shall be made in accordance with the provisions of Condition 10 and any reference to the Issuer shall be deemed to refer to the New Issuer.

10 Notices

All notices regarding the Bonds shall be published by Credit Suisse on behalf and at the expense of the Issuer (i) on the internet site of SIX Swiss Exchange (where notices are currently published under the address: www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange.

11 Listing

Application will be made for the admission to trading and listing of the Bonds on the SIX Swiss Exchange for the whole duration of the Bonds.

12 Governing Law and Jurisdiction

The Terms of the Bonds and the Bonds shall be governed by and construed in accordance with the substantive laws of Switzerland (i.e. without regard to the principles of conflict of laws).

Any dispute which might arise based on the Terms of the Bonds and the Bonds shall be settled in accordance with Swiss law and shall fall within the exclusive jurisdiction of the courts of the city of Zurich, and if permitted, the Commercial Court of the Canton of Zurich, the place of jurisdiction being Zurich 1.

13 Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative provided that in the sole opinion of the Holders' Representative, such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 10.

14 Role of Credit Suisse

Credit Suisse has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

15 Severability

If at any time one or more of the provisions of the Terms of Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

16 Definitions

Business Day means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich.

Credit Suisse means Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland (P.O. Box, 8070 Zurich, Switzerland).

Issuer means Temenos Group AG, 2 Rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland.

Listing Agent means Credit Suisse, appointed as recognized representative pursuant to art. 43 of the listing rules of the SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with the SIX Swiss Exchange.

Material Subsidiary means, so long as any of the Bonds are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, any operating Subsidiary whose assets, net revenues, operating profit or profit after tax at any time, represent 10 (ten) per cent. or more of the consolidated assets, the consolidated net revenues, the consolidated operating profit or profit after tax, as the case may be, of the Issuer and its consolidated Subsidiaries at any time (as the case may be), and for this purpose:

(a) the assets, net revenues, operating profit and profit after tax of any such Subsidiary shall be ascertained by reference to:

   (i) the financial statements of such Subsidiary at the date to which the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries have been prepared;

   (ii) if such body corporate becomes a Subsidiary of the Issuer after that date, the latest financial statements of such Subsidiary adjusted to take into account subsequent acquisitions and disposals or other changes in circumstances;

(b) the consolidated assets, consolidated net revenues, consolidated operating profit and profit after tax of the Issuer shall be ascertained by reference to the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries; and

(c) once a Subsidiary has become a Material Subsidiary, it shall be considered as such until it has been demonstrated to the satisfaction of the Holders' Representative that it has ceased to be a Material Subsidiary, a written report from the Issuer's auditors to this effect being sufficient for this purpose.

Paying Agent means BZ Bank Aktiengesellschaft, Egglirain 15, 8832 Wilen, Switzerland.

If the Paying Agent resigns or becomes incapable of acting as such or shall be adjudged bankrupt or insolvent, the appointment of the Paying Agent shall terminate and the Principal Paying Agent may appoint a successor Paying Agent upon approval of the Issuer which will not be unreasonably withheld.

Notice of such replacement shall be made in accordance with the provisions of Condition 10.

Permitted Security means a security (and any security created in substitution for any such security) in the form of any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets.

Principal Paying Agent means Credit Suisse in its function as principal paying agent.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent or as Holders' Representative as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed major Swiss bank or Swiss branch of a major foreign bank chosen by the Issuer. In the event of such a replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be made in accordance with the provisions of Condition 10.

Relevant Debt means any present of future indebtedness of the Issuer or a Material Subsidiary represented or evidenced by, notes, bonds, debentures, loan stock or other securities which for the time being are or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter market or other securities market.

Shares means the issued and fully paid registered shares of the Issuer (and all other (if any) shares or stock resulting from any subdivision, consolidation or reclassification of such shares).

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organisation, Baslerstrasse 100, 4600 Olten, Switzerland or any successor organisation accepted by the SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Selnaustrasse 30, 8001 Zurich, Switzerland (P.O. Box 1758, 8021 Zurich, Switzerland) or any successor organisation.

Subsidiary means a legal entity of the Issuer the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer.

SECTION 3: INFORMATION ON THE ISSUER

The Company

General Information

The Issuer is TEMENOS Group AG. It was formed as a corporation (*Aktiengesellschaft*) with limited liability under the laws of Switzerland on 5 June 2001 and was registered in the Commercial Register of the Canton of Glarus on 7 June 2001. On 28 May 2014 the Issuer amended its articles of association. The Issuer is now registered in the Commercial Register of Geneva (Reg. No. CHE-109.066.419) and it has its legal domicile at 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland. The duration of the Company is unlimited.

Articles of Association

The articles of association of the Issuer are dated 28 May 2014.

On 6 May 2015, the Issuer's shareholders approved amendments to article 3 (new ordinary capital) and article 3ter (new authorized capital) of the Issuer's articles of association. These amendments are in the process of being registered by the Geneva Commercial Register and are further detailed in the Capital Structure section below.

Business Purpose

The purpose of the Issuer pursuant to article 2 of its articles of association is to acquire, hold, manage and sell participations in other companies and businesses.

Group Structure

The Issuer is the ultimate holding company of the Group. For information on the Group structure, see pages 57–58 and 113–114 of the 2014 Annual Report in Annex A.

Auditors

The Issuer's auditors PricewaterhouseCoopers SA, Avenue Giuseppe Motta 50, 1211 Geneva, Switzerland, were re-elected as statutory auditors at the annual general meeting of shareholders of 6 May 2015, for a period of one year and have been the statutory auditors since their election at the June 2003 annual general meeting of shareholders.

Business

TEMENOS is a leading provider of integrated core banking software to banks and other financial institutions worldwide. TEMENOS' software enables its clients – including commercial, private and retail banks, asset managers, brokers and other financial institutions – to manage and process in real time all transactions across the business.

TEMENOS develops, markets, implements and supports its mission-critical solutions from its headquarters in Geneva and 70 additional offices in 40 countries throughout the world. Its systems are currently installed at more than 2,000 live sites in over 150 countries.

TEMENOS' products manage key front, middle and back-office activities, including treasury and investment, retail, private, corporate and commercial banking (including e-banking), fund and asset management, trade finance and risk management. The Group's software solutions are designed for flexibility, with architectures that enable clients to purchase additional product modules as their needs evolve. Because it is fully scalable, TEMENOS' software can be deployed on a site-by-site basis or enterprise-wide. The Group's solutions provide value for customers by enabling them to grow, to control costs and to manage risks.

TEMENOS believes that high quality and long-term client implementation and support services are a critical requirement for continued growth and customer loyalty. TEMENOS supports its clients through its own services organization and through strategic alliances with IT service providers and systems integrators.

TEMENOS' clients include banks and other financial institutions of all sizes throughout the world, from 'Tier 1' global institutions to small regional banks. Current representative clients include ABN Amro, BANESCO, EFG, Nordea, Schroders, SinoPac and Swissquote.

SECTION 3: INFORMATION ON THE ISSUER

The ordinary shares of TEMENOS Group AG have been listed on the main segment of the SIX Swiss Exchange since June 2001 under the symbol TEMN.

Legal Proceedings

The Group is not a party to any court, arbitral or administrative proceedings, the adverse outcome of which the Group expects would, individually or in the aggregate, have a material adverse effect on the Group's business, operating results or financial condition, nor is the Group aware of any such proceedings pending or threatened.

Corporate Information

Board of Directors

- Andreas Andreades, Executive Chairman
- Sergio Giacoletto-Roggio, Non-executive and Independent Director, Vice-Chairman
- George Koukis, Non-executive Director
- Ian Cookson, Non-executive and Independent Director
- Erik Hansen, Non-executive and Independent Director
- Thibault de Tersant, Non-executive and Independent Director
- Amy Yip, Non-executive and Independent Director

Members of the Executive Committee

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director
- Mike Davis, Client Director

Business Address

The business address of the members of the Board of Directors and the Executive Committee of the Issuer is at 2, rue de l'Ecole-de-Chimie, 1205 Geneva, Switzerland

Capital Structure

Capital

As of the date hereof, the ordinary capital amounted to CHF 349,441,810.00, consisting of 69,888,362 registered shares, each with a par value of CHF 5.00. All the shares are fully paid-in. Each recorded share entitles its holder to one vote. On 6 May 2015, the Issuer's shareholders approved a capital reduction which the Geneva Commercial Register shall register by the end of July 2015. The new ordinary capital then amounts to CHF 333,087,840.00 consisting of 66,617,568 registered shares, each with a par value of CHF 5.00.

Authorised and conditional capital

Authorised capital

As approved at the Annual General Meeting of the Issuer's shareholders on 6 May 2015, the new Article 3ter para. 1 of the Articles of Association authorises the Board of Directors to increase the share capital by a maximum aggregate amount of CHF 69,500,000.00 through the issuance of a maximum of 13,900,000 fully paid-in registered shares with a par value of CHF 5.00 per share. An increase in partial amounts is permitted. This power expires on 6 May 2017.

The Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by the means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights as well as shares, the pre-emptive rights for which have not been exercised, at market conditions.

The Board of Directors is authorized to restrict or withdraw the pre-emptive and the advance subscription rights of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation

Pursuant to Article 3^{quater} para. 1 of the Articles of Association, the Company's share capital shall be increased by a maximum aggregate amount of CHF 35,888,910.00, through the issuance of a maximum of 7,177,782 registered shares, which shall be fully paid-in, with a par value of CHF 5.00 each, through the exercise of rights that the direct or indirect subsidiaries of the Company (the **Subsidiaries** and each, a **Subsidiary**) or the Company itself may grant to officers, directors and employees at all levels of the Company and Subsidiaries. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiaries or through the Company, to officers, directors and employees of the Company and the Subsidiaries, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiary or to the Company for purposes of distribution to directors, officers or employees of the Company and the Subsidiaries; (ii) new shares to be issued through the Subsidiaries or through the Company to employees of the Company or the Subsidiaries shall be issued against payment of the par value of CHF 5.00 per each share in cash.

Conditional capital for financial instruments

Pursuant to Article 3^{quater} para. 2 of the Articles of Association, the share capital may be increased by an amount not exceeding CHF 33,039,520.00, by issuing up to 6,607,904.00 new registered shares to be fully paid-in with a nominal value of CHF 5.00 each, to be divided as follows: first, in the amount of CHF 8,386,120.00, that is 1,677,224 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its Subsidiaries, and second, in the amount of CHF 24,653,400.00, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its Subsidiaries to existing shareholders or third parties. In the case of the issue of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive right of shareholders is excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value. The Board of Directors shall be authorized to restrict or exclude the advance subscription rights of shareholders (i) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing of the acquisition of an enterprise, parts of an enterprise, or participations or new investments, or (ii) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public or (iii) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such case, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10)-year period, and warrants or options may be exercised during a maximum seven (7)-year period, in each case from the date of the respective issuance.

SECTION 3: INFORMATION ON THE ISSUER

Shares

All equity securities of TEMENOS Group AG are in the form of registered shares, each with a par value of CHF 5.00. Each share confers the right to one vote at the annual general meeting of shareholders and all shares are fully and equally entitled to receive dividends.

Treasury Shares

As of 11 May 2015, the Issuer held 4,135,197 of its own Shares.

Convertible bonds and options outstanding

The Issuer has no outstanding convertible bonds. For information on the Issuer's outstanding options, please see pages 134–136 of the 2014 Annual Report of the Issuer in Annex A.

Publications and Notices

The publication instrument of the Issuer is the Swiss Official Gazette of Commerce.

Notices to the Bondholders will be made in accordance with the Terms of the Bonds.

Dividends

In 2011, for the business year 2010, no dividend was paid.

In 2012, for the business year 2011, no dividend was paid.

In 2013, for the business year 2012, a dividend of CHF 0.28 per share was paid

In 2014, for the business year 2013, a dividend of CHF 0.35 per share was paid

In 2015, for the business year 2014, a dividend of CHF 0.40 per share was paid.

Developments since the End of the Financial Year

On 9 February 2015, the Group completed the acquisition of Akcelerant Software, LLC (**Akcelerant**), a leading financial software provider in the United States. Akcelerant, which is based in Philadelphia and has 130 employees, offers multiple software solutions to over 600 financial services institutions in North America, predominantly in the credit union space in the United States. The acquisition provided the Group with additional scale and presence in the United States and enables a broader portfolio of products to new and existing customers.

On 5 March 2015, the Group completed the € 235 million acquisition of IGEFI Group S.à r.l. (which trades as **Multifonds**), a leading provider of fund administration software. Multifonds, which is headquartered in Luxembourg, offers fund accounting, portfolio accounting, transfer agency and investor servicing software to a loyal, long term client base comprised of top tier banks and asset managers. The acquisition gives the Group a new and complementary product line which should enable further penetration into the fund administration software market. The acquisition was funded through a mixture of cash and debt, including a fully-drawn € 125 million term loan pursuant to a bridge facility agreement entered into by the Group and draw-down by the Group under its multi-currency revolving credit facility.

On 21 April 2015, the Group announced its unaudited quarterly results for the three months ended 31 March 2015. The press release related to these results is included in this Prospectus as Annex B.

Material Change

Other than as described in this Prospectus, since 31 December 2014, there were no significant changes in the business activities and prospects of the Company or of the Group, including in their assets, liabilities, financial position, or profits and losses.

SECTION 4: TAXATION

Swiss Taxation

The following discussion is a summary of certain material Swiss tax considerations relating to (i) Bonds issued by the Issuer where the Holder is tax resident in Switzerland or has a tax presence in Switzerland or (ii) Bonds where the Paying Agent, custodian or securities dealer is located in Switzerland. The discussion bases on legislation as of the date of this Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Bonds. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Bonds (or options embedded therein) in light of their particular circumstances.

Swiss Federal Withholding Tax

(i) Deduction

Payments of interest on the Bonds are subject to Swiss withholding tax at a rate of currently 35 per cent. Neither the Issuer nor any paying agent nor any other person will pursuant to the Terms of the Bonds be obliged to pay additional amounts with respect to Bonds as a result of the deduction or imposition of such withholding tax.

(ii) A holder of a Bond who resides in Switzerland and who at the time a taxable payment on the Bond is due is the beneficial owner of the taxable payment and, in the case of a holder who is an individual holding the Bond privately, duly reports the gross taxable payment in his or her tax return, and, in the case of a holder who is a legal entity, or who is an individual, holding the Bond as part of a business situated in Switzerland, for which he or she is required to keep accounting books, includes such payment as earnings in the income statement, is entitled to a full refund of or a full tax credit for the Swiss withholding tax, provided that certain other conditions are met.

A holder of a Bond who is resident outside Switzerland and who during the taxation year has not engaged in a trade or business carried on through a permanent establishment or fixed place of business in Switzerland may be able to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of a double taxation treaty, if any, between Switzerland and the country of residence of the holder.

On 17 December 2014, the Swiss Federal Council opened a public consultation process (until 31 March 2015) regarding a possible amendment to the Swiss Federal Withholding Tax Act. The amendment, if enacted as proposed, may require a Swiss domestic paying agent (as defined in the amendment) to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of the Bonds to Swiss resident persons being the beneficial owners of the Bonds. If this legislation, either in the form initiated by the Swiss Federal Council on 17 December 2014 or in a substantially different form, or similar legislation were enacted and a payment in respect of a Bond were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer, any paying agent nor any other person, as applicable, would be obliged to pay additional amounts with respect to any Bonds as a result of the deduction or imposition of such withholding tax.

Swiss Federal Stamp Taxes

The issuance of the Bonds is not subject to Swiss issue stamp tax (*Emissionsabgabe*). The purchase or sale of the Bonds, whether by Swiss resident or non-Swiss resident investors is subject to Swiss securities transfer stamp tax (*Umsatzabgabe*) at a current rate of up to 0.15 per cent. calculated on the purchase price or sales proceeds if a Swiss securities dealer for purposes of Swiss securities transfer stamp tax (*Umsatzabgabe*), in particular a Swiss or Liechtenstein bank, is involved as party or an intermediary to the transaction and no exemption applies.

SECTION 4: TAXATION

Income Taxation on Principal or Interest

(i) Bonds held by non-Swiss holders

Payments by the Issuer of interest and repayment of principal to, and gain realized on the sale or redemption of Bonds by, a holder of Bonds who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Bonds are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

(ii) Bonds held by Swiss resident holders as private assets

An individual who resides in Switzerland and holds a Bond as a private asset is required to include all payments of interest received on such Bond in his or her personal income tax return for the relevant tax period and is taxable on the net taxable income (including the payment of interest on the Bond) for such tax period at the then prevailing tax rates. A capital gain realized by the individual on the sale or other disposition over a bond will constitute a tax-free gain while conversely, a capital loss realized by him or her on the sale or other disposition of a Bond will constitute a non-tax-deductible loss. See "Bonds held as Swiss business assets" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

(c) Bonds held as Swiss business assets

Individuals who hold Bonds as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Bonds as part of a permanent establishment or fixed place of business in Switzerland are required to recognize the payments of interest and any capital gain or loss realized on the sale or other disposition of such Bonds in their income statement for the respective tax period and will be taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Foreign Final Withholding Tax

On 1 January 2013, treaties on final withholding taxes entered into by Switzerland with the United Kingdom and Austria (each, a **"Contracting State"**) came into force. The treaties and the Federal Act on International Tax Cooperation (*Bundesgesetz über die internationale Quellensteuer*) might require a Swiss paying agent (as defined in the treaties) to levy a flat-rate final withholding tax at rates specified in the treaties on certain capital gains and income items (including in respect of the Bonds), all as defined in the treaties, deriving from assets (including the Bonds) held in accounts or deposits with a Swiss paying agent by (i) an individual resident in a Contracting State, or (ii) if certain requirements are met, a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so-called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident in a Contracting State. Under the treaty with the United Kingdom, the tax rate for individuals resident and domiciled in the United Kingdom is 43% on interest payments and 27% on capital gains, and, under the treaty with Austria, 25% on interest payments and capital gains. The flat-rate tax withheld substitutes the ordinary capital gains tax and income tax on the relevant capital gains and income items in the Contracting State where the relevant individual is tax resident, unless the individual elects for the flat-rate tax withheld to be treated as if it were a credit allowable against the income tax or, as the case may be, capital gains tax, due for the relevant tax year in the relevant Contracting State. Alternatively, instead of paying the flat-rate tax, such individual may opt for a disclosure of the relevant capital gains and income items to the tax authorities of the Contracting State where he or she is tax resident. Switzerland may conclude similar treaties with other European countries.

ANNEX A

Temenos Group AG 2014 Annual Report

(including the Audited Consolidated Financial Statements as of 31 December 2014 (compared to 2013)
and the Audited Statutory (Non-consolidated) Financial Statements as of 31 December 2014
(compared to 2013))

TEMENOS
The Banking Software Company

CUSTOMER SUCCESS IN THE DIGITAL AGE

ANNUAL REPORT
AND ACCOUNTS 2014

About us
At a glance

Founded in 1993, Temenos is the market leading provider of mission critical software to financial institutions globally with more than 2,000 customers in over 150 countries worldwide. Temenos software provides financial institutions with a single, real-time view across the enterprise, enabling them to maximise returns while streamlining costs.

Our vision is to provide the software solution of choice for the transformation of the financial services industry – for all providers, everywhere.

Our mission statement is to extend our product leadership supported by both a professional services group and a strong partner ecosystem, delivering success for our customers, consistent, profitable growth for our Company and providing a great place for our employees to realise their ambitions.

Contents

REGIONAL STRENGTH

Headquartered in Geneva, the Company has 72 offices in 40 countries and had revenues of USD 468.7m for the year ended 31 December 2014. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001.

For the most up-to-date Investor Information and Press Releases, please refer to our website.

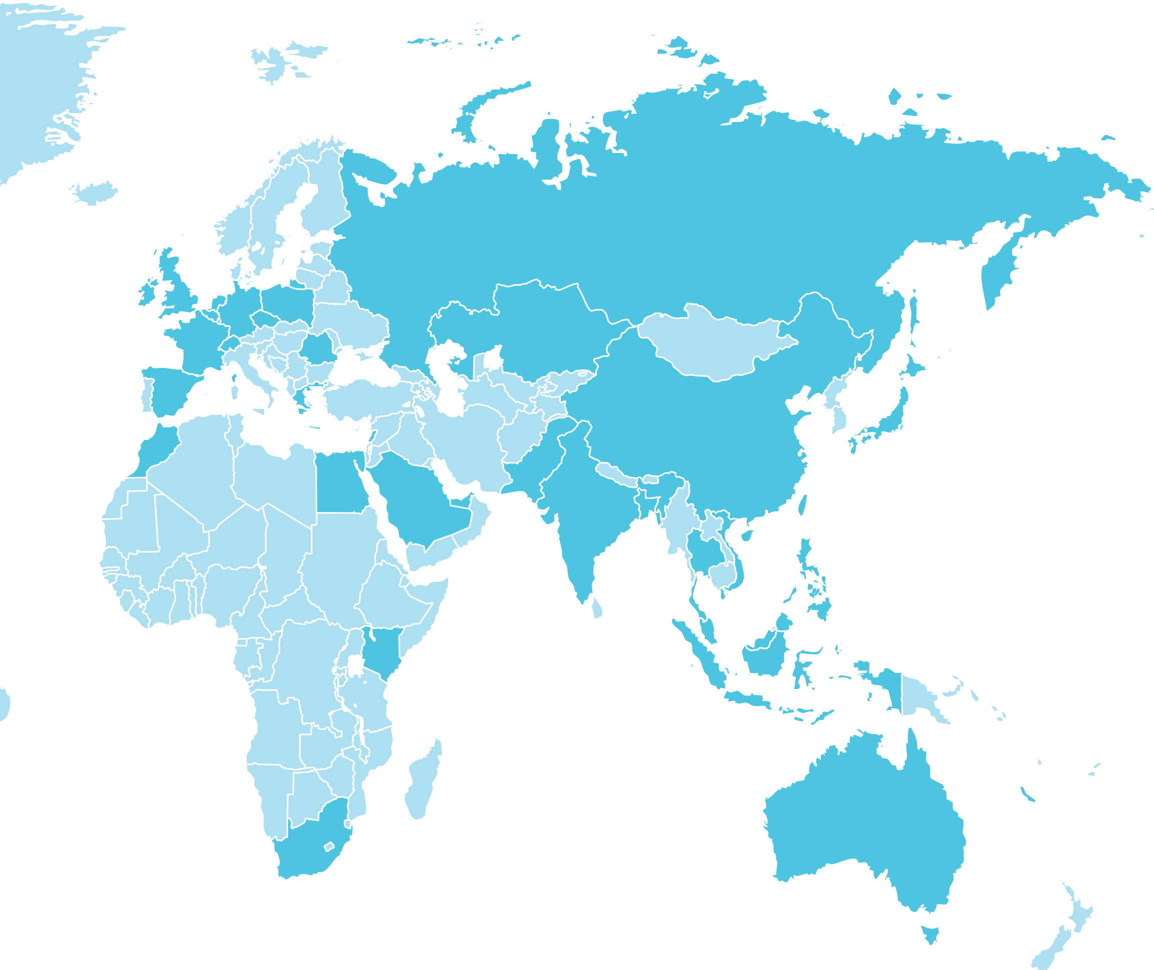
www.temenos.com

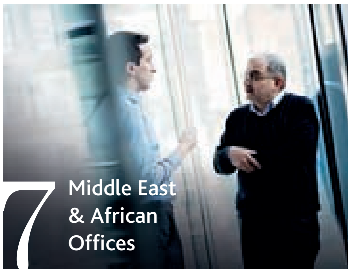
Key to further content

Read further on our website

Read more on a specified page

Download the Temenos white paper





Americas

Canada
Toronto
Vancouver
Winnipeg

Costa Rica
San Jose

Ecuador
Quito

Mexico
Mexico City

USA
Birmingham
Boston
Houston
Lubbock
Miami
New York
Orlando
Philadelphia

Asia Pacific

Australia
Sydney

Bangladesh
Dhaka

China
Shanghai
Hong Kong

India
Bangalore
Chennai
Delhi
Mumbai

Indonesia
Jakarta

Japan
Tokyo

Malaysia
Kuala Lumpur

Pakistan
Karachi

Philippines
Manila

Singapore
Singapore

Taiwan
Taipei

Thailand
Bangkok

Vietnam
Hanoi

Europe

Belgium
La Hulpe

Czech Republic
Prague

France
Montpellier
Nantes
Paris

Germany
Frankfurt
Grosswallstadt

Greece
Athens

Ireland
Dublin

Kazakhstan
Almaty

Luxembourg
Luxembourg

Netherlands
Amsterdam

Poland
Krakow

Romania
Bucharest

Russia
Moscow

Spain
Madrid

Switzerland
Geneva
Lausanne
Nyon

United Kingdom
Berkshire
Hemel Hempstead
London
Newcastle Upon Tyne

Middle East & Africa

Egypt
Cairo

Kenya
Nairobi

Lebanon
Beirut

Morocco
Casablanca

Saudi Arabia
Riyadh

South Africa
Johannesburg

United Arab Emirates
Dubai

Over 4,000 professionals

4,000+

Serving clients in over
150 countries

150+

Over 2,000 customers

2,000+

Over 2,000 partner consultants

2,000+

COMPREHENSIVE SOLUTIONS THE INDUSTRY NEEDS

First and foremost, Temenos is a product company. The sales of software licences of our award winning products drive growth in both maintenance and services.

When we engage with our clients and prospects, we do so as a provider with deep expertise in financial services globally, and with the best products in the market today. Having this relationship allows us to showcase the capabilities of our products and the inherent value they bring.

OUR PRODUCT OFFERING

Collections
Akcelerant Framework

Core Banking
T24
TCB

Enterprise Data Management
DataSource

Channels Solutions
Connect Internet
Connect Mobile
edgeConnect
Origination

Fund Administration
Multifonds Accounting
Multifonds Global Investor

Business Intelligence, Risk Management and Compliance
Insight Financial Intelligence
Insight Customer Intelligence
Insight Operational Intelligence
Insight Risk
Screen
Profile
TriComply
SocialComply

Payments
Temenos Payment Suite
STeP Payments Repair

Temenos' 6 Architectural Frameworks
Integration Framework
Interaction Framework
Platform Framework
Component Framework
Design Framework
Data Framework

Private Wealth Management Front and Middle Office
Triple'A Plus
Wealth Manager

Read more about our product offering in detail on pages 16-19

OUR BUSINESS MODEL

48%
MAINTENANCE

Maintenance is charged on our licence sales and provides our customers with access to the full ongoing support of Temenos together with product upgrades.

- Revenue stream grows with licence sales
- 5 year contracts, then renewable annually
- Paid annually in advance
- CPI indexed

31%
SOFTWARE LICENSING

An initial licence fee (or recurring fee in the case of Software-as-a-Service and Subscription revenues) is payable for use of our award-winning products spanning core banking, channels, private wealth management, AML, business intelligence and payments.

- Rich product suite
- Regularly upgraded
- New and existing clients
- Geographic spread
- Referencability

21%
SERVICES

Software is only part of the Temenos equation. Implementation, performance optimisation, integration, administration, maintenance, upgrades, training and support are all part of the comprehensive service package when our customers invest in a Temenos software solution.

- High level consultancy
- Direct client feedback for benefit of wider business
- Process led implementations

20%

Temenos annually invests around 20% of revenue in R&D, significantly more than its peers, into a single fully packaged, upgradeable software release, which ensures all Temenos customers benefit from modern technology and support indefinitely.

TAKING THE LEAD IN GLOBAL INNOVATION

Revenue (USD)

468.7m

2014	USD 468.7m
2013	USD 467.8m

Non-IFRS EBIT margin

27.3%

2014	27.3%
2013	24.1%

Cash conversion

113%

2014	113%
2013	119%

Maintenance revenue (USD)

223.4m

2014	USD 223.4m
2013	USD 212.5m

Non-IFRS earnings per share

+18%

2014	+18% to USD 1.44
2013	+36% to USD 1.22

Dividend (CHF)

+14%

2014	CHF 0.40
2013	CHF 0.35

In 2014 we made good progress on our strategic initiatives. We were pleased to be able to report good growth in profit for the year despite weaker software licensing performance, highlighting the high levels of variability within our cost base. Our focus on cash generation saw cashflows up 12% on 2013, with DSOs once again materially down and cash conversion comfortably over our target of 100%.

The structural drivers for technology renewal are stronger than ever and we are executing against a clear strategy with key priorities to extend our lead on core banking and wealth, accelerating our penetration of the US market, taking advantage of our first mover advantage in SaaS and industrialising our sales and partner alignment. This strategy will produce strong software licensing growth every year, with an increasing recurring revenue base.

We expect strong growth in 2015 with software licensing growth of 36% to 41% and revenue growth of between 18% and 23%. Despite significant margin expansion over the past few years, we still expect our non-IFRS EBIT margin to expand by a further 130 basis points in 2015, in line with our target of increasing margins by 100 to 150 basis points every year.

With our multiple levers for growth combined with strong cost control and our focus on cash, we are confident that we will deliver our full year 2015 guidance.

2014 financial highlights

LFL total software licensing growth of 3%

LFL maintenance growth of 6%; now contributing 48% of group revenues

9% pts improvement in non-IFRS services margin taking margin to 5%

Non-IFRS EBIT margin up 13% with margin of 27.3%; non-IFRS EPS up 18%

Cashflows of USD 190.3m up 12%

Cash conversion of 113% with DSOs down 18 days in the year

Strength of profit growth and cashflows supported 2014 buyback of USD 120m and supported 14% increase in dividend to CHF 0.40 (2013: CHF 0.35)

2014 operational highlights

Value of competitive deals won in 2014 increased by half – taking market share

Good progress on Wealth and very strong growth in Channels

Strong Tier 1 performance, laying the foundations for future growth

Services strategy delivering with lower contribution to group revenue and improved margin

Increasing partner support on deals and higher sales commitment from strategic partners

2015 non-IFRS guidance*

Total revenue growth of 18% to 23% (implying revenue of USD 528m to USD 550m)*

Total software licensing growth of 36% to 41% (implying total software licensing revenue of USD 194m to USD 202m)

- includes software licensing growth of 13%+ (implying software licensing revenue of at least USD 154m)

EBIT margin of 28.5% (implying EBIT of USD 150m to USD 157m)

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

* Growth at constant currency. Includes the impact of the Akcelerant acquisition (February 2015) and of the Multifonds acquisition (March 2015). The definition of non-IFRS can be found on page 41.

Chairman's statement
Andreas Andreades

Following the return to growth in 2013, 2014 was the most profitable year for both profits and margins in the history of Temenos. Not only was the profitability growth impressive but also the absolute levels of margins achieved in 2014 puts Temenos amongst the very best in class global software companies. With non-IFRS EBIT margins of 27%, return on equity of 27% and cashflows to match, I can truly report that the Company is in great health. More importantly, the growth in profitability was achieved without compromising the level of investment in our products and market presence as we continued to invest for the long term.

Andreas Andreades
Executive Chairman, Temenos Group AG

Our clients around the world enjoy a better financial position today compared to one year ago. The deleveraging process, building capital buffers and restoring financial health, is progressing well in mature economies. In contrast, in emerging markets most participants are busy managing explosive growth. We had a number of examples of clients making long term, multi-million dollar decisions during the past 12 months in an effort to stay relevant in the digital world.

Although in 2014 revenue growth was lower than we would have wanted, I believe that progress on our key initiatives was very solid and bodes well for an acceleration in our revenue growth for the future. The value of competitive deals that we won grew by about 50% which underscores our improving competitive positioning and our focus on gaining market share. Customer wins in the private banking and wealth management space are confirming we are becoming the undisputed market leader, offering an unparalleled product portfolio while supporting our customers to transform their businesses in a controlled and low risk manner. Industry analysts tracking our industry, such as Forrester and IBS, have placed Temenos firmly in the lead position amongst our competitors, with a growing gap between us and the closest competitor, corroborating our market success.

Our model bank and progressive renovation methodology are unique industry differentiators as banks seek to renovate the front office from the back office in sequence rather than at the same time. Following our investment in Edge in 2012, our products for the digital bank are state-of-the-art and innovative and enable our clients to deliver disruptively fast service to their customers in areas like internet and mobile banking at a fraction of the cost of their current deployments enjoying a unique productivity advantage. Our payments product is becoming mature and has now been taken by a handful of early adopter clients and I look forward to broader adoption in the years to come.

Our public cloud offering, a first in our market, now services a small number of community banks around the world offering low cost of deployment while bringing banking to the less banked and unbanked. Our plans to extend our cloud offering are very exciting for the future of Temenos as we see Software-as-a-Service models gain adoption even within our relatively conservative customer base.

Our growth initiatives in the US are making solid progress and we are now at the point where I expect that our market presence and client wins will accelerate significantly as we are constantly adding new clients on to our Software-as-a-Service platform.

To add to an already busy start to 2015, we have completed two key strategic acquisitions. In February 2015 we announced the acquisition of Akcelerant, a software provider to the US credit union market that has added 600 client relationships in the US as well as some key products. Secondly, in March 2015 we announced the acquisition of Multifonds, a leading global provider of fund administration software which provides complementary products, exposure to fast-growing fund administration market and client relationships with more than 30 of the world's largest financial institutions. As a result, we now boast over 2,000 customer relationships, a true increase in our scale and potential for the future.

Our strong profitability and cashflows in 2014 allow us to be in a position to propose to our shareholders a significantly increased dividend for 2014.

Finally, I would like to confirm to you that we look forward to 2015 with confidence for an even more successful year.

Andreas Andreades
Executive Chairman, Temenos Group AG

Four new apps developed with Microsoft, available on the Windows 8.1 platform

4

TEMENOS RELEASES NEW APPS TO RENOVATE BANKS' DATA AND INFORMATION MANAGEMENT

Four new apps developed with Microsoft, available on the Windows 8.1 platform.

In September 2014 at SIBOS, Temenos announced the availability of four new apps on the Windows 8.1 platform. These are: Treasury Management Dashboard, Insight Mobile Dashboard, FX Trader and Branch On-boarding.

Each provides a sophisticated user experience, dramatically simplifying the management of data and information for banks. They offer a high level of convenience and mobility, resulting in more efficient business processes, faster decision-making and improved customer service.

The Treasury Management Dashboard app seamlessly aggregates essential data from multiple systems into a single point, providing a complete and cohesive picture through simple touch technology. Insight Mobile Dashboard allows banks to gain business insights remotely through a mobile device-optimised app, delivering real-time data and providing the ability to make decisions anytime and anywhere.

FX Trader allows real-time monitoring of currency positions and deal capture, which is then passed to Temenos' Treasury front, middle and back office for full life-cycle processing, all from a mobile device. Branch On-boarding is a hybrid app and part of Temenos' edgeConnect user experience platform, offering web-based content through an app interface. It enhances customer engagement by presenting an experience that fits in with their lifestyle and is accordingly supportive of cross-selling.

> These apps represent very valuable additions to our data management suite, producing an enhanced user experience that significantly reduces the complexity of aggregating and converting data into business intelligence.
>
> In addition to their functional capabilities, these apps further demonstrate the strength of our enterprise architecture and our ability to deliver truly integrated solutions. Temenos' continued investment in new products, including these state-of-the-art apps reflects our ongoing commitment to helping banks succeed in a marketplace driven by the digital revolution and changing consumer behaviour and expectations.

Mark Winterburn
Product Director, Temenos Group AG

Read further on our website

THE BANKING INDUSTRY IS CHANGING

The banking industry used to enjoy strong barriers to entry, such as low customer switching, which protected it from the threat of new entrants and, in turn, allowed it to earn high returns on capital over extended periods. In the years 1980 to 2006, for instance, annual global banking return on equity (RoE) averaged 16%.

We interviewed 11 disruptive new entrants to the banking industry to understand how they are taking advantage of digitisation to launch disruptive new business models. What we learned is multi-fold, including that:

- banking provision is stratifying, with new entrants offering discrete banking services at lower costs and with better rates
- business models built around offering transparency and helping customers to manage their finances can be highly successful
- leveraging social media and big data can help firms to get a clearer picture of their customers' lives as well as help them to determine customers' creditworthiness
- digital-only banks can be truly viable
- transplanting a retailing model and mindset into the banking industry can work
- embedding financial services within a social network, where peers share information and advice, can produce impressive results
- many gaps still exist in either the types of financial services that customers would like to consume or in the way they are delivered

Digitisation is changing the industry's dynamics. Cloud computing is lowering the cost of doing business. Improvements in mobile technology are rendering banking anytime, anywhere and accessible over any device. Big data is making it possible for firms to draw major insights into customers' lives from their transaction and other data. And social media is providing the opportunity to inject a social context into banking services.

However, perhaps the biggest finding in our research is that traditional banks can succeed in the digital age. They have great assets, such as large customer bases, access to rich transactional data and the ability to offer integrated financial services. However, they must find a way to leverage these assets. In particular, they should concentrate on ridding themselves of legacy (legacy technology and processes), on developing a balanced multichannel delivery model, on deepening their data analysis capabilities and, lastly, on playing a larger role in their customers' lives.

While much of the fatalistic talk about banks' futures is overdone in our view, the threat from new disruptive, digitally-enabled business models is real and banks need to act quickly if they are to succeed in the digital age.

BANKING'S MOAT

Warren Buffett once said, "in business, I look for economic castles protected by unbreachable moats". This analogy encapsulates his investment strategy of investing in companies and industries that can easily repel competitive threats, through the existence of strong entry barriers or sustainable competitive advantages, and so earn high returns on capital over sustained periods.

The banking industry used to be protected by an unbreachable moat. If a new bank wanted to start up, it would have to obtain a banking licence; a process which in most countries is arduous, time-consuming and requires the applicant to set aside large amounts of capital from day one. A new entrant would also have to make a heavy investment in IT systems (which the UK Office of Fair Trading once suggested could make up around two-thirds of start-up costs[1]). In addition, a new entrant would have to build a network of branches in order to service their customers. Lastly, even if a start-up managed to do all of the above, it was far from certain that it would be able to attract significant customer numbers – according to the Centre for Economics and Business Research, even as recently as 2003, annual customer switching rates were only around 2% in many developed markets.

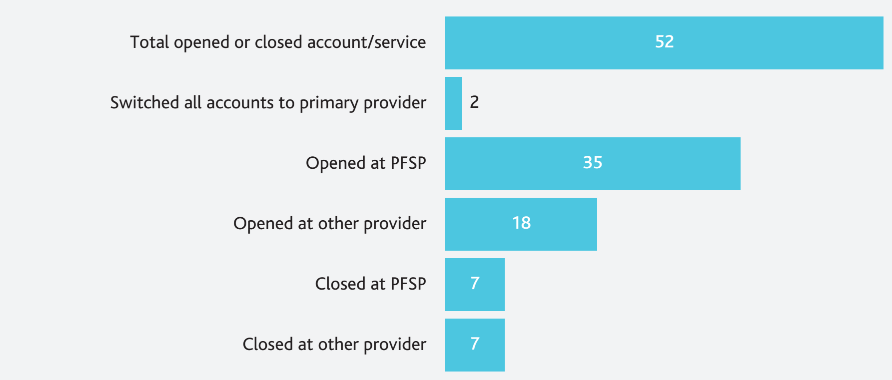
Consequently, few new banks or other market entrants were created and, together with other factors such as high leverage, created the conditions for sustained periods of very high returns on capital. In the period of 1980 to 2006, for instance, the average annual Return on Equity (RoE) for the global banking sector was 16%.

THE MOAT IS DISAPPEARING

Nonetheless, the situation is now changing and technology is playing a pivotal role in stripping away these barriers to entry. It is true that technology is not the only factor at play – changing customer behaviour (in particular, the growing propensity to switch providers – see chart below) as well as a regulatory agenda that seeks to introduce new competition to contain the problem of banks that are "too big to fail" are also weakening historical barriers to entry. But the role of technology change is critical.

[1] Office of Fair Trading November 2010, "Review of barriers to entry, expansion and exit in retail banking"

Percentage of customers who opened and closed accounts and services in the past year



52%

of consumers have opened or closed at least one financial product in the last 12 months

Source: EY Global Consumer Banking Survey 2014

There are four principal technology trends that are driving the digitisation of financial services (and other industries), putting at risk existing business models and threatening industry profitability. These are what Gartner, the US information technology research and advisory firm, has termed the "Nexus of Forces" and are discussed below.

CLOUD

By allowing firms to share IT costs, cloud computing is lowering the costs of doing business. According to Early Bird Venture Capital, the cost of starting a consumer internet company has reduced from EUR 1.5m in 2000 to EUR 5,000 in 2013. In the banking industry, the advent of cloud computing is not only helping to neutralise one of major barriers to entry, but it also allows firms to operate profitably at much lower levels of scale. As such, it is also contributing the "unbundling" of financial services with new entrants often just offering one discrete part of the banking value chain, like FX transactions in the case of Currency Cloud.

BIG DATA

The amount and sources of data are exploding but so, crucially, is the ability to process this data and draw meaningful insights from it. It is estimated that in the last two years we have generated more data (a zettabyte) than was created in the whole of history up until that point. This, coupled with rising computing power (Moore's Law stipulates that computing power doubles every 18 months) and falling prices (in 1980, 1 MB of memory cost USD 6,500 compared to 5c today), means that we can now do something with this data. In a banking context, it means it is possible to analyse customer data and use it for value-adding purposes, such as determining credit risk or to offer appropriate products and services (at the right place and time). Where this trend benefits new entrants or non-banking firms stems from their proficiency, in terms of IT systems, existing business models and mindset (with banks seeing themselves more as data custodians than data analysers).

MOBILE

Advances in mobile technology have rendered banking service provision anytime, anywhere, and accessible through multiple different channels and apps. This means that a new entrant can set up a bank without having a branch network, but this is not new. What it does mean, however, is that banks now can offer a much wider range of products and services that make it more likely that a digital-only model can be truly viable. Further, the proliferation and sophistication of new devices is accelerating the move away from the branch as well as increasing the number of interactions that individuals have with their banks. In this context of more interactions but fewer trips to the branch, the industry dynamic changes from economies of scale to 'economy of access', and it becomes a competition to own the point of customer interaction. This poses a threat to banks, which risk losing the end customer contact – and by extension, any control over pricing – disintermediated by digital wallets or by "front-end" banks like Simple (now part of BBVA).

SOCIAL MEDIA

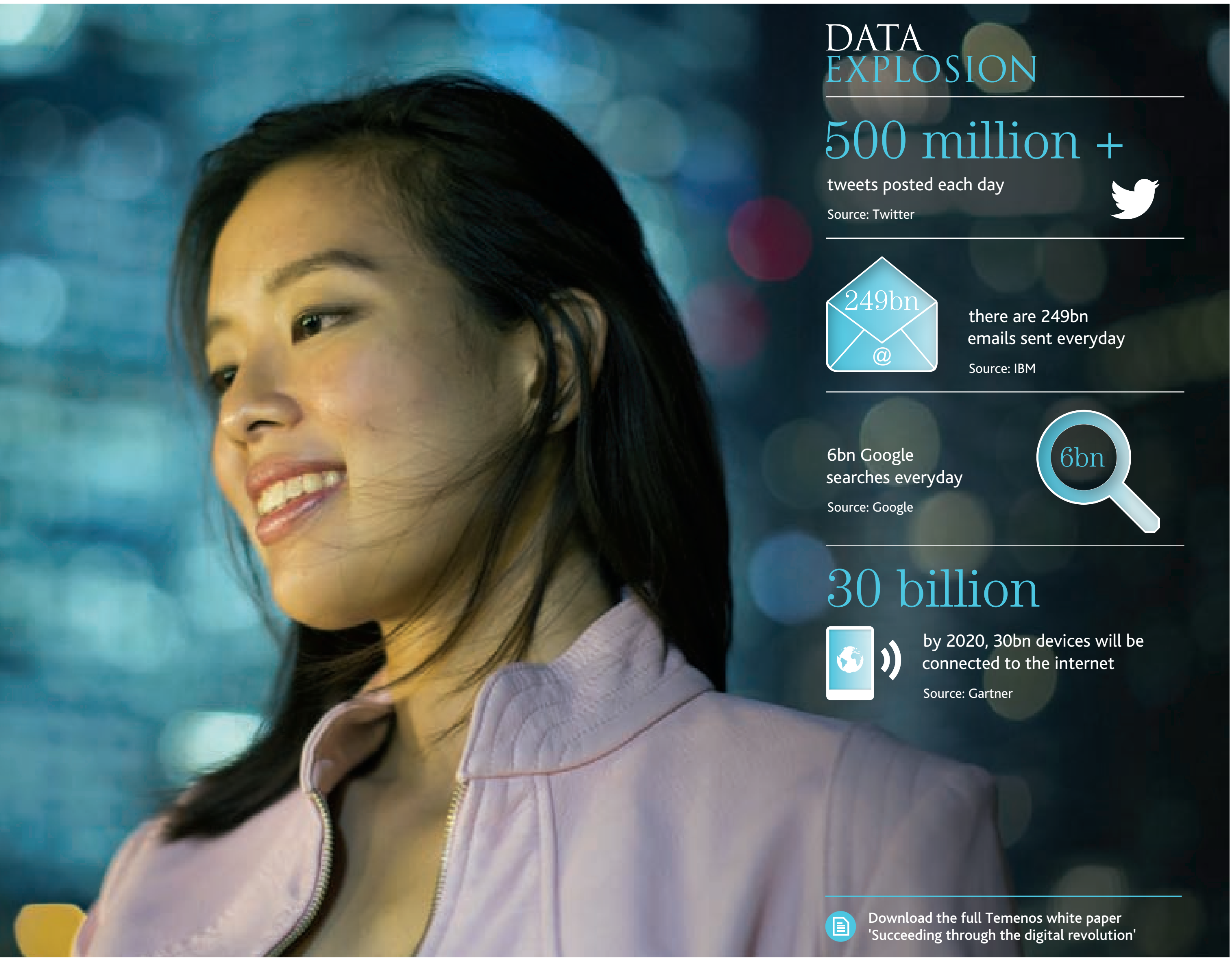
Social networks have become part of the fabric of society. According to Experian, people are spending around 15 minutes of every online hour on social networks[2]. We use social networks for a variety of reasons, such as to keep in touch, to share news, to blog, to seek and give advice, to research products and to look for jobs. There is also the potential to embed more of a social context into banking. On one level, this might help to restore the personal interaction lost as customers jettison branch visits (establishing a dialogue on Twitter, for example), but there is also the possibility to build financial services social networks, where users can share information and give each other advice. There is clearly an opportunity for social media networks to branch into financial service provision directly, or to white label such services (Facebook recently announced that it intended to offer remittances and electronic money), but there is a further opportunity to start something new, a new proposition, as eToro has done with its social investment network.

While traditional banks are unlikely to disappear overnight, it is clear that these technology changes, underpinning the digitisation of banking, are putting pressure on the status quo. They are simultaneously handing more power to customers, who have more choice and better information than ever before, while opening up the industry to more competition. While regulation will still protect some parts of banking, there are many areas at risk and new entrants will likely focus on the sweet spot of areas that have high margins and low regulatory oversight (see our matrix below). Accenture, the management consulting, technology services and outsourcing company, estimates that digitisation puts at risk 30% of banks' revenues[3].

[2] See Experian Marketing Services, "The 2013 Digital Marketer Report"
[3] Accenture, "The Everyday Bank: How Digital is Revolutionizing Banking and the Customer Ecosystem"

CONCLUSION

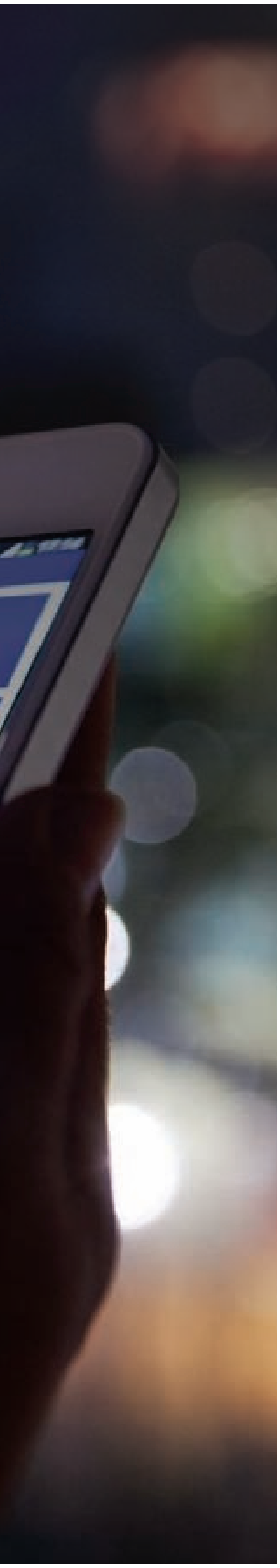
There is much disruption happening in financial services. New, digitally-enabled business models are emerging, which threaten the status quo. However, while digitisation is inevitably going to push some banks out of business, there is no reason why the prognosis needs to be universally gloomy. While it is true that digitisation opens up the industry to new competitors and gives more power to consumers, those banks that react quickly can be highly successful. Our view is that a response built around removing legacy, introducing a balanced multi-channel distribution model, learning to take insights from transaction data and taking a bigger role in customers' lives will see banks continue to be successful in the digital age.



WHY OUR CUSTOMERS CHOOSE TEMENOS

THE MARKET LEADING VALUE PROPOSITION

Our products are open, integrated, componentised and upgradable, supported by a dedicated professional services organisation and a strong partner ecosystem.



Market leadership
We sell mission-critical software. Financial institutions want to buy software they can trust, from a vendor they can rely on to deliver – wherever they are in the world and over the full horizon of their investment. Being the market leader with the highest sales and the largest installed base bestows this credibility.

Focus on financial institutions
We are the only one of the top five vendors in our market to have a single domain focus. All of our management time, our research and development (R&D) effort and our expertise is focussed on the financial services sector – making us true specialists. Moreover, this ensures that our success is inextricably bound to the success of our customers – if we can't improve their businesses, we can't improve our own.

Product superiority
Our products are highly acclaimed. We work in partnership with our customers all over the world, to direct the innovation and substantial investment we make in our software. We consistently devote around 20% of revenues to R&D – significantly more than our peers and greater than twice the industry average. This investment in new technology, functionality and in meeting new regulatory requirements allows us to deliver products that are consistently 'state-of-the-art', which are made available to all customers through an annual release programme. We provide a single, consistent, service oriented architecture (SOA) that is componentised, easy to integrate into complex environments and for larger banks provides low risk progressive renovation options.

Outperforming customer base
Implementing Temenos software significantly lowers banks' total cost of ownership (TCO) and provides a scalable infrastructure that allows them to extract economies of scale as they grow and at the same time, giving them greater flexibility to innovate and adapt quickly to capitalise on changes in the market. A single view over client and other data enables more effective management of both risk and client relationships. This is why Temenos customers are the most profitable banks in the world.

A partnership approach
We work in close and active partnership with our customers, their preferred partners and the expanding community of Temenos partners, that already encompasses some of the best names in the industry. This partnership approach helps us give choice to our customers – over what technology platform they want to run and who they want to work with to implement and support the solution.

Predictable low risk implementations
In 2014, 135 financial institutions went live with Temenos. This very high number of successful projects is enabled by our predictable, process-led and low risk approach to implementations, which starts with our highly configured, best market practice model banks.

Global but local presence
Our consultants operate from 72 international offices in 40 countries ensuring that they understand local banking needs, as well as the local language – our 4,000 employees encompass some 75 nationalities and speak over 65 different languages. We have delivered products to over 2,000 customers in over 150 countries. In addition we have country models with packaged functionality to support local banking practice in each of the markets in which our customers operate.

Unique business model
Our success has proven that packaged software with the highest levels of flexibility can meet the exacting requirements of the world's largest financial institutions, without source code modification and an ongoing or significant investment in customisation services. With enhancements rolled into an annual upgrade programme, banks can now focus on their true differentiators, whilst we focus on delivering commodity best-in-class systems.

RESTORING PROFITABILITY IN THE DIGITAL AGE

Digitisation is introducing more disruption to an industry still reeling from the aftermath of the banking crisis. Investment in technology will be key to restoring profitability – and staying relevant – in the digital age.

In 2012, we published a report "Bridging the Profitability Gap" which looked at banking industry profitability and found that, owing to structural factors such as new regulation, Return on Equity (RoE) had declined by around six percentage points, or 38%, compared to pre-crisis levels.

Two years on, banks' profitability remains depressed and, what is more, the effects of digitisation are exacerbating existing adverse trends. Digitisation is handing more power to customers, further undermining banks' ability to control pricing and cost to serve, while opening the industry to more competition, especially from technology companies.

The case we made for legacy system replacement still holds. In the original report, we explained how system renewal could positively impact the industry's profitability and sought to quantify that impact. In the present report, we update the quantitative analysis and find that the profitability impact continues to be significant; a fact made more compelling given the now extended period over which we run the analysis.

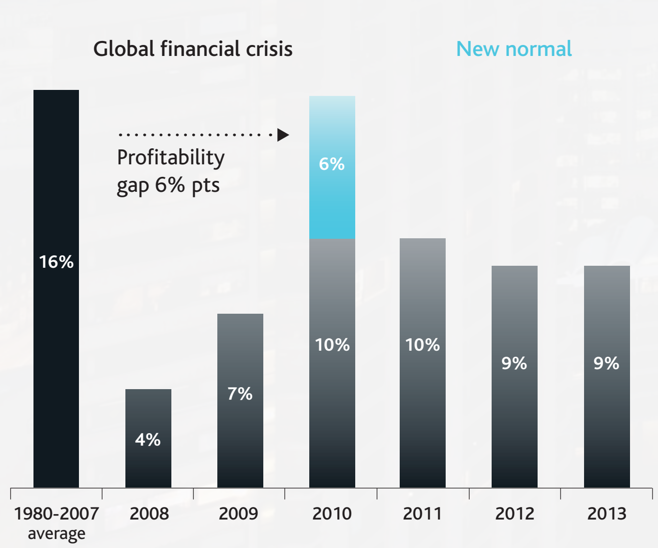
Nonetheless, we show, contrary to our expectations, that IT renewal remains a very pro-cyclical activity: that is, that banks are still more inclined to replace systems when profits are growing. Given the outlook for profitability and the key importance of IT renewal in helping banks to grow profits, we would have expected this pro-cyclical relationship to have broken down and reversed.

There are many reasons to believe that IT renewal will pick up from here. Not only is it essential to grow profits, but the subject is on the radar of all major bank stakeholders including regulators. The perceived risks around IT projects are diminishing as third-party systems become more sophisticated and large system integrators build expertise in this domain. Lastly, other factors such as growing M&A, a need to leverage investments made in digital channels and a shortage of legacy IT skills will add to the pressure to renovate.

Looking specifically at risk of renewal, we distil our experience from multiple successful replacement projects into a set of best practices. These range from choosing the right system – focussing not on a long list of functional requirements, but instead on the subset of functional and technological attributes that will really make the difference – to managing scope and ensuring strong project governance.

Two years ago, the industry faced a profitability gap which IT renewal could help to resolve. Now, the banking industry's issues are more existential. As such, IT renewal cannot wait.

Banks' RoE levels globally



Source: BCG, Thomson Datastream

> The structural factors, such as re-regulation and changing customer behaviour, which have driven down profitability in the post-crisis years are still biting and, what's more, are being accentuated by digitisation. Replacing legacy technology can have a material impact on the industry's profitability, but also help it to innovate and stay relevant in the face of growing competition from agile new entrants.

THE MOST PROFITABLE BANKS RUN TEMENOS

Average global banking RoE in 2013, five years after the banking crisis

9%

Higher return on assets

32%

Higher return on equity

42%

Lower cost to Income ratio

8.1

Source: The Banker – 'Top 1000 Banks 2008 – 2012'. Average values for Temenos customers compared with average values for banks with legacy systems.

Download the full Temenos white paper 'Restoring profitability in the digital age'

A RICH MULTI-PRODUCT SUITE

Temenos is a financial services software specialist, with its award winning T24 core banking platform at the heart of its solution portfolio.

Our consistently high annual investment in research and development enables us to constantly invest in new technology and functionality, allowing us to deliver products that lead the market and enable our clients to address the issues facing them with the lowest cost of ownership. Our clients benefit from this investment because we only offer fully packaged software with a clear and straightforward release programme, enabling our clients to upgrade to the latest software in a simple, low cost and low risk manner.

CORE BANKING

T24

T24 is the world's most widely used core banking system and provides a technically advanced packaged software product for banks in over 150 countries, from the smallest community banks to the largest retail banks.

T24 is a functionally rich and flexible real-time banking application that has revolutionised the core banking system industry by removing the need for end-of-day processing and enabling 24/7/365 online operation across countries and time-zones when needed.

T24 is available as a model bank implementation, with pre-configured services and best practice banking processes built in; or a highly tailored approach for customers preferring differentiation.

T24 is technically advanced, based upon Temenos' 6 architectural frameworks, enabling it to be the only core banking system that can be deployed identically on either Java or Microsoft technology as well as on public or private Clouds or on-premise.

SPECIALIST SOLUTIONS FOR EACH BANKING INDUSTRY SECTOR

Our single domain focus and expertise allows us to provide specialist solutions for the following banking vertical sectors:

T24 For Retail Banking

T24 is used to support more than 250 retail banking operations ranging from the largest international banking groups to community banks and start-ups. T24 offers full retail functionality, from the front through to the back office, including CRM and product lifecycle management. Unparalleled scalability and resilience is combined with total customer centricity.

T24 For Corporate Banking

T24 provides integrated support on a single global platform to corporate and wholesale banks offering services to professional and corporate clients. T24 enables banks to introduce new business models quickly and add value to their client relationships. Support includes coverage of corporate credit, correspondent banking and cash management, payments, treasury services and trade finance.

T24 For Private Wealth Management

T24 supports banking for affluent to high net worth individuals by providing excellent middle and back office support for the widest range of financial products from the simplest fund and equity instruments through to structured products, complicated options and hedge funds. Dealing is electronic and real-time and settlement is efficient and electronic. A wide range of actions are supported out of the box and further actions can be constructed using flexible, parameter based tooling. When combined with Triple'A Plus and Datasource, Temenos provides a fully integrated front to back solution for wealth management, known as WealthSuite.

T24 For Islamic Banking

T24 is a best-of-breed Islamic banking system, which is both Shariah-compliant and commercially flexible. T24 supports organisations which operate solely on Islamic principles as well as those that provide conventional banking alongside Islamic. T24 is rich with best practice processes and pre-configured products that support Murabaha, Mudaraba, Bei Salam, Musharaka, Istisnaa & Parallel Istisnaa, Bei Bithaman Ajil, Wakala, Operational & Financial Ijara, Tawarruq, Commodity Trading, Reverse Murabaha, Sukuk and a Profit Management System.

T24 For Microfinance And Community Banking

T24 supports smaller financial institutions with a version that is highly pre-configured for the features, products and reporting specific to microfinance and community banking (MCB). T24 MCB supports the specific operational and processing requirements of organisations engaged in retail, community and microfinance banking in emerging markets: micro lending institutions, smaller retail banks, large commercial microfinance institutions (MFIs) and global networks of financial intermediaries and credit unions. T24 MCB is used by over 200 clients, many with multiple sites, in over 35 countries.

T24 For Universal Banking

T24 supports banks which deliver a wide range of products and services across retail and corporate banking. T24 offers an extraordinary breadth and depth of functionality across all channels, giving the universal bank the ability to offer products and services which compete with more specialised banks, together with the agility and flexibility required to compete with large international banks which may be entering the market. T24's inherent scalability allows banks with many overseas branches to enjoy the benefits of a centralised production facility and product factory, whilst maintaining local front office functionality. Treasury Trader supports treasury dealing rooms with a seamless and transparent flow of information to synchronise the front, middle and back offices of an international treasury operation, delivering real-time links to the market for instant and accurate data, together with an impressive range of risk, planning and analysis tools.

TCB

Temenos CoreBanking (TCB) is a functionally-rich core banking framework, deployed on IBM mainframe technology and designed around IBM's Information Framework (IFW) industry banking model. TCB is used by the some of the world's largest mass market retail banks and is a model framework that can greatly accelerate the bank's time to build their own core banking solution and provides a model that ensures maximise re-use, eliminates duplication and minimises redundancy. It is designed to enable application components to be implemented independently, allowing banks to transition from their evolved, fragmented and highly complex legacy processing environments on a step-by-step incremental basis.

FUND ADMINISTRATION

Multifonds Accounting

Multifonds Accounting allows fund administrators to perform key accounting functions. It supports daily, weekly and monthly NAV (net asset value) calculation for the most complex and sophisticated types and structures of mutual, institutional, alternative, hedge and pension funds across multiple markets and in over 30 regulatory jurisdictions. It also provides middle office investment operations functions including transaction and cash management, confirmation processing, position keeping, real time P&L, investment accounting, cash flow forecasting and corporate actions processing.

Multifonds Global Investor

Multifonds Global Investor is a transfer agency and investor servicing system that supports fund administrators in functions such as investor dealing and shareholder record keeping. It handles both traditional and alternative funds and supports a growing set of regulatory and tax requirements such as Anti Money Laundering measures, ERISA, the EU Savings Directive, the Irish Finance Act, Swedish tax, UCITS IV and most recently FATCA.

COLLECTIONS

Akcelerant Framework

Akcelerant Framework is the flagship product of Temenos' recent acquisition of US based Akcelerant. The Akcelerant Framework offers five primary solutions, which are sold separately, addressing collection, loan origination, new account origination, service and recovery. The Framework provides common services such as dashboards, views, reports, workflows, business rules and security that are packaged with business-specific functionality to create solutions.

CHANNELS SOLUTIONS

Connect

Temenos Connect is a suite of front end channel products that fully interact with other Temenos systems such as T24 but can also work with any other host back end systems. Connect enables financial institutions to provide front end banking solutions with a superior user experience across multiple distribution channels, for any user (internal and external), in any language and optimised for any device. Connect is underpinned by edgeConnect, a market leading User Experience Platform recognised by leading industry analysts including Gartner.

Connect Internet Banking – is an online banking solution enabling financial institutions to offer a full range of products and services, across all business lines, to customers via browsers on desktop PC's, mobiles and tablet devices. Cost effective, highly secure and efficient with proven enterprise scalability and performance, the solution comes with a flexible user interface that can be designed to provide end users with an intuitive and compelling customer experience as well as acting as a targeted marketing tool driven by Temenos or other CRM products.

Connect Mobile – is fully integrated with Connect Internet Banking, providing seamless mobile banking across a wide range of mobile channels including smartphone apps, browser and SMS. Connect Mobile is underpinned by a unique device specific security layer providing the ultimate solution for protection from mobile fraud. The solution's mCommerce capability integrates retail and other payment channels to transform devices into a mobile point of sale.

edgeConnect

edgeConnect is the core UXP product that underpins the Connect product suite sharing full functionality and capabilities. edgeConnect is also available independently of the Temenos Connect solutions, enabling financial institutions to rapidly create and manage browser enabled applications with sophisticated user experiences. edgeConnect provides a zero-code, powerful development environment coupled with a runtime environment providing security, cross browser compatibility, enterprise scalability and performance. edgeConnect is used by clients to web enable existing legacy core applications integrated to, and de-coupled from, the constraints of their back end system and can be integrated to any third party platform or solution.

Other Customer Interaction Channels

Branch – offers specialised teller functionality and device support that includes off-line processing for reliable customer service, branch staff access to a single view of all customer information and branch manager business intelligence services.

CRM – enables financial institutions to build and personalise their digital banking services around each customer – improving service, transforming the experience and enhancing loyalty. Providing fully integrated support for identifying opportunities and managing prospects, CRM combines operational and analytical customer relationship management processes with rich marketing campaign management capabilities.

Origination – enables financial institutions to originate customers, loans and deposits ready to be serviced by T24.

Channels Solutions continued

Country Model Banks

With our extensive experience of customer implementations in more than 150 countries, we have packaged all country specific localisations, including compliance with regulations and local payments systems, into reusable country platforms, to provide our customers with software that fully supports local requirements.

PAYMENTS

We currently offer country model platforms for over 30 major countries.

Temenos Payment Suite (TPS)

TPS is a new and modern payments hub for international payments based upon Temenos' proven architectural frameworks and thus benefiting from the large investment that Temenos continues to make across its products.

Built upon a universal payments process, TPS processes payments from any channel, type, instrument, or format to any clearing house, operating from any core or back office system including Temenos' own T24. Built for the future, TPS offers deep levels of flexibility and open abilities to adapt to emerging message channels and formats.

STeP Payments Repair

STeP Payments Repair (STeP) markedly improves straight through processing (STP) rates by automatically repairing and enriching messages, enabling payment transactions to be conducted electronically without the need for re-keying or manual intervention. STeP is based on artificial intelligence type technology combined with a unique Temenos banking community-generated knowledge base, which integrates seamlessly into payment platforms and operational systems. STeP can work standalone or fully integrated within TPS.

PRIVATE WEALTH FRONT OFFICE

Triple'A Plus

Triple'A Plus is a proven, world-class front and middle office portfolio management system that offers sophisticated investment management functionality across modelling, performance attribution and risk. It provides powerful support for servicing the needs of today's high net worth and ultra-high net worth clients.

It provides the most comprehensive portfolios and positions analytics available specifically for high value advisors and portfolio managers. Triple'A Plus improves productivity by automating investment, order generation, compliance and client profiling processes. By building central and efficient investment processes across multiple business segments, Triple'A Plus increases agility, autonomy and service performance with easy-to-use, real-time business configuration tools.

Triple'A Plus operates across multiple back office systems including T24 from Temenos.

WealthManager

WealthManager is an integrated wealth management software platform designed specifically for private financial advisors. Whether serving mass affluent investors or high net worth individuals, WealthManager personalises, simplifies and integrates investment activity for precise control. A suite of proven wealth management software tools, it provides a 360-degree view of clients that combines flexible day-to-day management with elegant graphical dashboard reporting, accurate data aggregation and agile portfolio management.

WealthManager is proven at investment and financial services institutions worldwide to improve client servicing, enhance compliance monitoring, increase advisor productivity and reduce operational cost. It offers superior features for all types and styles of investor and supports discretionary, advisory and brokerage businesses on a single wealth management software platform.

WealthManager operates across multiple back offices systems including T24 from Temenos.

ENTERPRISE DATA MANAGEMENT

DataSource

Temenos DataSource is an enterprise data management (EDM) solution that automatically optimises the quality of master data (e.g. statics, corporate actions, pricing data) to reduce the costs and risk associated with managing increasing volumes of data required to comply with regulatory change. Based on a highly sophisticated rules engine Temenos DataSource validates and consolidates data from international and local data providers and dispatches consistent data ("a golden copy") to user-defined systems across the organisation.

Datasource was formerly known as ProDB.

INTELLIGENCE, RISK AND COMPLIANCE

Insight

Our Insight business intelligence products provide the bank's management with a deep and balanced understanding of its business and customers. Based on our data warehouse model, it minimises data redundancy and provides a single version of the truth optimised for analysis. Insight connects to multiple source systems including those from Temenos, consolidates multiple entities and delivers analytical information on a variety of technologies including tablets and mobile. Insight is built on Microsoft technology.

Insight Financial Intelligence

Insight Financial Intelligence provides a deep understanding of the financial position and health of the bank. It contains a balanced scorecard that monitors key performance indicators such as cost/income ratio, liquidity, capital adequacy and average margins. It also produces the key financial reports including income statement and balance sheet but enables these to be analysed by a huge variety of other dimensions, turning them into powerful bank management tools. Insight Financial Intelligence includes budgets, cost allocations and transfer pricing to ensure that the profitability of the organisation can be understood and controlled at all levels.

Insight Customer Intelligence
Customer Intelligence provides analysis of the bank's customers including positions, segmentation and profitability. It can highlight the most and the least profitable. Segmentation based on this and other criteria can be used by other T24 systems to control processes and pricing enabling the differentiation of offerings automatically. Sophisticated data mining tools enable you to spot trends such as customer attrition risk.

Insight Operational Intelligence
Insight Operational Intelligence provides operational analysis across an organisation including understanding use of channels and performance of branches.

Insight Risk
Insight Risk provides comprehensive analysis of the bank's risk position to support regulatory and internal requirements. Using an extensive regulatory capital engine and comprehensive liquidity and interest rate risk analysis tooling Basel II and III as well as ALCO reporting. It enables financial institutions to fine-tune capital requirements to maximise economic and financial returns. Insight Risk is fully integrated with Insight Financial Analysis, supporting risk return reporting such as RAROC as well as risk based pricing.

Anti-Money Laundering

AML Screen – provides an integrated watch list screening solution enabling banks to manipulate and manage watch lists, and define screening rules. These enhanced tools help maximise the chances of identifying true positives whilst minimising instances of false positives, to achieve a more efficient and effective AML operation.

AML Profile – is our behavioural profiling solution that understands clients' activity enabling the analysis of trends and behaviours both at sector level and with individual clients to identify money laundering risk. AML Profile is fully configurable and can be adjusted to meet banks' own risk profile requirements.

Compliance

TriComply
TriComply is a market-leading compliance solution for the US market, used by over 6,000 individuals at more than 1,300 financial institutions to keep them abreast of a fast-changing regulatory environment. The solution has multiple components, such as a compliance knowledgebase listing all regulations and answering questions about the same. In addition, users receive a weekly newsletter and a monthly journal, both with contributors from the leading practitioners in the field.

SocialComply
SocialComply is a solution enabling financial institutions to monitor and log what is being said about them on Social Media channels, such as Facebook and YouTube. Moreover, it also gives the functionality for institutions to contribute and engage in these discussions in a way that is controlled and compliant with internal polices.

6 ARCHITECTURAL FRAMEWORKS

Temenos is a software product company. We recognise the value of excellent software engineering both to us and to our clients and consequently we invest heavily in software product architecture. We organise around six architectural frameworks and we have a proud tradition of having constantly and consistently invested in these, ensuring our application products remain fully up to date, flexible and productive.

Integration Framework
The Integration Framework enables our products to easily exchange business events with other systems and so integrate what we do into an overall information system. It reduces the time for interfacing by up to 90% by making the integration code free. Based on business events, this approach makes the bank more agile and able to absorb change more quickly. We support middleware from our partners, IBM, Oracle and Microsoft, as well as independent products such as Fiorano and WebMethods.

Interaction Framework
We recognise that user interaction changes very rapidly, from client server, to browser to tablets. The Interaction Framework decouples user interaction from our back end systems (and those of others) using the OData standard to allow rapid implementation of new user experiences enabling our clients to respond to their customer's needs more quickly and efficiently.

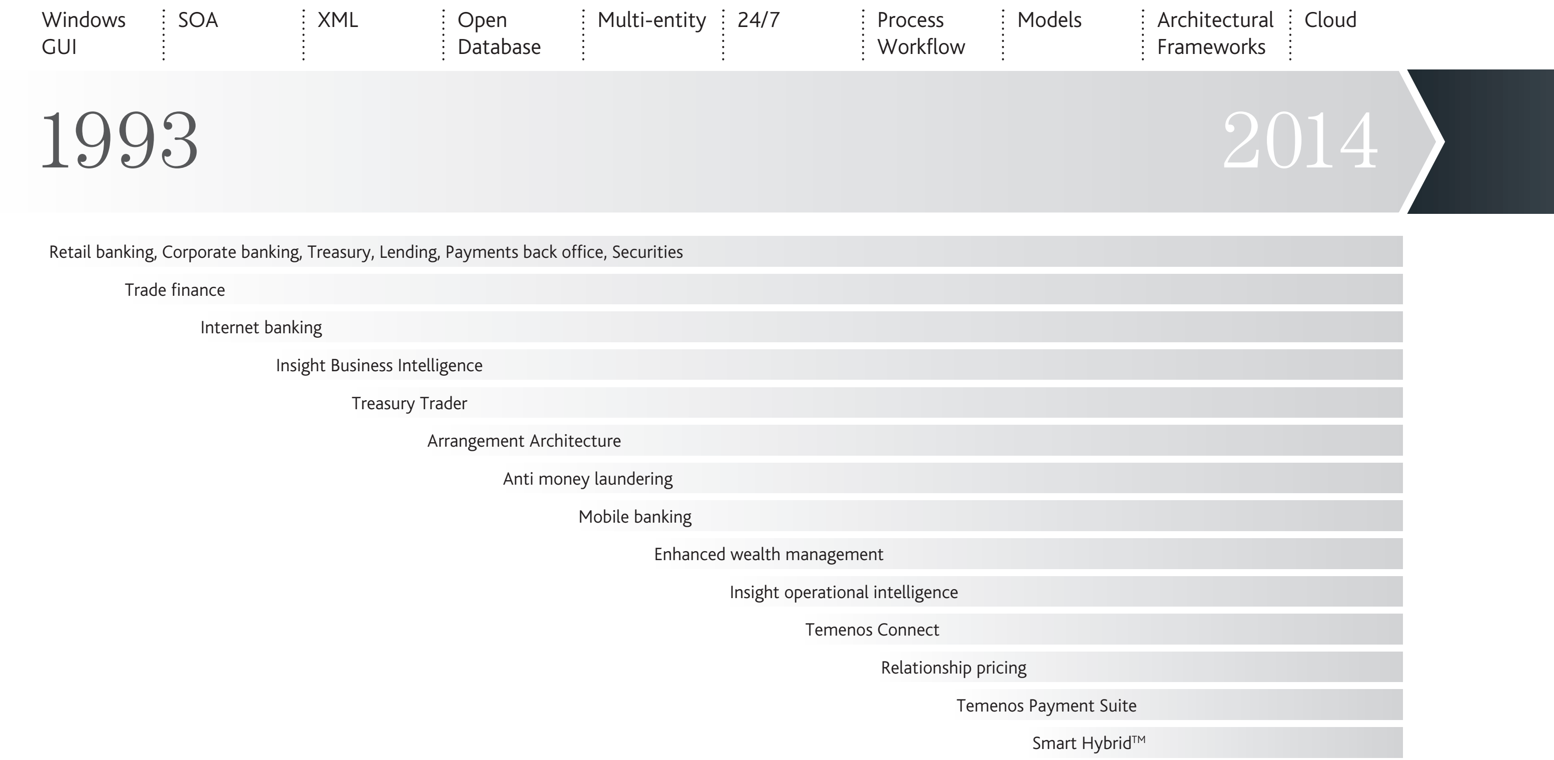
Platform Framework
Our clients need technology choice, now and in the future. Our Platform Framework enables our products to run on a variety of underlying technology, enabling, for example, T24 is the only core system to run as a pure Java application or pure Microsoft application. Further we run on the latest implementations such as IBM's PureApplication, Oracle's ExaLogic and Microsoft Azure. It also gives our clients choice from a traditional on-premise deployment to public Cloud with the cost benefits that this provides.

Component Framework
Fully componentised software has major advantages both for the vendor and the client. It enhances quality by simplifying the implementation and testing process, it lowers risk by enabling progressive and phased renovation and it increases agility by enabling incremental upgrading and updating of software. Our products benefit from this technology and we are investing further as more capable componentisation technology becomes available.

Design Framework
Temenos software products are engineered to provide the highest levels of flexibility enabling our clients to adapt to change without returning to us. Our Design Framework is our development environment for the 'change the bank' team, enabling them to develop, test, deploy and maintain the local customisations of their Temenos products easily, efficiently and safely. Design Framework uses the industry standard Eclipse integrated development environment.

Data Framework
The Data Framework is the architecture by which our software products interact with the underlying database management systems. Our products benefit from the flexibility, resilience and scalability that this affords. We are further investing in this to fully separate the transaction processing data from the 'read-only' reporting data. This will enable our products to take advantage of the latest database technology such as 'in-memory' providing performance improvements of up to 10x for transaction processing and up to 100x for reporting and analytics.

TRACK RECORD OF INNOVATION EXTENDING INTO THE FUTURE



Innovation is at the heart of what we do and one of the ways in which we set ourselves apart. Seeing things differently and aspiring to be exceptional are two of the Company's core values; leading innovation to transform banking is the Company's vision. What is more, the Company's innovation capabilities represent the single biggest factor in attracting talent and in winning new business. So, we take it very seriously.

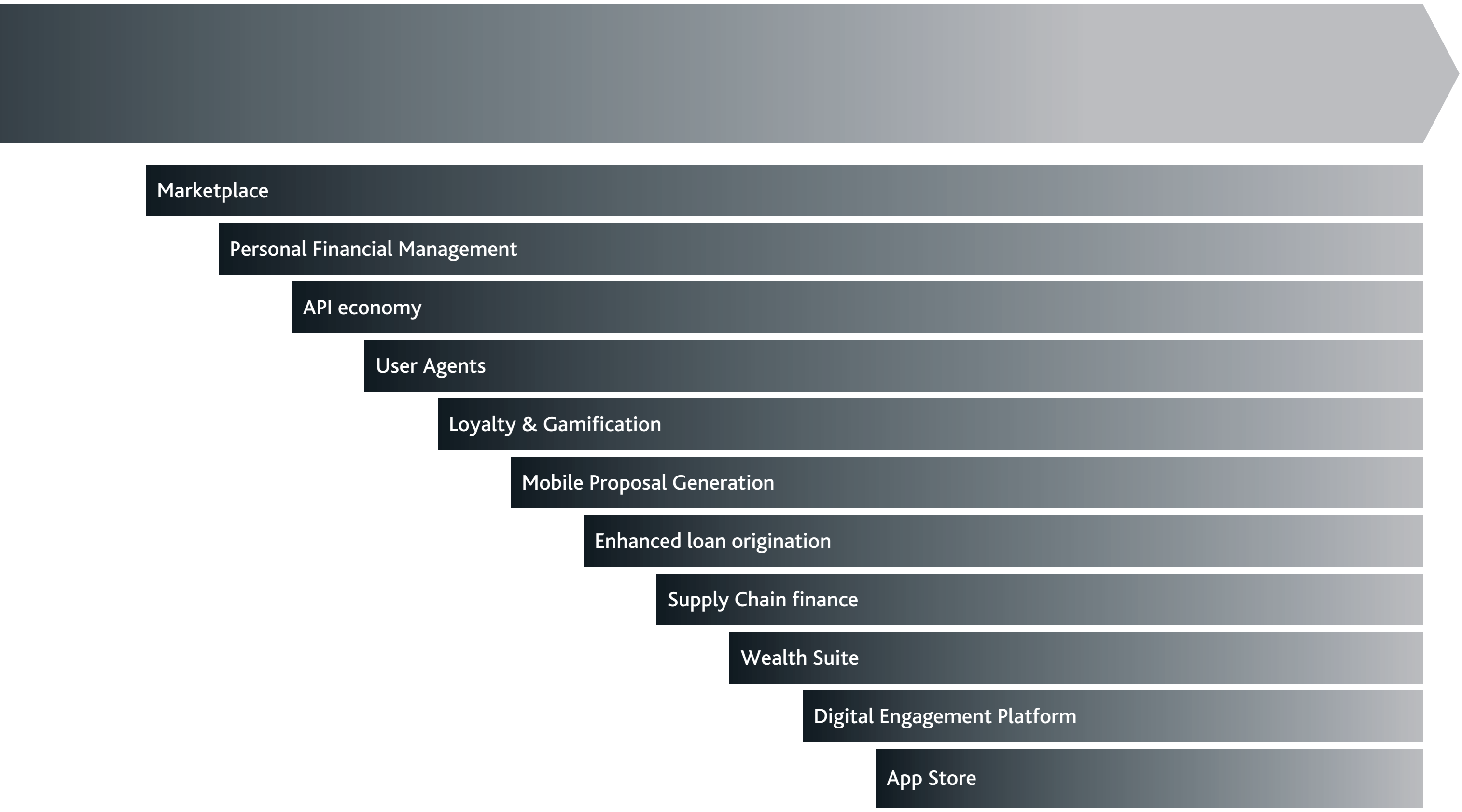
Our customer pledge

The financial industry is undergoing massive structural change. Customers have become simultaneously more demanding and less loyal. New competitors are emerging, picking off the most valuable parts of the value chain and threatening to disintermediate banks. Technology is changing rapidly, transforming the way banking products are manufactured, distributed and consumed as well as opening the possibility for much more intimate customer experiences. And, were that not enough, regulators remain resolute in their attempts to render the industry much less prone to future crises, which is putting up the cost and complexity of doing business.

In this context, Temenos customers look to us to help them navigate this revolution – and to capitalise on it to cement or extend their market share.

In practice, this means two things for us. We must continue to innovate so that our customers can 1) keep reducing the cost of their operations and pass this on to consumers in the form of cheaper services, 2) offer richer, more personalised customer experience (what we call experience-driven banking), 3) be more agile and lead (or at least react faster to) changes in the market conditions and customer preferences, and 4) minimise the costs and complexity of regulatory compliance. But, we must also ensure that the innovations that come out of labs can be introduced seamlessly and quickly by our customers. Therefore, whilst our innovation is bold and aggressive, we make it easy and simple for our clients to install and use – revolution in innovation, evolution in implementation.

No one can guarantee innovation, but we make concrete and transparent commitments to our customers. We commit to serving only one industry. We commit to spending more than our peers on research and development. We commit to re-use, packaging our innovation into the latest releases of our software so that all customers can benefit from it. We commit to principles of openness and technology agnosticism, so that we do not lock customers into technology stacks that might limit flexibility and raise cost of ownership. And we commit to ever-widening the pool of good ideas.



Some new initiatives

Temenos has a proud history of innovation. We were the first fintech company to launch 24x7, real-time core processing, the first to adopt the XML messaging standard, the first put core banking in the cloud and, most recently, the first to market with Smart Hybrid technology.

But, being innovative now does guarantee being innovative in the future, so we are constantly looking to cast a wider net for good ideas. Some of the new initiatives we have launched in the last 12 months include:

- launching an ideas portal on the Company intranet, through which employees can submit their ideas. The Company commits to sponsor and bring to fruition the best employee ideas and, as of writing, two such innovative concepts are being actively nurtured;
- joining the innovation boards of our customers;
- growing the number and variety of customer advisory groups; and
- holding annual strategy days with our most important partners.

Fusion, the Swiss fintech incubator

In addition to the initiatives outlined above, Temenos recently launched – together with venture capital firm Polytech Ventures – an incubator in Switzerland for fintech start-ups called Fusion.

Fusion, based in Geneva, is the first fintech incubator to exist in Switzerland. It plans to bring together a broad range of interest groups – including corporations involved in the provision of financial services, academia and start-ups – in the pursuit of innovation.

Temenos' involvement with Fusion clearly advances our innovation agenda, by giving us the exposure to new ideas and some of the brightest fintech talent that will help us to keep delivering outstanding customer success. In addition, we believe in giving back to our community and hope that by working with Fusion and its partners we can reinforce Switzerland's position as a vibrant centre for financial services and financial technology.

DELIVERING THE HIGHEST LEVELS OF CUSTOMER SUCCESS

Through rich methodologies and a developed partner ecosystem, Temenos always delivers a complete solution. 2014 saw more go-lives than ever before with reduced implementation times, increased scale of the partner programme and even better governance of projects.

In 2014, Temenos and its partners took a record 135 financial institutions live, up from 89 in 2012 and 132 in 2013. This was made possible through Temenos' rich methodologies, the depth of its in-house expertise and the synergistic relationship between Temenos and its partners.

During the year, Temenos continued to focus on both increasing the proportion of its own services revenues coming from premium services whilst at the same time increasing its partner resource. This strategy proved highly successful with premium services (being higher margin, higher value-added, non-implementation services) 27% of services revenues in 2014, up from 19% and 11% in 2013 and 2012 respectively, and the number of partner consultants increased by around 300 to stand at over 2,000 at the year end.

Partners are critical to the success of Temenos: the more we work with our partners, the more they will invest in Temenos. Our strategic partnerships are managed centrally and developed regionally, allowing us to nurture the individual partnerships and explore global business opportunities. Our products are strengthened by alliances with leading technology and services partners that address our clients' individual business and technology requirements. We work with our global network of partners to reduce implementation risk, enable a faster time-to-market and to deliver innovation in technology.

135
Go-Lives in 2014

27%
Premium services contribution to services revenues

A COMPLETE PARTNER PROGRAMME

Services
ABRIS
Accenture
Anabatic Technologies
Capgemini
CGI
Cognizant
Deloitte
Foranx
Fortress Data Services
Global Logic
Inlaks/Global Solutions
ITSS
Jethro
Kurt Salmon
MCB Consulting
Microplanet
NDC
NIELSEN+PARTNER
Page Solution
Rubik
SL Internacional Soluciones
Logicas en Sistemas S.A. de CV
d/b/a Tecnides
SOFGEN
Software Group
Solution Only Financial
Technologies Inc.
Stoics
Syncordis
Tech Mahindra
TextGenesys
Thakral One
USI
Wipro
Wolters Kluwer Financial

Technology
HP
IBM
Microsoft
Oracle

Complementary Solution Providers
Actuate
Assentis
DigitalPersona
EFS
Enghouse Interactive
Fiorano
HID Global
Naqoda
Optria
Qualco
Software Group
Systar
The Core Banking Group
Thomson Reuters Solution
Validata
Verisim

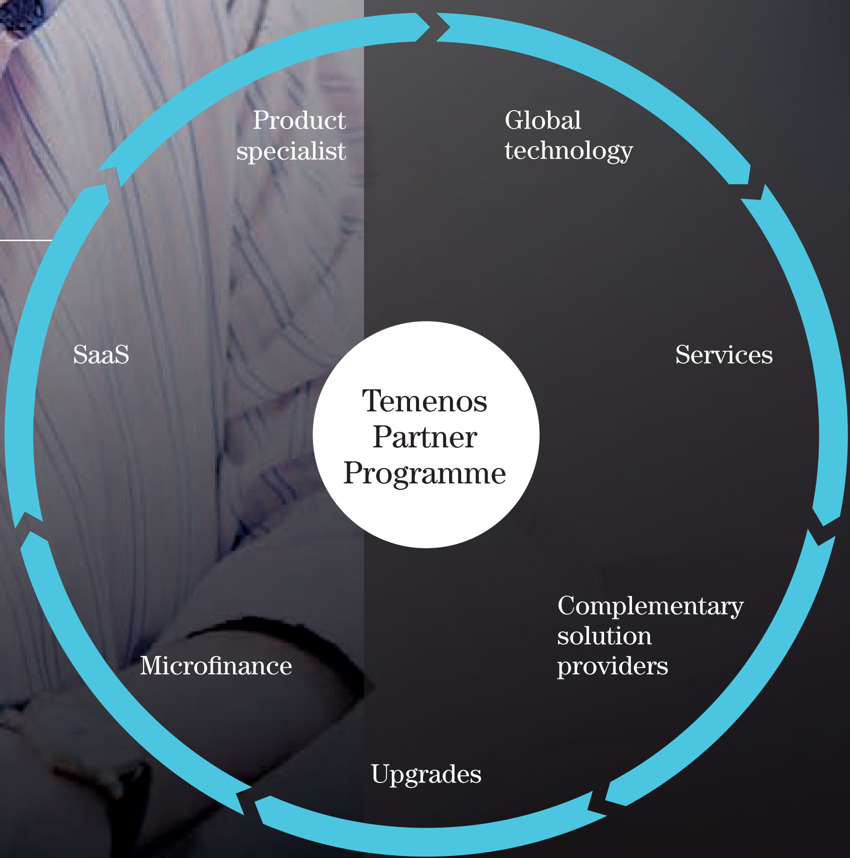
> 2014 was another record year for delivering customer success resulting in 135 go-lives in the year, with our partners playing an increasing role in the implementation process. Premium services continued to add further value to our customers and now accounts for over a quarter of all services revenues from a standing start only a few years ago. As we look into 2015 and beyond, we will continue to deliver a complete solution for our customers, working with our deep network of partners.

Mike Davis
Client Director, Temenos Group AG

TAKING THE PROGRAMME TO THE NEXT LEVEL

The value of services opportunity around Temenos applications (USD)

1bn



TEMENOS PERFORMANCE OPTIMISATION

Temenos Productised Services are rapid, high-value engagements, delivered to key customers by our most experienced consultants. With deep domain knowledge supplemented by close links to our development organisation, the Expert Services team is equipped to advise on the most complex issues around successful deployment and optimisation of Temenos software solutions. One example of these desirable engagements is our T24 Performance Optimisation service.

Performance Optimisation is offered by Temenos' Expert Services supported by the Product Development group. These engagements are carried out by accredited Performance Specialists from our Expert Services team, supported as required by a dedicated performance team in our R&D organisation with full access to product development resources and expertise.

All components of your Temenos system's performance can be measured and analysed, including close of business (COB), online, interfaces, and local developments. Low-performing processes and bottlenecks are identified and examined, and expert recommendations for improvement are made.

"

We wish we'd known about this a long time ago. Useful, good value for money, a must for any T24 site.

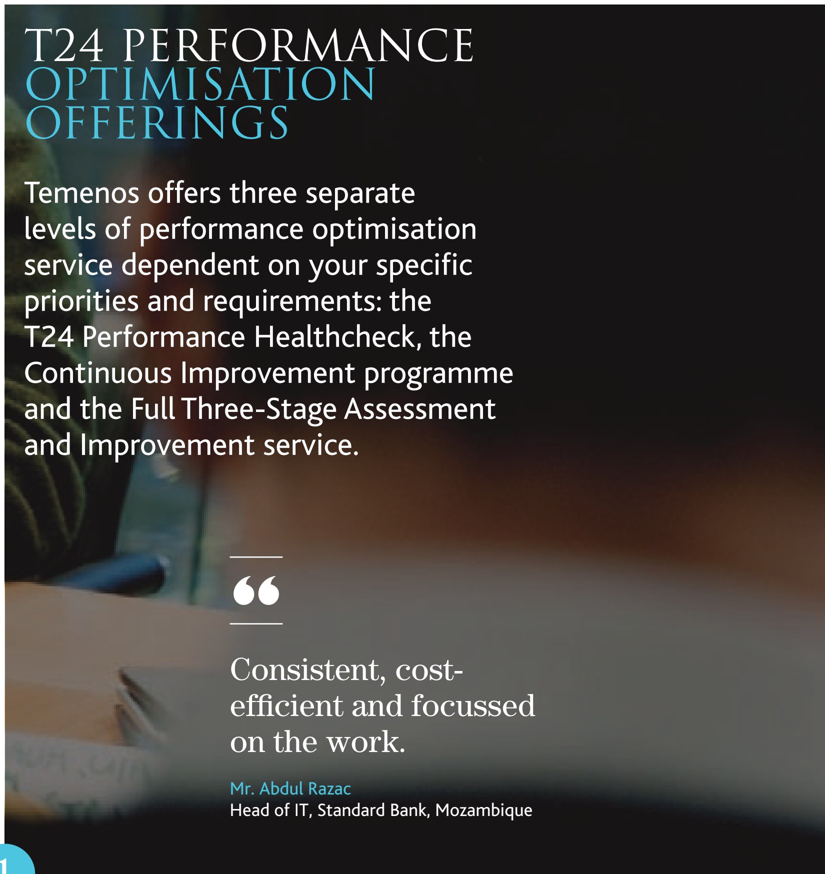
Mr. John Mitchell
Head of IT Division, National Bank of Malawi

82%

improvement in transaction time at National Bank of Malawi, from 5.5 seconds to 1 second

44%

improvement on daily COB time at National Bank of Malawi



T24 PERFORMANCE OPTIMISATION OFFERINGS

Temenos offers three separate levels of performance optimisation service dependent on your specific priorities and requirements: the T24 Performance Healthcheck, the Continuous Improvement programme and the Full Three-Stage Assessment and Improvement service.

"

Consistent, cost-efficient and focussed on the work.

Mr. Abdul Razac
Head of IT, Standard Bank, Mozambique

1

PERFORMANCE OPTIMISATION HEALTHCHECK

The Healthcheck service, a two-week engagement, is available to all live T24 customers wishing to maximise the benefits of their system, and also to implementing customers planning structured performance and non-functional testing. Designed to assess your Temenos system, expose performance inefficiencies and identify areas for improvement, the scope can be general or, alternatively, focussed on COB, online or another specific area of T24. The service package includes use of specific Temenos diagnostic tools. A detailed report is delivered with all findings, along with a recommended optimisation strategy for your system.

Wherever possible, our experts will identify significant performance improvements or "quick wins" that can be achieved during the two weeks on-site, and in most cases these are implemented during the engagement itself. Often, no further action is required to achieve the initially desired results.

> Our aim was to improve performance by 20%. In reality, we achieved a 71% improvement in End of Week reporting.

Mr. Raffoul Raffoul
AGM, COO, Byblos Bank, Lebanon

71%

improvement in End of Week reporting time at Byblos Bank, Lebanon

2 CONTINUOUS IMPROVEMENT PROGRAMME

Continuous Improvement consists of the Performance Healthcheck as mentioned above, repeated at regular intervals – typically quarterly, for 12 months. This continuous cycle means that customers accumulate efficiencies and therefore greater performance enhancements over time. Any significant changes in Temenos software deployment, surrounding hardware and software infrastructure will also be assessed before each engagement. Over the 12 month period you should see vastly improved, more consistent and predictable performance in your system.

We aim to transfer knowledge of Temenos performance tools and best practices to your IT personnel wherever possible. We also seek to deploy the same Performance Specialist in each of your healthchecks to stimulate productive and collaborative working relationships with your team, support the transfer of knowledge and maximise our understanding of your Temenos deployment in both business and technical dimensions.

3 FULL THREE-STAGE ASSESSMENT AND IMPROVEMENT SERVICE

The structured, three-stage assessment is conducted over a longer period in three distinct phases:

Assessment Phase: Performance analysis and measurement is carried out on all components of your Temenos system – COB, Online, Interfaces, and Local Developments. Success criteria and measures are established, and low-performing processes and bottlenecks are isolated and investigated. A report is produced with prioritised recommendations and an improvement strategy.

Statement of Work: Findings and recommendations are discussed, and a set of objectives are agreed and put in place accordingly. Improvements are prioritised to ensure the achievability of desired results.

Improvement Phase: The agreed Performance Optimisation work is carried out, improvements and results are shared and a full report and presentation are provided with further recommendations. Transfer of knowledge and skills to the in-house IT operational team can also be included in this programme.

DEVELOPING PROCESS WORKFLOWS

Mauritius Commercial Bank, following the training it received from Temenos, was provided with the advanced technical skills required to write their own code, fix bugs and improve system performance.

Mauritius Commercial Bank (MCB) approached Temenos Expert Services team to supply it with training on developing process workflows to enable it to automate and simplify credit limit generation.

One of Temenos' most experienced trainers assessed the specific needs of the bank and delivered a training module over four days, with an additional day of bespoke training.

MCB reported being very satisfied with the training, which allowed it to complete a very fast and issue-free implementation.

"It amazes me that five days of training has enabled our technical team to engage in a highly complex project and achieve high level coding, that we previously hadn't mastered. In terms of timeline and development complexity, this is probably one of the most important projects for the bank, so the training has had an enormous impact on its success."

Mr. Ashwin Ramphul
Core Banking Systems Manager, MCB

> The trainer was very experienced and the training enabled us to grow a lot in terms of process workflow knowledge. Importantly, it has enabled us to work independently in future.

Mr. Ashwin Ramphul
Core Banking Systems Manager, MCB

WHY WAS THE TRAINING REQUESTED?

MCB had a requirement to automate and simplify its generation of credit limits, especially for retail customers. When its Temenos system was initially deployed, the Credit project was phased, so, while there were workflows for corporate credit facilities, they were not established for all business lines and all types of credit facilities. Therefore MCB recognised that, in order for the end user to be presented with all the actions it needed to take in sequence, it needed to develop process workflows to cater for these.

Since the client didn't have sufficient experience of process workflow development, it opted to engage the Temenos Expert Services team to supply it with a training module to provide it with the necessary skills.

IDENTIFYING THE SPECIFIC REQUIREMENTS

The Temenos team engaged in a series of discussions with MCB to understand the team's requirements in detail, including their pre-requisites for the module they had in mind.

Temenos ascertained that the complexity of credit limits generation was challenging for MCB because, on top of the standard tables of its T24 limit module, MCB had designed a series of customised screens. In addition, the process involved the cooperation of many different business roles to reach completion, for example, credit analysts, account officers and credit support.

For this reason, the bank needed a tool to develop process workflows that could rationally organise the different tasks of the limits creation process and assign them to the appropriate owners, checking all dependencies and completion requirements for each step.

AN ADDITIONAL BENEFIT

The client reported that the knowledge gained from the training enabled it to correct a number of bugs in its existing credit workflows. The number of issues has greatly decreased in its live flows, and the system works a lot faster.

THE OUTCOME

The training enabled the client to implement the process workflows that it required. MCB has been able to create several change requests on existing flows, as well as optimising these flows. In addition, it will soon be introducing new flows for capturing credit facilities at the bank.

The training also equipped the MCB team with the skills to start doing their own coding with the aid of T24 Toolbox, which provides a more user-friendly interface than the jBase Basic routines and programs they'd been using previously.

Finally, as well as providing MCB with enhanced technical skills, the training also analysed the extent of its system capability.

THE THREE PHASES OF TEMENOS GROWTH

1

BUILD
1993 TO 2002

- Domain focus
- Truly global
- Single packaged product
- Commitment to openness
- High R&D
- Maintenance model
- Tier 3-5 banks

OUR STRATEGY
CREATING SHAREHOLDER VALUE

1. EXTENDING LEAD IN CORE BANKING
2. EXTENDING LEAD IN PRIVATE WEALTH
3. PENETRATING THE US MARKET
4. OPENING UP NEW MARKET WITH DIGITAL ENGAGEMENT PLATFORM
5. SAAS – TAKING 1ST MOVER ADVANTAGE
6. INDUSTRIALISING SALES & PARTNER ALIGNMENT

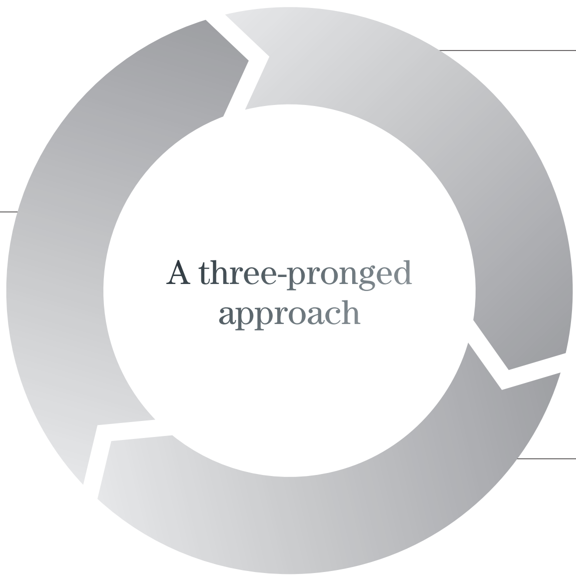
2
SCALE
2003 TO 2011

- Regional structure
- Expansion of addressable market
- M&A programme
- Partner programme initiated
- Margin expansion
- 10pp of market share gains
- Tier 1-2 banks

3
LEAD
2012 ONWARDS

- True multi-product focus
- Multi-deployment options
- Realising installed base opportunity
- Growth in key geographies and segments, partners facilitating
- Further M&A
- Maturity and consistency
- Tier 1-6 banks

A THREE-PRONGED APPROACH TO M&A



Increased scale

Accelerated growth in key markets and segments

Complementary products

2007	2008	2009	2010	2011	2012	2013	2015
Actisbsp	Financial Objects Lydian Associates Informer	Viveo Group	Fe-mobile Odyssey	Primisyn	edge IPK	TriNovus	Akcelerant Multifonds

> We made significant progress in 2014, especially in terms of advancing strategic priorities and taking market share.
>
> Looking ahead, we serve an industry that is undergoing a once-in-a-generation structural change and needs to invest in technology to stay competitive. Providing a more intimate customer experience will be key to its long-term success.

David Arnott
Chief Executive Officer, Temenos Group AG

Introduction
2014 was in most respects a good year for Temenos. We made sound progress against our strategic initiatives. We delivered unrivalled customer success. And, we took market share, winning a number of very strategic deals.

The market opportunity remains extremely exciting and Temenos is very well placed to capitalise on it. The banking industry is going through a period of profound change. Changing customer behaviour, changing regulation, changing technology and a changing competitive landscape mark the industry backdrop today. And, to succeed through this period of structural change, banks need more than ever to invest in cutting edge systems.

Our immediate focus is to ensure that we execute strongly in 2015, to get off to a strong start that will firm up the confidence of our stakeholders. Beyond that, we will move forward with several key strategic initiatives, which we believe will underpin the Company's growth over future years and build a bigger base of recurring revenues.

It has given me great pleasure to have already announced two key strategic acquisitions in 2015. Firstly, in February 2015 we announced the acquisition of Akcelerant, a software provider to the US credit union market that has added 600 client relationships in the US as well as some key products. Secondly, in March 2015 we announced the acquisition of Multifonds, a leading global provider of fund administration software which provides complementary products, exposure to fast-growing fund administration market and client relationships with more than 30 of the world's largest financial institutions.

A Review of 2014

Sales – a year of key wins
From a sales perspective, it would be easy to present 2014 as a year that started well but did not reach our expectations for the full year. In Q1, Temenos recorded a 29% growth in software licences compared to the year before, buoyed by improving market momentum and a large deal with Banesco in Venzuela. In contrast, Q4 saw licences contract by 11% compared to the previous year as poor execution, particularly in Asia, weighed on growth.

However, in reality, the picture was more nuanced and the key point to highlight is that won a number of highly strategic deals, creating a platform for future growth and validating the soundness of our strategy. We won important deals across retail, private banking and transaction banking, beating specialist competitors in all of the areas, showing how our suite of best-of-breed, integrated applications delivered on our advanced technology platform is a winning proposition. Moreover, many of these deals involve progressive renovation of customer systems, another competitive advantage that allows us to reduce risk and deliver faster time to value, meaning that these deals will deliver significant incremental value of coming years.

In 2015, to improve the predictability of our licence business against a market backdrop which is clearly improving but where large deal timing remains uncertain, we will place more reliance on business from our existing customers, where the penetration rates of most Temenos applications remains low.

HIGHLY RATED BY INDUSTRY ANALYSTS

Gartner

'Leader' for 6th consecutive year.

FORRESTER

'Leader' in Forrester Wave.

Only vendor to be classed as both "Global power seller" (for new business) and "Top global player" (for new and existing business).

IDC Analyze the Future

'Leader' in Core Banking and Wealth Management.

CEB WHAT THE BEST COMPANIES DO

'Best-in-class' honours for customer centricity.

IBS INTELLIGENCE

Ranked 1st for the past three years.

Almost twice the number of deals of nearest competitor.

OVUM

'Market Leader' in digital channels.

Source: Gartner – "Magic Quadrant for International Retail Core Banking", Don Free and Ethan Wang, November 2014;
Forrester – "The Forrester Wave™: Customer-Centric Global Banking Platforms, Q3 2014", Jost Hoppermann, August 2014;
Forrester – "Customer-Facing Solutions Are Driving Banking Platform Deals", Jost Hoppermann, June 2014;
IDC – "IDC MarketScape: Worldwide Core Banking Solutions 2015 Vendor Assessment", Karen Massey, Andrei Charniauski, Michael Araneta, Jerry Silva, January 2015;
IDC – "Worldwide Wealth Management Front- and Middle-Office Solutions 2014 Vendor Assessment", Thomas Zink, January 2015;
CEB TowerGroup – "Core Banking Systems for the Large Bank Market", Robert Hunt, December 2013; IBS – "Sales League Table 2014", IBS Intelligence, March 2014;
Ovum – "Ovum Decision Matrix: Selecting a Next-Generation Banking Digital Channel Platform", Jaroslaw Knapik, December 2013.

TEMENOS MOBILE BANKING SOLUTION IMPROVES PRODUCTIVITY BY 85%

Temenos Connect Mobile Banking with a SmartHybrid™ approach offers significant time to market advantages by overcoming limitations of distributing to multiple devices and app stores.

In October 2014, Temenos announced the availability of its Temenos Connect Mobile Banking solution for retail banks – the first retail mobile banking solution to be underpinned by a user experience platform (UXP) that drives multi-device banking solutions.

Temenos Connect Mobile Banking, showcased at the Temenos Community Forum in May 2014, combines the very best of native and web technologies. It has been developed using the latest version of the Temenos UXP, edgeConnect 5.3. edgeConnect 5.3 encompasses a ground-breaking technology solution, an industry first, SmartHybrid™, that develops mobile applications that look, feel and behave like native apps. It is also the only mobile application development technology currently available that optimises the performance of hybrid mobile applications whilst offering an 85% cost efficiency during development and testing.*

Temenos' SmartHybrid™ approach means that phone features like camera, phone book, GPS etc are incorporated into the mobile banking app, but screens can be updated on the server-like web applications. This enables easy customisation of the user interface, providing dynamic and personalised content with high fidelity/pixel perfect layout, creating near native user experiences. The ability to update screens on the server also means that enhancements to the app can be made and published once eliminating the need to redistribute the app to multiple app stores. This enables banks to be very agile in responding to market opportunities and customer demands, allowing high speed to market and reducing the complexity and cost of managing and distributing multiple apps for various devices.

TCMB is available for iOS, Android and Windows-based devices.

* Ovum white paper 'Temenos edgeConnect'

Read further on our website

Progress on strategic initiatives

We made good progress on strategic initiatives in 2014.

Starting first with the regions, we extended our leadership position in the Middle East and Africa region, we re-established ourselves as the leader in the LatAm market, we won key deals in Europe, and we made excellent traction in the US.

Focussing on the US, we launched the T24 US Country Model Bank, adding features that are specifically tailored to the US market, which can be deployed on premise or as a service. We also launched US versions of Insight and Profile, with a significant level of take-up in the year. TriComply, our market-leading compliance, added 90 customers in the year. And, lastly, we acquired Akcelerant just after the year end, which will add significant additional scale to our business and widen our product portfolio.

Looking at our different business lines, we made excellent progress in wealth management, signing some very important new deals, including at Julius Baer after the year end, and launching our integrated solution of best-of-breed components, known as WealthSuite. We signed new takers for Temenos Payment Suite, the revolutionary new payments hub we built together with ABN AMRO and which we launched in 2013. And, we signed some major new customers for T24 Retail, including a new tier one customer in Europe.

We also saw very strong growth in channels and analytics. Both Connect and Insight saw 30 sales in 2014, growing licence revenue at 147% and 24%, respectively, and evidencing both the market demand and the competitiveness of these solutions. The partner programme continues to progress well. We are jointly going to market with strategic partners like Accenture on a number of our large prospective deals and the partner ecosystem continues to grow and now counts over 2,000 consultants at the year end, up from 1,700 in 2013.

“This truly is a next-generation approach to hybrid mobile app development. Everyone wants a native experience that utilises all the individual device capabilities and is very responsive.

Dharmesh Mistry
UXP Product Director, Temenos Group AG

Unrivalled customer success

Together with our partners, we are taking more and more institutions live on our software every year. In 2014, 135 institutions went live on our software, amounting to almost three go-lives a week. None of our peers is generating this kind of level of customer success.

In addition, research conducted together with Deloitte in 2014 showed once again that Temenos customers significantly outperform their peers. Temenos customers on average enjoy a 42% higher return on equity, a 32% higher return on assets and an 8.1 percentage point lower cost to income ratio than banks running legacy software.

Banking – an industry undergoing structural change

A perfect storm

The banking is undergoing almost a perfect storm of change. Digitisation is blurring the boundaries of where banking starts and stops and today banks' biggest threat likely comes from outside of traditional banking, from technology vendors like Apple and Google. In addition, the loyalty of customers, who are better informed and have more choices, is diminishing. Lastly, the actions of regulators intent on making the industry safe from further crisis are raising the cost of doing business.

Digitise or die

It is incumbent on banks to react. The stakes are high. The threat is real. Technology lies at the heart of the requisite response. Banks' huge IT systems (like the huge branch networks) used to be a major barrier to entry, but now are a straightjacket inhibiting innovation. Banks need to modernise systems if they are to compete effectively in the digital age, starting with the core platforms.

Introducing experience-driven banking

The digitisation of banking also throws up opportunities, most notably the chance to deliver a much more intimate and value-added customer experience. At Temenos, we refer to this as experience-driven banking, which is the theme of our 2015 Temenos Community Forum in Istanbul.

Customers want a different relationship with their financial services providers. Numerous customer surveys have shown that people would expand their relationship – or pay more – in return for providers giving expert advice, finding ways for them to save money, rewarding their loyalty and proactively recommending products and services that they need.

When financial providers are able to combine this kind of personalised service with other information, such as context and channel preferences, we begin to enter the realm of experience-driven banking. That is, using data to drive value-added customer insights and getting that information to customers at the time and place they need it, over their preferred channel.

Banks are well-placed to offer experience driven banking provided they make the right IT investments. The reason is that banks have the data to make this happen. Banks have millions of customers and records of billions of transactions. What is more, consumers trust banks with their data. It is now up to banks to realise the promise of experience-driven banking by investing in the right technological capabilities, such as a single data model, real-time analytics and responsive channels; a solution set that Temenos is uniquely able to offer.

Temenos deployment makes CB Bank first in country to offer multi-channel banking.

CB Bank has launched its internet banking service, becoming the first bank in Myanmar to offer complete mobile and internet services, enabled by the successful implementation of Temenos Connect Internet Banking (TCIB).

CB Bank is the third largest privately-owned bank in Myanmar, with 103 branches. iBanking, its internet platform, is responsive to multiple devices, enabling CB Bank to provide its customers with anywhere, anytime secure banking services, accessible by whatever device the customer chooses, for example, desktop, tablet, mobile, or smartTV. iBanking is also available in both English and Burmese, illustrating TCIB's ability to deliver multi-lingual solutions.

Fully integrated to CB Bank's core banking platform, Temenos T24, TCIB is also integrated to the bank's third-party, security authentication solution, providing two-factor authentication, and demonstrating TCIB's customisation flexibility and open integration capabilities.

Read further on our website

Significant, sustained shareholder returns

Medium term targets

15%+
Total software licensing growth per annum

5% to 10%
revenue growth per annum

Economies of scale

Higher services margins

100-150bps
of margin expansion

on average per annum

Shorter projects

More cash up-front

Cash conversion over
100%

per annum

Pillars of our medium-term growth
To drive growth over the medium term and build a bigger base of recurring revenues, the Company will invest heavily in the five initiatives detailed below.

1. Extending our lead in core banking
Temenos has established itself as the global market leader in core banking through product superiority. We intend to maintain this product edge in the future by continuing to outinvest our peers on R&D, by accelerating our technology roadmap and by extending the number and range of model banks we offer. Further, we intend to augment this product advantage through our partner programme, which will help scale delivery and sales, and by increasing sales and marketing spend.

2. Extending our lead in private wealth management
Temenos now has over 200 PWM customers, including flagship reference customers such as Credit Suisse, which use our solutions across the globe. Our intention is to build on this excellent reference base, a best of breed set of integrated components and our network of strategic partners to extend our lead in this market.

3. Penetrating the US Market
The US market is the largest market for banking software in the world. It accounts for roughly 40% of total spend. However, few non-US vendors have enjoyed success in this market. We believe the situation is changing. Firstly, because US banks are undergoing the same challenges as elsewhere and need the most advanced software. Secondly, because we have been building a credible platform for US banks. T24 is the world's best-selling core banking system and now it is available with a US Model Bank, incorporating US-specific functionality. Through the TriNovus acquisition, we gained a market-leading compliance solution and the expertise to host our applications. And, through Akcelerant, we further extend our scale and the reach of our product portfolio. Over the medium term, we will continue to invest significantly in sales and product to build on our growing momentum and to gain market share in the US market.

4. Opening up a new market with Digital Engagement Platform
As already described above, banks that can successfully integrate data and context to deliver experience-driven banking will be in a position to capitalise on their competitive advantage to prosper through the digital revolution. Our goal is deliver a digital engagement platform, which will contain all of the front-office software components such as CRM and PFM, wrapped with banking-specific IP, that banks will need to make this a reality. We believe that this will open up a market opportunity that, over time, could be at least as big as the core banking market. We also believe that such a platform will be unique in the marketplace.

5. Gaining first mover advantage in SaaS
Temenos was the first vendor to put core banking in the cloud. Since that time, we have made considerable investments and now offer customers, for practically all of our solutions, the choice of how they wish to deploy our software. So far, the vast majority of customers still choose on-premise deployments but we predict that this will change quite quickly. Already, the majority of new microfinance customers choose cloud deployments and more and more customers are adopting Insight and Profile on a SaaS basis. As the market moves to SaaS, we're ensuring that we stay ahead of the curve.

BCB CHOOSES TEMENOS' MULTI-PRODUCT APPROACH FOR CORE BANKING RENOVATION

T24 integrated solution will enable BCB to improve operational efficiency and effectiveness through streamlined and automated processing across product offerings.

Temenos is providing the Bermuda Commercial Bank (BCB) with its T24 core banking system Model Bank, along with a suite of products, including Business Intelligence, Insight Risk, Anti-money laundering and FATCA compliance.

BCB has selected a multi-product approach from Temenos, including T24 Model Bank to be run on the Microsoft SQL Server platform, as it offers an integrated solution that will provide for a more structured and rapid implementation. The Temenos suite of products will allow BCB to grow its channel offerings and business lines, as well as providing better reporting and analysis through the Insight modules, thus significantly improving the bank's customer service.

BCB joins a growing number of banks across North America and the Caribbean that have chosen the modern T24 platform to renovate their core and improve their customer experience in providing real-time information across all channels. BCB was founded in 1969 and in September 2013 held USD 468m in customer deposits.

“

> The out-of-the-box T24 Model Bank solution will provide for a more structured and controlled implementation, which is a key criterion for us at this stage. The ability to progressively tailor to our needs was also very attractive, as it minimises risk, while allowing us to develop our channel offerings and business lines, with freedom of choice of modules.

Peter Horton
CEO, Bermuda Commercial Bank

Read further on our website

BANESCO CHOOSES TEMENOS TO SUPPORT GLOBAL STRATEGY

Temenos' best-of-breed solutions to drive incremental revenues and improve profitability.

Temenos is providing Banesco Grupo Financiero Internacional with a suite of products, including T24, Temenos' award-winning core banking system, to support its global strategy.

Banesco, the largest bank in Venezuela, took the decision to replace its core banking system across the entire group. This replacement covers both its retail and corporate businesses, and will consolidate the bank's existing IT infrastructure, reduce the time-to-market for new products and reduce operating costs, thus driving both incremental revenues from new products and services and improving the group's overall profitability.

As well as implementing T24, Temenos will be providing Banesco with Insight, its business intelligence solution, Temenos Connect, its solution for multi-channel banking, and with its anti-money laundering suite. The full product suite will be rolled-out across the group's operations in Venezuela, Panama and the Dominican Republic.

With more than USD 30bn in assets, over 6 million customers and more than 500 branches, Banesco has, over the past six years, seen its asset base grow rapidly at a CAGR of 22%, and has recently announced a deal to acquire Spanish bank NCG Banco, as it continues to expand its international presence.

> We are delighted to have been chosen by Banesco to replace its core banking system. The extended suite of products we are providing will further equip Banesco with the necessary IT infrastructure to realise its multi-branch/multi-country development strategy. Our greater-than-ten-years' experience of operations in Latin America affords us the expertise to assist Banesco in driving its growth and profitability in this dynamic and fast-growing market.

David Arnott
Chief Executive Officer, Temenos Group AG

6m

Banesco has over 6 million customers

500

With more than 500 branches

22%

Over the past six years Banesco has seen its asset base grow rapidly at a CAGR of 22%

Read further on our website

What we expect our plan to deliver

By focussing on these initiatives, we have great confidence in being able to deliver the following medium term targets:

- non-IFRS revenue growth of 5%+ to 10% on average per annum with:
  - total software licensing growth of 15%+ on average per annum
  - total services contributing c. 20% of group revenue and be profitable
- non-IFRS EBIT margin improvement of 100 to 150bps on average per annum
- 100%+ conversion of EBITDA into operating cashflow
- DSOs reducing by 10 to 15 days per annum
- tax rate of 17% to 18%

Final Remarks

We made significant progress in 2014, especially in terms of advancing strategic priorities and taking market share.

Looking ahead, we serve an industry that is undergoing a once-in-a-generation structural change and needs to invest in technology to stay competitive. Providing a more intimate customer experience will be key to long-term success.

Temenos is extremely well placed to meet the industry's requirements. We have a broad portfolio of market-leading solutions and we are investing in a set of strategic initiatives that we believe will extend these advantages and underpin strong growth over the medium term. As such, I am both confident and extremely excited about the business' prospects and the outlook for the future.

I would like to finish by thanking Temenos staff and partners for the continuing to play such a crucial role in the Company's journey and contributing to its continued success.

David Arnott
Chief Executive Officer, Temenos Group AG

ATTICA CHOOSES TEMENOS CONNECT FOR CHANNEL INNOVATION

Temenos' solution to enable enhanced customer service and expanded customer base.

Temenos is providing Attica Bank with Temenos Connect, its front office solution which enables the provision of multiple banking services across multiple delivery channels. Attica Bank has 400,000 customers across 80 branches, and is the largest non-public bank in Greece, following the large-scale recapitalisation of other banks by the public sector in recent years. It acquired Temenos Connect to innovate its channel offering for both internet and mobile. The bank currently offers only internet banking.

The implementation of Temenos Connect will allow Attica Bank to replace its outdated existing solution. Temenos Connect will enable it to offer better services to its existing customer base, and provide the opportunity to increase customer acquisition. It will also differentiate the bank from its key competition, and allow it to offer enhance its services offering in areas where of no local presence.

Attica Bank, with an network of 80 branches, needs to compete against several local competitors that have in-excess-of 700 branches, so it recognises the importance of offering more services remotely to attract new customers and retain existing ones. Temenos Connect will also assist Attica Bank in its aim to divert its customers from using branches for transactions, and refocus the branches as points of sale and service.

Read further on our website

> We were pleased to be able to report good growth in profit for the year with our focus on cash generation delivering a record level of cashflows, with DSOs once again materially down and cash conversion comfortably over our target of 100%.

Max Chuard
Chief Financial Officer, Temenos Group AG

2014 financial highlights

- Total software licensing and revenue growth
- Significant improvement in non-IFRS services margin
- Non-IFRS EBIT margin above the top of guidance
- Cash conversion above guidance
- Material reduction in DSOs
- Secured public bond
- Dividend increased
- Share buyback programme completed

Introduction

Opening thoughts

2014 was a good year for Temenos financially with progress made on many of our initiatives. Our non-IFRS EBIT margin was above the top end of our guidance for the year despite a weaker software licensing performance, highlighting the high levels of variability within our cost base. Our focus on cash delivered another year of material reduction in DSOs with cash conversion once again ahead of our target. Our balance sheet was strengthened by the launch of our second publicly listed bond. Finally, we returned value to shareholders both through our annual dividend and a share buyback programme.

> We expect strong growth in 2015 with software licensing growth of 36% to 41% and revenue growth of between 18% and 23%. Despite significant margin expansion over the past few years, we still expect our non-IFRS EBIT margin to expand by a further 130 basis points in 2015, in line with our target of increasing margins by 100 to 150 basis points every year.

Highlights

2014 saw Temenos deliver a strong profit and cash performance.

Highlights include:

- Total software licensing growth of 4%
- A lower services contribution to group revenues, falling from 27% and 24% in 2012 and 2013 respectively to 21% in 2014, and an 8.8% points improvement in the 2014 non-IFRS services margin
- Full year non-IFRS EBIT up 13% with the non-IFRS EBIT margin up 3.2% points to 27.3%, above the top of guidance
- Efficient below the line management driving non-IFRS EPS up 18%, above EBIT growth
- An operating cash inflow of USD 190.3m with cash conversion of 113%, ahead of our guidance of 100%
- DSOs reduced by 18 days to 180 days, ahead of our 10 to 15 day annual target
- A 14% increase in the annual dividend from CHF 0.35 to CHF 0.40
- USD 120m returned to shareholders through a share buyback programme

Key Figures 31 December 2014

All financial units in millions of US dollars, except non-IFRS operating margin and earnings per share.

	2014	2013
Revenue	468.7	467.8
Non-IFRS EBIT	127.8	112.8
Non-IFRS EBIT margin %	27.3%	24.1%
Cash generated from operations	190.3	169.3
Total assets	925.8	918.3
Non-IFRS earnings per share	USD 1.44	USD 1.22

NDB SRI LANKA WINS EXCELLENCE IN CORE BANKING TECHNOLOGY

Award recognises NDB's convergence of multiple banking applications into single T24 core banking system.

The deployment of Temenos' T24 core banking system at National Development Bank (NDB) Sri Lanka won the Excellence in Core Banking Technology award at the Retail Banker International (RBI) Asia Trailblazer Awards in March 2014.

The award recognised NDB's strategic directive to converge multiple core-banking applications into a single core banking system that centralised the control of all operations of the bank. Now in its fifth year, the RBI Asia Trailblazer Summit and Awards is attended by senior executives from retail banking and consumer finance organisations in Asia. The programme is a tribute to the best-of-breed players in retail banking in Asia Pacific. It is designed to be a fair and objective benchmark for the industry, and is organised by Timetric, a London-based provider of online data, analysis and advisory services on key growth economies and sectors.

USDm, except EPS	Non-IFRS 2014	Non-IFRS 2013	Non-IFRS Change	IFRS 2014	IFRS 2013	IFRS Change
Software licensing	139.7	137.8	1.4%	139.7	137.8	1.4%
Software-as-a-Service	8.0	4.8	65.1%	8.0	4.8	65.1%
Total software licensing	**147.6**	**142.6**	**3.5%**	**147.6**	**142.6**	**3.5%**
Maintenance	223.4	212.5	5.1%	223.4	212.5	5.1%
Services	97.7	112.7	-13.4%	97.7	112.7	-13.4%
Total revenues	**468.7**	**467.8**	**0.2%**	**468.7**	**467.8**	**0.2%**
EBIT	**127.8**	**112.8**	**13.3%**	**118.2**	**93.5**	**26.4%**
EBIT margin	27.3%	24.1%	3.2%pts	25.2%	20.0%	5.2%pts
EPS (USD)	**1.44**	**1.22**	**18.0%**	**1.36**	**0.99**	**37.4%**

“

We have once again delivered cash conversion comfortably over 100%, with DSOs reducing by 18 days in the year, now down 46 days over the past two years. The strength of Temenos’ cash generation in 2014, as well as the expected strength of future cashflows, provides financial flexibility to pursue our strategic ambitions as well as providing confidence to declare an increase of 14% over the last year’s dividend.

IFRS vs non-IFRS

To ensure that the presentation of results reflects the underlying performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Temenos also publishes full reconciliations between IFRS and non-IFRS measures. Full definitions of non-IFRS adjustments can be found on page 41.

Revenue

Total group revenue in 2014 was USD 468.7m, flat on 2013, despite a 13% fall in services revenues.

Total software licensing saw growth of 4% in the year despite a lower than expected performance in Q4 due to weak sales execution predominantly in the Asia Pacific region, where sales contracted in the year. The Americas enjoyed particularly strong growth in the year, with a significant increase in revenues from both US Software-as-a-Service sales and from Latin America, including the signing of Banesco in the first quarter. We also made good progress with our wealth and channels products and saw strong sales to Tier 1 banks, laying the foundations for future growth.

Like-for-like maintenance revenues grew at a healthy 6% and 5% on a reported basis, once again demonstrating the resilience of this revenue stream.

Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	FY 2014	FY 2013
IFRS EBIT	118.2	93.5
Deferred revenue write-down	–	–
Discontinued activities	–	–
Acquisition-related charges	–	0.3
Amortisation of acquired intangibles	7.7	12.3
Restructuring	1.9	6.7
Non-IFRS EBIT	127.8	112.8

Non-IFRS adjustments:

Deferred revenue write-down
Adjustments made resulting from acquisitions.

Discontinued activities
Discontinued operations at Temenos that do not qualify as such under IFRS.

Acquisition related charges
Relates mainly to advisory fees, integration costs and earn-outs.

Amortisation of acquired intangibles
Amortisation charges as a result of acquired intangible assets.

Restructuring
Costs incurred in connection with a restructuring plan implemented and controlled by management. Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan.

Taxation
Adjustments made to reflect the associated tax charge relating to the above items.

Services revenues fell by 13% as we delivered on our strategy to reduce the contribution of services to total group revenue, falling from 27% and 24% in 2012 and 2013 respectively to 21% in 2014. Sales of premium services contributed 27% of services revenues, up from 19% last year.

Cost base

IFRS

Full year costs on an IFRS basis were USD 350.5m, down from USD 374.3m in 2013. Costs associated with services and general and administrative fell in line with Temenos' strategy. Software development and maintenance costs increased reflecting increased investment in the US Software-as-a-Service platform. Sales and marketing costs fell, reflecting the lower variable costs from lower software licensing sales.

Non-IFRS

On a non-IFRS basis, the cost base in 2014 was USD 340.9m which was lower than expected at the start of the year, driven by a lower services cost base and lower variable costs. Of the USD 9.6m difference between the IFRS and non-IFRS cost base, USD 8.0m related to adjustments made from the amortisation of acquired intangibles.

EBIT and Earnings Per Share (EPS)

IFRS

EBIT on an IFRS basis was USD 118.2m compared to USD 93.5 in 2013. EPS was USD 1.36 compared to USD 0.99 in 2013.

Non-IFRS

EBIT on a non-IFRS basis was USD 127.8, an increase of 13%, with EPS up 18% at USD 1.44, driven by efficient below the line management.

A lower cost base, together with a significant improvement in non-IFRS services margin, contributed to a non-IFRS EBIT margin of 27.3%, above the top of guidance. The non-IFRS services margin was up 8.8% points in the year due to an increase in premium services, acceleration in our partner strategy and a lower cost base.

The non-IFRS EBITDA margin has once again improved by more than the non-IFRS EBIT margin which is due to the increase in the amortisation of capitalised development costs, reducing the net impact on our income statement to under USD 10m.

BANKS MUST INVEST IN CUSTOMER SERVICE

46% of respondents believe new competition more likely to come from non-financials.

In March 2014, The Economist Intelligence Unit's (EIU) 'Future Factors' report, published a comprehensive retail banking survey conducted on behalf of Temenos. The report found that retail banks risk losing out to non-financial competitors if they fail to adapt to new customer service digital strategies.

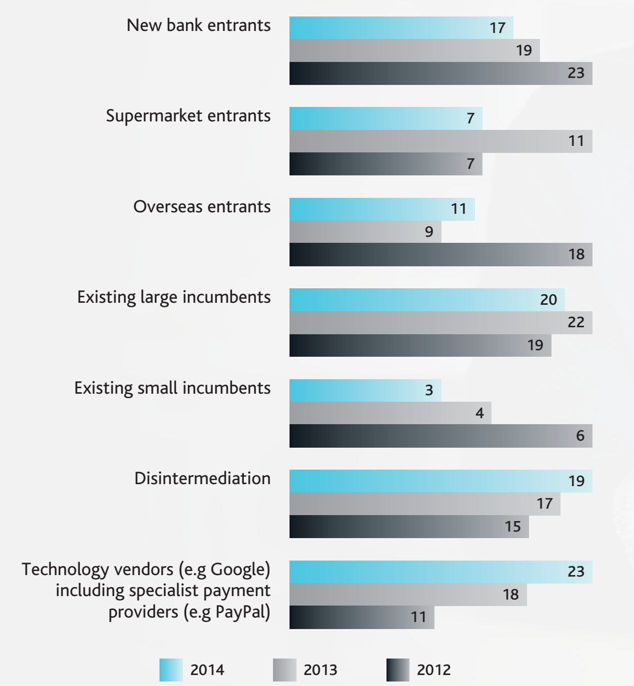
The Economist Intelligence Unit surveyed 242 senior retail banking executives from across the world, as well as conducting 13 one-on-one interviews, to gauge views on how the industry is likely to evolve in the years up to 2020. The report's scope, the geographical spread of respondents, as well as its focus on both qualitative and quantitative analysis, make it an important barometer of the current state of the retail banking industry.

According to the survey, changing customer behaviour will have the second biggest impact on the industry, after regulation, in coming years. The fear is that customers will defect to new competitors who are seen as coming chiefly from outside of the traditional banking industry, with 46% of respondents citing non-financials such as retailers and telecommunications companies as their biggest threat and a further 22% citing payments providers, such as PayPal.

Another interesting finding is that over 30% of banks consider that new technology will have the biggest impact on retail banking but only a third believe that the industry is ready for this change, with legacy systems and digital channels both cited as areas requiring significant investment.

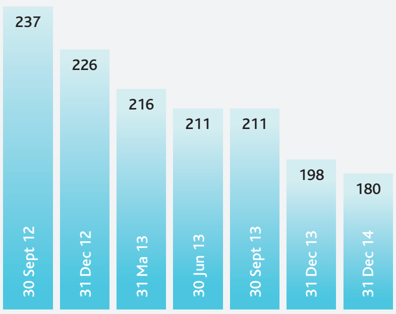
'Future Factors' is part of Temenos' ongoing commitment to undertaking in-depth research to understand trends in the banking industry and anticipate customers' needs. The report complements other recently conducted Temenos research, such as a paper produced in conjunction with Deloitte, entitled "The Financial Services Industry Reaches an Inflexion Point", sharing the findings from a survey of over 200 senior managers at the annual Temenos Community Forum.

The evolving competitive threat, 2012-2014 (%)



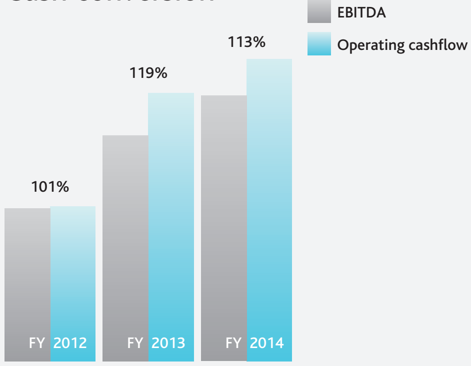
Source: Temenos Group AG, "Temenos' 7th annual survey of challenges, priorities and trends in the financial services sector 2014"

DSOs



Continued significant reduction in DSOs

Cash conversion



Continued strong cash conversion driven by DSOs reduction of 18 days in 2014

Cashflows

We have committed to 100%+ conversion of EBITDA into operating cashflow driven by quality of earnings with cash growing faster than profit.

2014 was a strong year for cash collection, with DSOs down 18 at the year end. We still expect to see a 10 to 15 day reduction in DSOs per annum driven by reducing implementation time, higher proportion of sales to existing customers (i.e. cross selling opportunity to drive better terms), continued expansion of the partner programme and recovery of old balances giving confidence in achieving DSOs of around 130 days in the medium term.

The significant growth in operating cash, coupled with an efficient tax and financing structure, will continue to drive free cashflow.

Balance sheet and financing

Temenos is highly cash generative with a strong balance sheet which enables:

- the servicing of our debt obligations; and
- investment in the business, including industry leading R&D spend; and
- funding for targeted acquisitions; and
- the payment of an annual dividend; and
- returning additional value to shareholders.

Our preference for is for M&A over returning additional capital to shareholders providing suitable acquisition opportunities exist. However, we are committed to maintaining an efficient balance sheet and, as 2013 and 2014 demonstrated, we will look for appropriate means of returning capital if we have cash that is surplus to requirements.

Temenos has significant flexibility with under 1.0x leverage at the end of 2014. We believe that 1.0x to 1.5x is optimal but would increase for acquisitions if a clear path to deleveraging can be demonstrated, as is the case with the acquisitions of Akcelerant and Multifonds. As would be expected, our leverage is constantly reviewed to ensure efficiency and we may also look to diversify further sources of funding on an opportunistic basis.

Dividend

Temenos is highly cash generative with a strong balance sheet which enables investment in the business, including industry leading R&D spend, and funding for targeted acquisitions whilst also providing for returning value to shareholders.

Taking into account the strength of profit growth and cash generation, as well as the expected strength of future cashflows, subject to shareholder approval at the AGM on 6 May 2015, Temenos intends to pay an annual dividend of CHF 0.40 on 15 May 2015, representing an increase of 14% over last year's CHF dividend. The dividend record date will be set on 12 May 2015 with the shares trading ex-dividend on 11 May 2015. Temenos policy is to distribute a sustainable to growing dividend.

Looking at 2015

Guidance for 2015

Our guidance for 2015, which includes the impact of the Akcelerant acquisition (February 2015) and of the Multifonds acquisition (March 2015), on a non-IFRS basis is:

- total revenue growth of 18% to 23% (implying revenue of USD 528m to USD 550m)
- total software licensing growth of 36% to 41% (implying total software licensing revenue of USD 194m to USD 202m)
  - includes software licensing growth of 13%+ (implying software licensing revenue of at least USD 154m)
- EBIT margin of 28.5% (implying EBIT of USD 150m to USD 157m)
- 100%+ conversion of EBITDA into operating cashflow
- tax rate of 17% to 18%

ME BANK TRANSFORMS INTO DIGITAL BANK

New banking model serves over 300,000 customers.

Australia-based ME Bank has completed the implementation of a suite of Temenos products including T24, Insight and AML Screen. The implementation represents a key part of ME Bank's technology transformation programme, undertaken to prepare it for its shift towards better serving the digital consumer. The Temenos products replace the previous system infrastructure, which was a combination of various technologies.

ME Bank is an Australia-based branchless bank, operating through mobile, workplace bankers, brokers and a digital service channel with over 300,000 customers. It is 100% owned by Australian industry superannuation funds.

The transformation project has included the enhancement of the Australian Model Bank for Temenos, which will be used in future Australia-based bank software implementations. ME Bank joins Temenos' 150 existing customers in the Asia Pacific region.

Read further on our website

AL KHALIJI NAMED BEST OPERATIONAL BANK

Global Financial Market Review award recognises operational efficiency of T24 platform.

Temenos client, al khaliji Bank, has been named 'Best Operational Bank Qatar' by Global Financial Market Review (GFMR), one of the world's leading global banking and finance online publications.

al khaliji has been running on T24, Temenos' core banking system since March 2014, when the implementation was completed in 15 months. Temenos has also deployed Insight, its business intelligence product, and Treasury Trader, which enables a seamless and transparent flow of information synchronising front, middle and back office investment banking operations, at the bank.

The award recognises that through the unified system platform, the bank was able to efficiently improve its personal and commercial banking and treasury operations, trade finance, customer relationship management and business intelligence functions.

The awards selection is based on general criteria, including transparency, corporate governance, sustainability, volume of transactions, innovation, and customer service. Some of the specific criteria used included market capitalisation, earnings per share, price/earnings ratio, total revenues, net income, operating profits, and other elements.

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A key part of our new technology transformation program is the implementation of a new Temenos T24 core banking system, which replaces our two legacy systems. We are very pleased that Temenos systems have successfully gone live at ME Bank. T24 is state-of-the-art, and as such allows ME Bank to provide the right products for our customers in today's increasingly competitive digital age.

Kon Mellas
Acting CIO, ME Bank

Growth in 2015 and beyond

Temenos enjoys multiple levels for growth.

Looking first at growth by geography, we expect all regions to be in growth with Europe performing solidly, strong growth from MEA driven by leadership in Islamic and APAC and Americas being the biggest contributors to growth.

By product, we expect all products to be in growth with core banking continuing to grow solidly, strong growth in business intelligence and wealth, very strong growth in channels and an increasing contribution from payments.

We will continue to drive sales to new customers whilst maintaining our focus on the cross-selling opportunity into the installed base, specifically on key strategic accounts.

Closing thoughts

Temenos delivered a strong profit and cash performance in 2014. Given the multiple levers for growth that Temenos enjoys, combined with a flexible balance sheet and a focus on cash, I have great confidence in the financial performance of Temenos in 2015 and beyond.

Max Chuard
Chief Financial Officer, Temenos Group AG

32,000

32,000 new customers on average per business day during its first 100 days with the Temenos Integration Framework

3m

By April 2013, in less than half the time originally expected, over 3 million customers had been onboarded

80%

M-Shwari brings mobile savings and loans products to 80% of Kenya's adult population

CBA WINS INDUSTRY AWARD USING TEMENOS INTEGRATION FRAMEWORK

CBA's Temenos Integration Framework-run M-Shwari wins Celent 'Model Bank of The Year'.

The Commercial Bank of Africa's (CBA) use of the Temenos Integration Framework won Celent's Model Bank of the Year Award – the highest accolade of the recent Celent 'Innovation & Insight Day' in New York in April 2014.

The award recognises CBA's M-Shwari product – a mobile phone-based virtual banking platform, which utilises the Temenos Integration Framework. M-Shwari brings mobile savings and loans products to 80% of Kenya's adult population. It is based on Safaricom's M-Pesa mobile money transfer system that has revolutionised banking in Kenya and which is now being extended to Europe. During the day, CBA's Temenos Integration Framework was also presented with a 'Highly Commended' award within the Innovation and Emerging Technology category.

CBA chose Temenos' Integration Framework as it was keen to set up the platform as quickly as possible in order to preserve its first-mover advantage as a disruptive innovator in this space. CBA also knew the quality of its mobile channel and paperless customer relationship would heavily depend on the seamless integration of a multitude of critical systems. By using the Temenos system, the bank was able to set up, integrate and launch its M-Shwari mobile banking service in just five months; three times faster than originally planned. As a consequence of launching ahead of rival services, M-Shwari has enjoyed extraordinary success, for instance collecting over 1bn Shillings in deposits in its first month of operations.

“

We are delighted that CBA's Temenos-integrated M-Shwari product has won the Celent Model Bank of the Year Award. The strong scalability provided by Temenos Integration Framework allowed M-Shwari to attract on average 32,000 new customers per business day during its first 100 days, and by April 2013, in less than half the time originally expected, over 3 million customers had been onboarded.

John Schlesinger
Chief Enterprise Architect, Temenos Group AG

Read further on our website

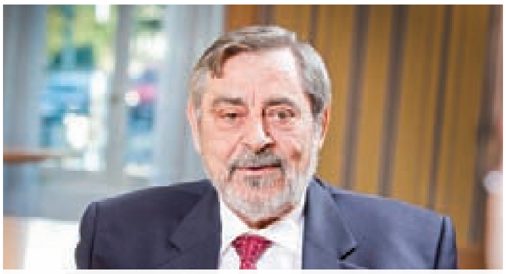
FOCUSSED EXPERTISE

Andreas Andreades
Executive Chairman
Cypriot, born in 1965

Mr. Andreas Andreades joined Temenos in 1999, initially in the position of Chief Financial Officer, before assuming the responsibilities of the Deputy Chief Executive Officer in 2001 and then the Chief Executive's role from July 2003 until July 2011, when he was appointed Chairman of the Board of Directors. Since he joined Temenos, the Company has grown from less than 150 employees to more than 4,000 and to more than 2,000 customers and approaching USD 500m in annual revenues, establishing it as the global leader in banking software. Mr. Andreades started his career with KPMG in London in 1988 and then with Pepsico between 1994 and 1999. Mr. Andreades holds a Master's engineering degree from the University of Cambridge and is a UK chartered accountant.

Sergio Giacoletto-Roggio
Vice Chairman, Non-Executive & Independent Director
Swiss, born in 1949

Mr. Sergio Giacoletto-Roggio serves as an Independent Director. His current portfolio of positions includes Chairman of Oberthur Technologies Holding, Senior Independent Director at Colt Technologies SA and Operating Partner with Advent International. In December 2008, Mr. Giacoletto-Roggio retired from Oracle Corporation where he had been a Company Officer and Executive Vice President for Europe, Middle East and Africa since 2000. Prior to joining Oracle in 1997, Mr. Giacoletto- Roggio was President, Value Added Services for Europe at AT&T. Earlier in his career, Mr. Giacoletto-Roggio spent 20 years with Digital Equipment Corporation in various senior management and executive roles in services, sales, marketing and information management. Mr. Giacoletto-Roggio holds a Master Degree in Computer Science from the University of Turin, Italy.



George Koukis
Non-Executive Director
Greek & Australian, born in 1946

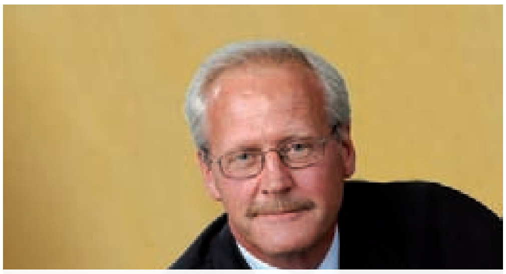
As founder of Temenos, Mr. George Koukis was Chairman of the Board of Directors until July 2011. Mr. George Koukis has been active in the software industry for more than 40 years, having begun at Qantas where he was heavily involved with the computerisation of the company's management accounting department. He then spent six years with Management Science America in Australia where he held various management positions, including that of the managing director. Mr. Koukis holds a degree in commerce from the University of Technology in Sydney, Australia and is a registered CPA. Mr. Koukis is currently Chairman of the Board of Trustees of the Classical Opera, a non-profit organisation based in the United Kingdom and is a Board member in seven private companies acting mainly in IT and Green Technologies.

Ian Cookson
Non-Executive & Independent Director
Swiss, born in 1947

Mr. Ian Cookson has been active in the financial services sector for over 30 years and has built one of the most efficient IT operations in Private Banking worldwide. He is currently a member of a number of Boards of Directors in the EFG International Group and provides consulting services to EFG notably in the area of Executive Remuneration. Chief Operating Officer of EFG International and a member of the Executive Committee until September 2007, he was previously a member of the Executive Committee of EFG Bank (since 2002). Prior to this, Mr. Cookson was the Deputy Chief Executive Officer of EFG Bank (1997-2002), Chief Operating Officer of Banque de Dépôts, Geneva (1991-1997) and the Head of Management Services of CBI-TDB Union Bancaire Privée (1986-1991).

Thibault de Tersant
Non-Executive & Independent Director
French, born in 1957

Mr. Thibault de Tersant is a member of the Board of Dassault Systèmes and has been executive vice president and CFO of the company since 1988 and Senior EVP since 2006. During his tenure in Dassault Systèmes, Mr. de Tersant, who manages an organisation in charge of Finance, Legal, Sales Administration, Pricing, Contracts Negotiations, Internal Control and M & A, has conducted more than 50 successful acquisitions totalling in excess of USD 4bn. He oversaw Dassault Systèmes' successful initial public offering on the Paris and Nasdaq stock exchanges in 1996, as well as a secondary offering in 1997. Mr. de Tersant has more than 25 years of experience in the software industry. Mr. Thibault de Tersant is a graduate of the ESSEC Business School and of the Institut d'Etudes Politiques de Paris.



Erik Hansen
Non-Executive & Independent Director
Danish, born in 1952

Mr. Erik Hansen is a recognised software industry veteran with over 30 years of experience as a senior executive at leading software companies. Mr. Hansen is currently Chairman of the Board of Myriad Group AG having previously been CEO and Board Member at Day Software (2008-2011) which was acquired by Adobe in 2010. Prior to this, Mr. Hansen held several senior leadership roles at companies including TIBCO Software (2000-2004), TA Triumph Adler (1994-1997) and Apple (1990-1994), both in Europe and in the United States. Mr. Hansen holds a degree from the business college in Horsens, Denmark.

Amy Yip
Non-Executive & Independent Director
Chinese (Hong Kong), born in 1951

Ms. Amy Yip has over 35 years of experience in global financial markets covering different aspects of the industry. She is currently a Managing Partner of RAYS Capital Partners Limited, an Executive Director of Vitagreen, Hong Kong, an INED of AIG Hong Kong and a non-official member of the Commission on Strategic Development of the Central Policy Unit of Hong Kong Special Administrative Region. Ms. Yip began her career at the Morgan Guaranty Trust Company of New York (1978 - 1985), going on to hold progressively senior appointments at Rothschild Asset Management (1988-1991) and Citibank Private Bank (1991-1996). Ms. Yip also served as an Executive Director of Reserves Management at the Hong Kong Monetary Authority from 1996 to 2006, where she was responsible for the investment of the assets of the Exchange Fund of Hong Kong. In 2006, Ms. Yip returned to the private sector as the Chief Executive Officer of DBS Bank (Hong Kong) Limited (2006 to 2010), where she was concurrently Head of the Wealth Management Group at DBS Bank. Ms. Yip was awarded the Bronze Bauhinia Star in the Hong Kong Special Administrative Region in July 2000. Ms. Yip holds an M.B.A. from Harvard Business School and a BA from Brown University.

STRONG LEADERSHIP

David Arnott
Chief Executive Officer
British, born in 1969

Mr. David Arnott has been Chief Executive Officer of Temenos since July 2012. Mr. Arnott previously served as Chief Financial Officer of Temenos from April 2001. Prior to joining the Group, he worked as Chief Financial Officer of Société Européenne de Communication in Luxembourg. Mr. Arnott also held a number of senior finance positions within the Anglo American group, a mining and precious metals trading company. Prior to this Mr. Arnott was a management consultant with Deloitte where he qualified as a Chartered Accountant. Mr. Arnott holds a Bachelor of Sciences from the University of Southampton and a Master's Degree from the University of Freiburg, Germany. In the fourteen years since Mr. Arnott joined Temenos, the Group has grown from 300 employees to more than 4,000, over 2,000 customers and to nearly USD 500m in annual revenues - establishing it as a global leader in banking software.

Max Chuard
Chief Financial Officer
Swiss, born in 1973

Mr. Max Chuard has been Chief Financial Officer of Temenos since July 2012 and is responsible for finance, planning, treasury, information technology, investor relations, compensation & benefits and internal controls for the Group. Mr. Chuard is also responsible for mergers and acquisitions, and has conducted more than 10 successful transactions totalling around USD 600m over the last eleven years. Mr. Chuard has been with Temenos since 2002 where previously he held the position of Director of Corporate Finance and Investor Relations. Prior to joining the Group, Mr. Chuard started his career as a business analyst at JP Morgan and subsequently held a senior position at SWICORP, a Swiss merchant bank. Mr. Chuard holds a Master of Science in Finance from the University of Lausanne (HEC Lausanne), Switzerland.

André Loustau
Chief Technology Officer
British, born in 1958

Mr. André Loustau has been Chief Technology Officer of Temenos since 2001 and has worked with Temenos and its predecessor companies since 1984. Before that, Mr. Loustau was an application developer at Grindlays Bank. Mr. Loustau has held various roles in development, implementation and sales within Temenos, prior to assuming the responsibilities of the Chief Technology Officer. During his tenure, Temenos' product set has undergone constant and significant progress, leading a series of pioneering innovations in the industry including – the first banking systems to use a Windows GUI, first real-time, 24x7 banking system, and the first banking system to be running in the Cloud.

Mark Winterburn
Group Product Director
British, born in 1960

Mr. Mark Winterburn has been Group Product Director of Temenos since joining in 2011. Mr. Winterburn has over 30 years' experience in IT, 25 of them in financial services. Prior to joining Temenos, Mr. Winterburn held the position of VP Solutions Management & Product Development at Misys, and held a number of senior positions at Lloyds TSB, with a proven track record of driving large and complex IT change programmes. He has studied a wide range of Leadership, Product, Cultural and Change Management at Harvard Business School, Cranfield University and Henley Management School. Mr. Winterburn studied a Software Engineering diploma at Coventry University, England.

Mike Davis
Client Director
British, born in 1968

Mr. Mike Davis has been Client Director of Temenos since January 2014, having been Global Head of Services from July 2011, originally joining Temenos as Regional Services Director for Northern Europe, CIS, and Africa in July 2009. An industry leader with over 25 years' experience, Mr. Davis is responsible for client success and specifically manages the Services, Support and Alliances divisions of Temenos, driving the delivery of highly successful projects across all products and segments working in conjunction with Temenos' ecosystem of partners. Mr. Davis has previously held a number of senior project and management positions at Misys, Fortis Bank, Digital (HP) and National Westminster Bank.

COMMITTED TO OUR SOCIAL RESPONSIBILITY

We are committed to a sustainable business model that makes us proud of how we interact with our people, our customers and our marketplace. We believe that this is the only way to deliver long term business success for our Company.

Workplace

At Temenos, we pride ourselves in maintaining a variety of cultures and expertise through our people. Through such diversity we have a dynamic work environment in which we continue to gather a wealth of knowledge that contributes to our commercial success.

Today we employ over 4,000 people (3,400 as at 31 December 2014) across 72 office locations in 40 countries and mandate an equal opportunity approach for all.

We live in a business environment with rapidly-changing needs, multiple products and enhanced processes to service our customers. Education has never been so important to keep up with this fast-moving environment. At Temenos, we provide core training, professional learning and personal development opportunities through various channels. An example of this is the Temenos University e-Learning Portal which provides various e-learning and blended learning courses.

Pathfinder, a bespoke Career Development Framework was launched in 2014. Pathfinder clarifies the 'paths' for development and the requirements for progression which enables employees to proactively manage their training plans and career development.

Organisational behaviours have been developed, to define employees' current performance and future training and development plans. These have been built upon the Temenos Values:

- Innovation
- Teamwork
- Quality
- Customer Success
- Accountability
- Passion and Commitment

A global workforce, we strive for excellence through professionalism, collaboration across borders and a practical approach. Our people are supported by a strong management team and policies which guide our approach and behaviours to protect the interests of our customers, partners, fellow colleagues and shareholders alike.

We look forward to building upon a successful 2015 and are confident Temenos will continue to achieve great things through our people.

Community

The desire to make a difference in the lives of those less fortunate inspired the Temenos Foundation.

At Temenos, many of our people are already actively engaged in supporting our local communities and charitable organisations.

Temenos is committed to helping organisations such as the Global Fund for Children (see below), "Save a Child's Heart" and the School for Children with Hearing Disabilities in Bucharest.

"Save a Child's Heart"

The project "Save a Child's heart" addresses to the children with cardiac condition in Romania. The initiative aims to accomplish one goal: to train medical teams for the new Center of Excellence for Cardiac Surgery and Neurosurgery, which will be inaugurated in 2015 at the "Grigore Alexandrescu" Hospital.

School for Children with Hearing Disabilities in Bucharest

The purpose of this project, which started in 2004, is to improve the lives of children with severe hearing deficiencies. Thanks to this initiative, all the children from the first grade have the chance to receive latest digital hearing aids with FM receptors. Also, every class received special FM transmitters used by teachers for transmitting as clear as possible the information. The sound is adapted and sent straight through the hearing aids of the children, the consequence is a major improvement of the quality of the sound. This makes it possible for the children to understand the lessons and, without this equipment, this simply would not happen.

Customers

End-to-end customer centricity remains Temenos' top corporate value and customer success continues to be Temenos' over-riding priority. Our Temenos Customer Voice programme, which was launched in 2012, is our client satisfaction and loyalty programme based on industry standard Net Promoter principles. The programme covers all products and regions and is owned by our Chief Executive Officer.

The programme is critical to Temenos as it enables us to track and analyse the customers' perception of their experience of working with Temenos. It is supported both at a management board level and regional level, with the customer satisfaction process itself being led by a cross departmental team with members from Marketing, Support and Services teams.

The Temenos Customer Voice programme was first launched with an initial survey in February 2012. It is based on the 'Net Promoter' methodology, which is currently used by many B2B organisations and has proven to be very successful as an approach for firms with multiple B2B relationships. The discipline of Net Promoter goes deeper than just tracking a metric, it is a whole system designed to operationalise customer data throughout the organisation in order to drive change and improve customer experiences.

On an annual basis Temenos invites its entire client base, across its full range of products and platforms, to participate in a detailed satisfaction survey. Since its launch we have seen a large improvement in our Net Promoter Score (NPS). In 2014 our NPS improved by 11.1% points over the previous year and over 25% points overall, which is above the industry average. The improvements are based on feedback received from surveys hosted by a third party provider. To date we have completed five survey waves, collecting over 2,500 surveys. Off the back of the survey, we have continued to hold face-to-face discussions with participants to discuss their requirements and tailor support offerings. This has been well received by customers.

In order to drive our focus on customer experience further a complementary initiative to the Temenos Customer Voice programme called the Improve Client Satisfaction Project was launched in March 2014. The aim of the Improve Client Satisfaction Project is to address client satisfaction and make Temenos an even more customer centric company. The project is sponsored by the Temenos Client Director and managed by the Temenos Customer Voice Programme Manager. At the core of the project is a Steering Committee of heads of departments including Product, Services, Support, Partners, All Regions (for Account Management), Training, Expert Services, Marketing and Strategy. Each member of the Steering Committee elected one or more representatives at the beginning of 2014. The representatives were tasked with setting KPIs and actions to enhance satisfaction in their areas according to the feedback that was collected through the Temenos Customer Voice programme.

The representatives are also responsible for making sure that the actions are completed and that the target improvements within their areas are achieved. The KPIs and actions are tracked and reported on a monthly basis at an executive level. KPIs and actions are reviewed regularly based on incoming feedback in order to ensure they remain relevant and continue addressing the correct areas. A full project review is scheduled for the end of 2015 where targets and objectives will be redefined.

Customers receive updates on Temenos initiatives and activities through various mediums, from specific updates and newsletters to our annual Temenos Community Forum. Since the programme was launched, we have seen a significant improvement in our Net Promoter Score and our customers have showed their support and approval of the programme.

Amount invested by the Global Fund for Children since 1997

USD 33m

Find out more about The Global Fund for Children (GFC) and see how they transform lives around the world

Read further on their website

THE GLOBAL FUND FOR CHILDREN

When a community is strong, its children thrive. That's why The Global Fund for Children (GFC) partners with grassroots organisations to transform the lives of vulnerable children.

Whether working in a city slum, a refugee camp, or an isolated village, GFC's grantee partners care because it is their home. They care because these are their children. Locally led, innovative, and resourceful, they understand the unique needs and obstacles that surround them. GFC's role is to make sure they have what they need to succeed.

GFC works to advance the dignity of children and youth around the world by investing in innovative community-based, grassroots organisations reaching vulnerable children. They invest in local leaders who are addressing the root causes of problems that threaten children in their communities. GFC pairs small cash grants with investments in organisational capacity so that the programmes excel and the organisations grow sustainably.

Grants range from £3,000 to £20,000 and grow in size and scope over the funding relationship of 4 to 6 years. During that time, its partners budgets typically triple in size and GFC provides introductions and references for their partners to receive funding and awards from other donors. GFC provides organisational support to ensure that its partners develop the capacity to serve their communities long after their funding has ended. They also convene regional workshops for its partners to learn from other's experiences, access best practices and network.

Investing in grassroots organisations has endless dividends – for children, or communities, for the world. Since 1997, The Global Fund for Children has invested USD 33.2m in more than 600 grassroots organisations in 78 countries, touching the lives of more than 9 million children.

Temenos is proud to support the Global Fund for Children.

Microfinance

Access to finance is integral to social economic development. Without access to basic financial services the poor are locked out of the formal economy as observers, unable to gain control over their own economic future. People need to be able to save and to borrow for business, education and all of the unexpected turbulence caused by health emergencies or other set-backs. Without an account to save in a financial form, the poor resort to saving in the form of livestock or other tangibles which cannot be employed to the needs of the family or community.

Microfinance is the business of financial intermediation for the poor. Financial inclusion is the more contemporary language. Temenos supports financial intermediaries on the frontier of formal financial markets in Africa, Latin America, Central Europe and elsewhere that formal commercial banks have either no means or interest in serving relatively low value accounts. We have learned through more than 15 years of business practice that both the bank customer and the bank have costs that can be reduced through the efficient use and innovative adaptation of modern technology.

The Internet has been a great boon for microfinance. Temenos has been able to build on its experience with network partners such as Opportunity International, Vision Fund, ACCION, MicroCred, as well as numerous individual microfinance banks, NGOs, cooperatives and other non-bank financial institutions to develop our microfinance solutions.

Through the internet in alliance with Microsoft, Temenos enables T24 core banking system to run as a service reaching ever smaller, more remote microfinance intermediates and outlaying branches and agents. Through the integration of specialised channel technology, we can now extend banking services to the poorest in the most remote regions on smart devices, dropping costs for both the client and the customer so as to make banking the poorest a viable and sustainable business.

Continued effort to drop transaction costs brings formal finance to ever more communities in the world, enabling the business of social economic development activities centered around micro enterprise development, microfinance and associated development benefits of financial literacy, education, improved health and economy.

REAL EQUITY FOR ALL CHOOSES SAAS SOLUTION

Temenos' decade of microfinance experience and strong partner network to benefit expansion plans.

Real Equity For All (Reall), formerly called Homeless International, has joined the Temenos community, purchasing T24 MCB core banking in the cloud.

Reall is a large UK-based housing consultancy and finance agency that supports those in need to improve their lives and find lasting solutions to urban poverty through a network of 14 clients in Africa and Asia. The company chose Temenos' core banking system to enable it to achieve its plans of expanding its operations to 50 clients and increasing its portfolio to a billion dollars of private equity investment. The fully cloud-based solution allows Reall to achieve the necessary scale without upfront IT investment, as well as providing enhanced functionality, business confidence and security.

T24 MCB runs on the Windows Azure platform through a global partnership with Microsoft, resulting in a Cloud-based, Software-as-a-Service (SaaS) multi-tenancy solution. It is also integrated with Software Group's 'UT Route' switch technology, which allows different devices to communicate with each other across different locations all within the cloud, leading to a strengthened payment option for Temenos' clients. Another Temenos partner, MicroPlanet Technologies, will support Reall with their migration to T24 enabling them to be live and operational within the specific requirements of the organisation.

Temenos benefits from a decade of experience within the microfinance sector, which has involved working with 240 customers across 36 countries, servicing over 10 million accounts, including Opportunity International, VisionFund, MicroCred, ACCION, Kenya Women Microfinance Bank and RenMoney.

> "As a charity devoted to the challenge of housing and basic services in slums, the scope of Reall's work is immense. Therefore, it needs a microfinance banking solution that's scalable without incurring large additional costs, while providing advanced functionality and business security.

Murray Gardiner
Director of Microfinance and Community Banking, Temenos Group AG

A FULLY CLOUD-BASED MICROFINANCING ORGANISATION

RenMoney, a Nigeria-based consumer finance company, is by all accounts an African success story and an example of change in the global microfinance industry.

It began operations a year ago, and now has over 10,000 customers, growing at a rate of around 800-1,000 loan contracts per month.

What is all the more striking is that RenMoney has achieved all this growth while employing only one person in its IT department. This is an employee who – as the CEO cheerfully admits – is frequently underemployed.

The reason that this has been possible is that none of the company's IT operations are locally-based – they are all up in the cloud.

RenMoney runs on a cloud-computing platform, using off-the-shelf banking software provided by Temenos. This has enabled the company to make considerable cost savings, enhancing its competitiveness, and dramatically reduce its operational risk.

And now that its system is up and running, it has plans to obtain a national microfinance licence to expand its operations across the country.

The microfinance market

RenMoney's consumer lending model firmly positions it within the burgeoning microfinance sector, which is currently experiencing strong growth in Nigeria and within Africa as a whole. There are already 654 million accounts served by the microfinance market, with an estimated 2.5bn working-age adults globally having no access to the types of formal financial services delivered by regulated financial institutions.

The high growth potential for this sector is rooted in innovation in cloud computing, which is making it easier for smaller institutions to enter the market. The cloud-based banking model avoids risky local implementations and provides newcomers with the opportunity to rent modern IT infrastructure at monthly fees, dramatically decreasing overheads, and allowing microfinance lenders to remain competitive.

Conclusion

In recent history, the financial services industry has had a central role in transforming economies around the globe, and technology has often been instrumental to this change. Cloud technology will undoubtedly change the delivery of financial products and alter consumer markets, with particular opportunities in emerging economies, including Nigeria.

Technology has over the years evolved with its attendant risks, and there are particular issues associated with developing countries, but, once they are understood and measures are put in place to mitigate them, the benefits of cloud computing technology are potentially limitless.

The superior agility of small financial institutions means they are particularly suited to embracing new technology, and, with RenMoney taking the lead in cloud banking, others will surely follow.

Read further on our website

RenMoney
...simple money solutions

Key benefits

Cost saving – RenMoney's primary motivation for adopting cloud technology. Temenos' cloud-based platform has already enabled it to make considerable savings.

Through running software in existing data centres, the organisation has avoided committing capital for purchasing computer hardware, software applications, regular maintenances, upgrades and data backup. Instead, it pays a fee based on the number of customers it has, and can continue scaling up as necessary.

High speed of implementation – Without the need for physical installations, RenMoney was ready to begin trading just two months after supplier contracts were signed.

Infrastructure risk avoidance – Due to the instability of the Nigerian infrastructure, locally-managed banking software is a significant business risk. Having servers based outside of the country was therefore a major plus for the organisation, providing peace of mind that service wouldn't be affected by connectivity issues.

GOVERNING THE GROUP

Introduction

This report has been prepared in compliance with the Directive on Information Relating to Corporate Governance, its Commentary issued by SIX Swiss Exchange (http://www.six-exchange-regulation.com/obligations/governance_en.html) and the Ordinance against Excessive Compensation in Listed Joint-Stock Companies (OaEC).

In the present Annual Report, the corporate governance information has been summarised in a separate section, whereas references to other parts of the Annual Report have been included in certain instances in an effort to avoid duplication.

In order to enhance readability, the present corporate governance section follows the suggested structure as described in the Directive on Information Relating to Corporate Governance's annex.

Unless otherwise indicated, the information provided in this report reflects the situation as of the 31 December 2014.

Temenos Group AG is hereinafter referred to as "the Company" or "Temenos". Temenos Group AG and its affiliated companies are hereinafter referred to as "Temenos Group" or "the Group". The executive management of Temenos Group is hereinafter referred to as "Executive Committee".

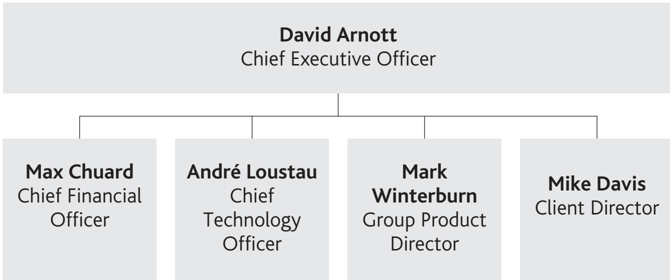
1. Group structure and shareholders

1.1 Group structure

The ultimate holding company, Temenos Group AG, is registered in Geneva, where the Group is also headquartered.

1.1.1 The Temenos Group is organised and managed by the Chief Executive Officer who is heading and supported by the Executive Committee.

This Committee comprises the following members:



The Group is managed using a matrix of global business functions supported by regional and sub-regional sales and service operations, incorporating activities of product development, product management, services management, marketing, key customer relationship management and product support functions.

The Group's product sales and services operations are divided into four main geographic regions:

- Europe
- Middle East and Africa
- Asia Pacific
- Americas

Temenos being a truly global multi-product company leverages skills from around the world, having its principal software development facilities in Chennai (India), London/Hemel Hempstead (United Kingdom) and Geneva (Switzerland). The Group also has software development facilities in United States, Canada and in France, Romania, Belgium, Luxembourg and China.

1.1.2 Temenos Group AG is the sole listed company of the Group.

Name	**Temenos Group AG**
Domicile	2 Rue de L'Ecole-de-Chimie 1205 Geneva, Switzerland
Listed at	SIX Swiss Exchange
First listing date	26 June 2001
Market capitalisation	CHF 2,481,036,851
Security Number	1245391
ISIN number	CH0012453913
Symbol	TEMN
Reuters	TEMN.S
Bloomberg	TEMN SW

Please refer to page 149 for statistics on Temenos shares.

1.1.3 Please find below the main non-listed companies belonging to the Group (as of 31 December 2014):
(all companies are directly or indirectly wholly owned subsidiaries of Temenos Group AG, unless otherwise indicated)

Name	Domicile	Country of Incorporation	Share Capital
Edge IPK Inc.	Wilmington	USA	1 USD
Edge IPK Limited	London	United Kingdom	2,764 GBP
Edge IPK Offshore Development Private Limited	Bangalore	India	100,000 INR
EnergyCredit Software Services Private Limited	Bangalore	India	500,000 INR
Fairs Limited	London	United Kingdom	50,000 GBP
FE Mobile Limited	London	United Kingdom	100 GBP
Financial Objects (Risk Management) Limited	London	United Kingdom	9,697 GBP
Financial Objects (UK) Limited	London	United Kingdom	466,667 GBP
Financial Objects Inc.	Wilmington	USA	1,500 shares (no par value)
Financial Objects Limited	London	United Kingdom	950,528 GBP
Financial Objects Software (India) Private Limited	Chennai	India	3,258,020 INR
Genisys Technology Limited	London	United Kingdom	51,505 GBP
Lydian Associates Limited	London	United Kingdom	20 GBP
Odyssey Financial Technologies GmbH	Frankfurt am Main	Germany	25,000 EUR
Odyssey Financial Technologies PLC	London	United Kingdom	50,000 GBP
Temenos Software Luxembourg S.A.	Bertrange	Luxembourg	29,500,000 EUR
Odyssey Financial Technologies S.A.	La Hulpe	Belgium	62,000 EUR
Odyssey Group S.A.	Bertrange	Luxembourg	21,904,670 EUR
Temenos (Malaysia) Sdn Bhd	Kuala Lumpur	Malaysia	500,000 MYR
Temenos (NL) BV	Amsterdam	Netherlands	18,152 EUR
Temenos (Thailand) Co. Limited	Bangkok	Thailand	100,000,000 THB
Temenos Africa (Pty) Limited	Sunninghill	South Africa	100 ZAR
Temenos Australia Pty Limited	Sydney	Australia	2 AUD
Temenos Belgium S.A.	La Hulpe	Belgium	200,000 EUR
Temenos Bulgaria EOOD	Sofia	Bulgaria	10,000 BGN
Temenos Canada Inc.	Saint John	Canada	560,586 shares (no par value)
Temenos Colombia SAS	Bogota	Colombia	20,000,000 COP
Temenos Deutschland GmbH	Frankfurt am Main	Germany	25,000 EUR
Temenos East Africa Limited	Nairobi	Kenya	10,000 KES
Temenos Ecuador S.A.	Quito	Ecuador	252,000 USD
Temenos Egypt LLC	Cairo	Egypt	200 EGP
Temenos Eurasia Banka Yazilimlari Ltd Sirketi	Istanbul	Turkey	10,000 TRY
Temenos Finance Luxembourg S.à.r.l.	Bertrange	Luxembourg	37,500 EUR
Temenos France SAS	Paris	France	500,000 EUR
Temenos Headquarters S.A.	Geneva	Switzerland	100,000 CHF
Temenos Hellas S.A.	Athens	Greece	60,000 EUR
Temenos Hispania SL	Madrid	Spain	10,000 EUR
Temenos Holdings France SAS	Paris	France	28,010,000 EUR
Temenos Holdings Limited	Road Town	British Virgin Islands	40,105 USD
Temenos Holland BV	Amsterdam	Netherlands	19,000 EUR
Temenos Hong Kong Limited	Hong Kong	Hong Kong	2 HKD
Temenos India Private Limited	Chennai	India	2,962,000 INR
Temenos Investments BV	Amsterdam	Netherlands	18,000 EUR
Temenos Japan KK	Tokyo	Japan	10,000,000 JPY
Temenos Kazakhstan LLP	Almaty	Kazakhstan	14,400,000 KZT
Temenos Korea Limited	Seoul	Korea	50,000,000 KRW
Temenos Luxembourg S.A.	Bertrange	Luxembourg	1,181,250 EUR
Temenos Mexico SA de CV	Mexico City	Mexico	10,760,900 MXN
Temenos Middle East Limited	Nicosia	Cyprus	17,100 EUR
Temenos North Africa LLC	Casablanca	Morocco	10,000 MAD
Temenos Panama S.A.	Panama City	Panama	10,000 USD
Temenos Philippines, Inc.	Makati City	Philippines	10,000,000 PHP
Temenos Polska Sp. Zo.o	Warsaw	Poland	50,000 PLN
Temenos Romania SRL	Bucharest	Romania	120,000 RON
Temenos Singapore Pte Limited	Singapore	Singapore	65,010,000 SGD
Temenos Software Canada Limited	Vancouver	Canada	48,000 CAD
Temenos Software Shanghai Co. Limited	Shanghai	China	140,000 USD
Temenos Solutions USA Inc.	Wilmington	USA	10 USD
Temenos Suisse S.A.	Geneva	Switzerland	7,500,000 CHF
Temenos Systems Ireland Limited	Dublin	Ireland	4 EUR
Temenos UK Limited	London	United Kingdom	2,198,844 GBP
Temenos Ukraine LLC	Kiev	Ukraine	64,000 UAH

Temenos USA, Inc.	Wilmington	USA	1 USD
Temenos Vietnam Company Limited	Hanoi	Vietnam	890,000,000 VND
TriNovus LLC	Birmingham	USA	100,000 USD
TriNovus Systems LLC	Lubbock	USA	1,741,651.85 USD
Viveo Group SAS	Paris	France	16,248,900 EUR
Viveo France SAS	Paris	France	5,300,000 EUR
Wealth Management Systems Limited	London	United Kingdom	525,000 GBP

1.2 Significant shareholders

Please find below the list of shareholders who hold more than 3% of the voting rights of all issued shares as of 31 December 2014 as per information that has been published on the reporting and publication platform of the Disclosure Office of SIX Swiss Exchange pursuant to Art. 20 SESTA.

Name	Number of shares	Percentage of the share capital
Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	8,106,837	11.60%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	4,836,885	6.92%
Alken Luxembourg S.à.r.l	3,638,595	5.21%
Aviva plc	3,517,460	5.03%
UBS Fund Management (Switzerland) AG	2,176,515	3.11%
BlackRock, Inc.	2,174,244	3.11%

For more recent information on Temenos major shareholders, please refer to page 149.

Disclosure notifications made in accordance with Article 20 of the Swiss Stock Exchange and Securities Trading Act are publicly available on:

http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

1.3 Cross-shareholdings

There are no cross-shareholdings to report.

2. Capital structure

2.1 Capital

On 31 December 2014, the ordinary share capital amounted to CHF 349,441,810 consisting of 69,888,362 registered shares, each with a par value of CHF 5. All the shares are fully paid-up. Each recorded share entitles its holder to one vote.

Temenos has an authorised capital totalling CHF 71,524,115 and a conditional capital totalling CHF 35,888,910 for shares that may be issued on the exercising of share options granted to employees of the Group. Additional conditional capital totalling CHF 33,039,520 exists for shares that may be issued in conjunction with financial instruments.

2.2 Authorised and Conditional capital

Authorised capital

Pursuant to the Articles of Association (Article 3ter), The Board of Directors is authorised to increase the share capital by no later than 24 May 2015, by an amount not exceeding CHF 71,524,115 by issuing up to 14,304,823 fully paid-in registered shares with a nominal value of CHF 5 each. An increase in partial amounts is permitted.

The Board of Directors shall determine the date of issue of such new shares, the issue price, type of payment, conditions of exercising pre-emptive rights, and the beginning of the dividend entitlement. The Board of Directors may issue new shares by the means of a firm underwriting by a banking institution or syndicate with subsequent offer of those shares. The Board of Directors may allow the expiry of pre-emptive rights which have not been exercised or it may place these rights as well as shares, the pre-emptive rights for which have not been exercised, at market conditions.

The Board of Directors is authorised to restrict or withdraw the pre-emptive rights and rights of advance subscription of existing shareholders and allocate them to third parties if (i) the shares are to be used for the take-over of another company or enterprise, of parts of an enterprise or of participations or for the financing of such transactions; or if (ii) the shares are to be used for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchanges.

Conditional capital for employee participation

Pursuant to the Articles of Association (Article 3 quater (1)), the share capital may be increased by an amount not exceeding CHF 35,888,910 by issuing up to 7,177,782 new registered shares to be fully paid-in with a nominal value of CHF 5 each through the exercise of the rights that the direct or indirect subsidiaries of the Company (the "Subsidiaries") or the Company itself may grant to officers, directors and employees at all levels of the Company and the Subsidiaries. The pre-emptive rights as well as the right for advance subscription of existing shareholders are precluded.

The issue of shares or respective option rights through the Subsidiaries or through the Company to officers, directors and employees of the Company and the Subsidiaries, is subject to one or more regulations to be issued by the Board of Directors on the basis of the following general rules: (i) new shares may only be issued to the Subsidiaries or to the Company for purposes of distribution to directors, officers or employees of the Company and the Subsidiaries ; (ii) new shares to be issued through the Subsidiaries or through the Company to employees of the Company or the Subsidiaries shall be issued against paying-in the nominal value of CHF 5 per each share in cash.

Conditional capital for financial instruments

Pursuant to the Articles of Association (Article 3 quater (2)), the share capital may be increased by an amount not exceeding CHF 33,039,520, by issuing up to 6,607,904 new registered shares to be fully paid-in with a nominal value of CHF 5 each, to be divided as follows: first, in the amount of CHF 8,386,120, that is 1,677,224 new registered shares, through exercise of conversion and/or option rights, which are granted in connection with bonds or similar obligations or other financial instruments of the Company or one of its group companies; and second, in the amount of CHF 24,653,400, that is 4,930,680 new registered shares, by the exercise of option rights which are granted by the Company or one of its group companies to existing shareholders or third parties. In the case of the issuance of bonds, similar obligations, or other financial instruments linked with conversion and/or option rights, and in the case of the issuance of option rights, the pre-emptive rights of shareholders are excluded. The owners of conversion or option rights from time to time are entitled to the new shares.

The conditions of the option rights, including the exercise period and exercise price, are to be determined by the Board of Directors, whereby the exercise price may be fixed at a price lower than the market or intrinsic value.

The Board of Directors shall be authorised to restrict or exclude the advance subscription rights of shareholders: (1) if debt issues in connection with conversion rights or warrants or other financial instruments or options issues are for the purpose of financing or refinancing the acquisition of an enterprise, parts of an enterprise, or participations or new investments; or (2) if such debt or other financial instruments or options are issued on the international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public; or (3) if such debt or other financial market instruments or options are issued for the purpose of the participation of strategic partners. In such cases, the following shall apply: the terms and conditions of the convertible bonds or warrants or other financial instruments or options shall correspond to market conditions (including dilution protection provisions in accordance with market practice), taking into account the specific situation, and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant or options issuance conditions. Conversion rights may be exercised during a maximum ten (10) year period, and warrants or options may be exercised during a maximum seven (7) year period, in each case from the date of the respective issuance.

2.3 Changes in capital
Statutory accounts

	31.12.14 CHF 000	31.12.13 CHF 000	31.12.12 CHF 000
Ordinary share capital	**349,442**	360,116	360,116
Conditional share capital	**68,928**	68,928	68,928
Authorised share capital	**71,524**	71,524	71,524
Share premium & capital reserve (incl. reserve for own shares)	**302,411**	328,951	317,949
Profit carried forward	**125,496**	161,378	191,463
Total equity	**777,349**	850,445	869,528

2.4 Shares and participation certificates

All equity securities of Temenos are in the form of registered shares, each with a par value of CHF 5. Each share confers the right to one vote at the Annual General Meeting of Shareholders and all shares are fully entitled to receive dividends. The Articles of Association do not provide for privileged voting rights shares. The Company does not issue participation certificates.

Taking into account the growing maturity of the Company and the strength of future cashflows, subject to shareholder approval at the Annual General Meeting of Shareholders on 6 May 2015, Temenos intends to pay an annual dividend of CHF 0.40 on 15 May 2015. The dividend record date will be set on 12 May 2015 with the shares trading ex-dividend on 11 May 2015. Temenos policy is to distribute a sustainable to growing dividend.

2.5 Dividend-right certificates

The Company does not issue profit sharing certificates.

2.6 Limitations on transferability and nominee registrations

There are no restrictions on the transfer of shares.

2.7 Convertible bonds and options

Regarding options please refer to note 26 of the consolidated financial statements.

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

In March 2014, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.00% paid annually on 31 January. The bond will mature on 31 January 2019 at a redemption price of 100% of the principal amount.

3. Board of Directors

3.1 Members of the Board of Directors

As at 31 December 2014 the Board of Directors comprises the following members:

Name	Position
Andreas Andreades	Executive Chairman
Sergio Giacoletto-Roggio	Vice-Chairman, Non-Executive and Independent Director
George Koukis	Non-Executive Director
Ian Cookson	Non-Executive and Independent Director
Thibault de Tersant	Non-Executive and Independent Director
Erik Hansen	Non-Executive and Independent Director
Amy Yip	Non-Executive and Independent Director

Please refer to pages 48 and 49 for their biographies.

Except George Koukis who was Executive Chairman of Temenos until July 2011, none of the non-executive members of the Board of Directors has or has had any senior management position within the Group, nor any significant business connections with the Group.

3.2 Other activities and vested interests

Except those mentioned in the biographies section of this annual report, no member of the Board of Directors has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

3.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

According to article 29 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in listed companies and ten additional mandates in non-listed companies according.

The following mandates are not subject to these limitations:

a. mandates in companies which are controlled by the Company or which control the Company;
b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten such mandates; and
c. mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten such mandates.

"mandates" shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

3.4 Elections and terms of office

Name	First elected
Andreas Andreades	2001
Sergio Giacoletto-Roggio	2012
George Koukis	2001
Ian Cookson	2012
Thibault de Tersant	2012
Erik Hansen	2013
Amy Yip	2014

3.5 Internal organisational structure

3.5.1 Allocation of tasks within the Board of Directors

Except for the election of the chairman of the Board of Directors and the members of the Compensation Committee by the General Meeting of Shareholders, the Board of Directors shall constitute itself. It shall elect a vice-chairman from amongst its members and a secretary. It may appoint one or more committees from amongst its members.

The Chairman is responsible for preparing and convening the meetings of the Board of Directors as well as for the implementation of the Board resolutions. In case of his absence, the Vice-Chairman shall call the Board meetings. The Chairman supervises the preparation of the General Meeting of Shareholders.

3.5.2 Members list, tasks and area of responsibility for each committee of the Board of Directors

The Audit, Compensation and Nomination Committees are governed by terms of reference defining their duties and compositions. These committees are comprised mainly of non-executive and independent directors. These committees report regularly and make recommendations to the Board of Directors which is empowered to make decisions.

Name	Audit Committee	Compensation Committee	Nomination Committee
Andreas Andreades			Member/Chairman
Sergio Giacoletto-Roggio	Member	Member/Chairman	Member
George Koukis			
Ian Cookson	Member	Member	Member
Thibault de Tersant	Member/Chairman		
Erik Hansen		Member	
Amy Yip			Member

Audit Committee

The Audit Committee considers the Group's public reports, liaises with the external and internal auditors, and reviews the Group's internal controls, compliance with corporate governance rules and any other matters that may be brought to its attention by the internal and/or external auditors. The external and internal auditors are in attendance at all Audit Committee meetings.

Compensation Committee

The Compensation Committee shall support the Board of Directors in reviewing and making recommendations on compensation practices, guidelines and procedures and in preparing the proposals to the General Meeting of Shareholders regarding compensation of the members of the Board of Directors and executive management. It may submit proposals and recommendations to the Board of Directors in other compensation-related issues.

The Board of Directors shall determine in the terms of reference for which positions of the Board of Directors and of the executive management the Compensation Committee shall, with or without the involvement of the chairman of the Board of Directors, submit proposals to the Board of Directors for the applicable performance criteria and the compensation levels, and for which positions it shall itself determine the applicable performance targets and the compensation levels, in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors.

Nomination Committee

The main duties of the Nomination Committee are: (i) to annually review the structure, size and composition required of the Board of Directors and make recommendations to the Board of Directors with regard to any changes; (ii) to establish qualification criteria for Board of Directors' membership and (iii) to give full consideration to succession planning for both members of the Board of Directors and members of the Executive Committee.

3.5.3 Working methods of the Board of Directors and its Committees

The Board of Directors meets as often as business requires, but at least four times a year, the Audit Committee meets at least twice a year and the Compensation and Nomination Committees meet at least once a year.

During 2014, the following numbers of meetings were held:

Board/Committees	Meetings held
Board of Directors	7
Audit Committee	5
Compensation Committee	3
Nomination Committee	2

Moreover, both the external and internal auditors attended all the Audit Committee meetings in 2014.

The average duration of the meetings is as follows (in hours):

Board/Committees	Average duration (hours)
Board of Directors	4.0
Audit Committee	4.0
Compensation Committee	2.0
Nomination Committee	1.5

At the meetings of the Board of Directors and of its Committees, those members of the Executive Committee who have the relevant information and expertise required for the respective body to perform its duties are normally present. Such persons do not take part in any resolutions.

Furthermore, and during each Board of Directors meeting, a business report is presented by the Chief Executive Officer. Together with the financial report presented by the Chief Financial Officer, this information enables the Board members to assess the course of the Company's business activities on a current basis.

3.6 Definition of areas of responsibility

The Board of Directors, together with its Audit, Compensation and Nomination Committees, exercises inalienable and non-transferable functions as provided by law, by the Company's Articles of Association and by its By-Laws. The Board of Directors of Temenos decides in particular on significant acquisitions, disposals, strategic alliances, changes in the Group's structure and share repurchase programs though its responsibilities are not limited to this.

Once a year, the Board of Directors reviews its conformity to corporate governance rules and evaluates its own performance.

Based on Article 17 of the Articles of Association of Temenos Group AG and Article 3.5 of the Organisation By-Laws of the Company, the Board of Directors has delegated the day-to-day operational management and conduct of business operations of the Company to the Chief Executive Officer who is heading and supported by the Executive Committee, except where the law or the Articles of Association provide differently.

Chaired by the Chief Executive, the Executive Committee is responsible for execution of strategy and monitoring performance against it. The Executive Committee also sets targets for Group organic and acquisitions growth on a three year basis. Finally, the Executive Committee approves all products CAPEX investments, as well as acquisitions to be proposed to the Board of Directors.

3.7 Information and control instruments vis-à-vis the Executive Committee

The Board of Directors is responsible for the Group's system of internal control. Among the key responsibilities are the insurance of effective and efficient operations, accurate financial reporting, compliance with laws and regulations and the safeguarding of assets.

- Prior to each Board of Directors meeting, members of the Board of Directors receive reports, summarising recent financial results and operational developments.
- Chief Executive Officer and Chief Financial Officer personally report at each Board meeting.
- The Group's performance management process ensures that company targets as agreed with the Board of Directors are delegated to senior management at the start of every financial year.
- The Internal Audit function provides an objective means of assessing how risks are managed and controlled. This function's independent status is assured by the fact that the Internal Audit Director reports directly to the Chairman of the Audit Committee.
- Findings from internal audit reviews and/or internal control self-assessments, together with related action plans, are reported in detail to senior management; summary reports are provided to the Audit Committee regularly. Implementation of action plans is monitored on monthly basis and status reported to the Audit Committee.
- The Group Risk Management function owns the risk management process, promoting risk awareness and anticipatory identification and management of threats and opportunities. This provides the Risk Board and through it the Board of Directors with information necessary to manage and mitigate overall risk exposure.
- The Risk Board governs and provides oversight of the Group Risk Management Function. The Risk Board meets at least biannually to review and approve Risk Reports, Risk Treatment Plans and Risk Projects and ensure the level of risk exposure to Temenos is managed to an acceptable level. These reports are also submitted to the Audit Committee for their review.
- Risk management is an integral part of the business planning process. Potential negative developments are evaluated, so that timely countermeasures can be implemented.
- The organisational structure ensures that specialised functions like Quality and IT continuously support the management of risk (e.g. IT security, business continuity, etc).

4. Executive Committee

4.1 Members of the Executive Committee

As at 31 December 2014, the Executive Committee comprises the following members:

Executive Committee

Name	Position
David Arnott	Chief Executive Officer
Max Chuard	Chief Financial Officer
André Loustau	Chief Technology Officer
Mark Winterburn	Group Product Director
Mike Davis	Client Director

Please refer to pages 50 and 51 for their biographies.

4.2 Other activities and vested interests

Except those mentioned in the biographies section on pages 50 and 51, no member of the Executive Committee has any:

- Activities in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations under private and public law;
- Permanent management and consultancy functions for important Swiss and foreign interest groups;
- Official functions and political posts.

4.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 OaEC.

According to article 29 of the Articles of Association, no member of the executive management may hold more than one additional mandate in a listed company and five additional mandates in non-listed companies.

The following mandates are not subject to these limitations:

a. mandates in companies which are controlled by the Company or which control the Company;
b. mandates held at the request of the Company or any companies controlled by it. No member of the Board of Directors or of the executive management shall hold more than ten such mandates; and
c. mandates in associations, charitable organisations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or executive management shall hold more than ten such mandates.

“mandates” shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

4.4 Management contracts

No management tasks have been delegated to third parties.

5. Compensations, shareholdings and loans

5.1 Content and method of determining the compensation and the shareholding programmes

The executive management compensation plans seek to align executive management and shareholders’ interests by making a significant portion of compensation depend on achieving increased shareholder value for the long term and to enforce a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

Compensation of the non-executive members of the Board of Directors comprises fixed compensation elements only.

The executive members of the Board of Directors and the executive management may be paid fixed and variable compensation. The Board of Directors may determine that variable compensation is dependent on the achievement of certain performance criteria.

Further information is available in the Compensation Report.

5.2 Rules in the Articles of Association

5.2.1 Performance criteria shall be determined by the Board of Directors or, where delegated to it, the Compensation Committee and may include criteria relating to individual performance, performance of the Company or parts thereof as well as performance in relation to the market or other companies, taking into account the position and level of responsibility of the employee. The Board of Directors or, where delegated to it, the Compensation Committee shall determine the performance criteria impact on variable compensation, including actual achievement and potential maximum achievement, the relative weight of the performance criteria and the respective target-levels.

Compensation may be paid or granted in the form of cash, shares, in kind or in the form of other types of benefits. Compensation of executive members of the Board of Directors or members of the executive management may also be granted in the form of options and similar financial instruments or units. The Board of Directors or, where delegated to it, the Compensation Committee shall determine grant, vesting, blocking, exercise and forfeiture conditions of these kinds of compensation; in particular, it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change-of-control or termination of an employment or mandate agreement.

The Company may procure the required shares through purchases on the market or a conditional increase of its share capital.

Compensation may be paid by the Company or companies controlled by it.

If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the executive management during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company or companies controlled by it shall be authorised to pay to such member(s) a supplementary amount during the compensation period(s) already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the executive management last approved by the General Meeting of Shareholders.

5.2.2 There are no rules in the Articles of Association on loans, credit facilities and post-employment benefits for members of the board of directors and Executive Committee.

5.2.3 The General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- Compensation of the Board of Directors for the next fiscal year;
- Compensation of the executive management for the next fiscal year.

The Board of Directors may submit for approval by the General Meeting of Shareholders proposals in relation to maximum aggregate amounts of compensation relating to different periods, in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements, and submit the amount(s) so determined for approval by a General Meeting of Shareholders.

Notwithstanding the above provisions, the Company or companies controlled by it may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

6. Shareholders' participation rights

6.1 Voting-rights restrictions and representation

6.1.1 According to the Company's Articles of Association, only shareholders entered in the share register as shareholders or as usufructuaries may exercise the voting rights linked to the shares or the other rights connected with these voting rights. The Articles of Association do not contain any restrictions to voting rights.

6.1.2 Not applicable.

6.1.3 Not applicable.

6.1.4 Not applicable.

6.1.5 Shareholders entered in the share register as shareholders on a specific qualifying day designated by the Board of Directors shall be entitled to attend the General Meeting of Shareholders and to exercise their votes at the General Meeting of Shareholders. Each shareholder may be represented at the General Meeting of Shareholders by any other person who is authorised by a written proxy, by a legal representative or by the independent voting rights representative.

6.1.6 There are no rules in the Articles of Association about electronic participation to the General Meeting of Shareholders or instructions to the independent voting rights representative. However the shareholders may provide electronically their voting instructions to the independent voting rights representative.

6.2 Quorums required by the Articles of Association

There are no statutory quorums. The General Meeting of Shareholders shall pass its resolutions and carry out its elections by a simple majority, unless qualified majority is required by law.

6.3 Convocation of the General Meeting of Shareholders

The General Meeting of Shareholders is convened by publication of the invitation and the agenda, at least twenty days before the date of the meeting, in the Swiss Official Gazette of Commerce (*Schweizerische Handelsamtsblatt, Feuille Officielle Suisse du Commerce*). Shareholders representing at least 10% of the share capital may convene an Extraordinary General Meeting.

6.4 Inclusion of items on the agenda

One or more shareholders representing shares of an aggregate nominal value of at least CHF 1 million may, up to 45 days before the date of the General Meeting, request an item to be included on the agenda. Such request must be in writing and shall specify the items and the proposals of these shareholders.

6.5 Entries in the share register

Pursuant to Article 13 paragraph 1 of the Company's Articles of Association, shareholders entered in the share register as shareholders on a specific qualifying date (approximately 10-15 days before the General Meeting) designated by the Board of Directors shall be entitled to attend and vote at the General Meeting.

7. Changes of control and defence measures

7.1 Duty to make an offer

There is no "opting out" or "opting up" clause in the Articles of Association.

7.2 Clauses on changes of control

In case of change of control in Temenos, all outstanding stock appreciation rights (SARs) will become immediately vested and exercisable.

SARs are considered to be outstanding only if the corresponding/relevant service period has started (where such relevant service period is specified as part of the grant documentation). If not specified, they will be considered as outstanding automatically.

8. Auditors

8.1 Duration of the mandate and term of office of the lead auditor

8.1.1 PricewaterhouseCoopers SA was re-elected as the statutory and group auditor at the Annual General Meeting of Shareholders held on 28 May 2014 for a period of one year (first elected in 2003).

8.1.2 Since 2012 the lead auditor for the Group audit is Mr. Guillaume Nayet.

8.2 Auditing fees

Included in general and administrative expenses is an amount of USD 1,484,093 representing audit fees charged to Temenos Group AG by PricewaterhouseCoopers for (i) the audit of the group consolidated financial statements and of statutory accounts in various jurisdictions (USD 1,407,093) and (ii) merger and capital decrease report, issuance of debt covenant report, and audit of the compensation report for USD 77,000.

8.3 Additional fees

In addition, other fees of USD 1,135,000 have been incurred through the provision of tax advisory and other professional services by PricewaterhouseCoopers.

Please find below a breakdown of the additional fees:

	USD 000
Tax Compliance	391
Transactions	264
Non Audit Fee – Audit related	**655**
Tax Advisory	331
Other Advisory	149
Non Audit related	**480**
Total Non Audit Fee	**1,135**

8.4 Information instruments pertaining to the external audit
The Audit Committee is responsible for monitoring the performance of external auditors, checking their independence, approving their annual work plan and fees, and reviewing their findings on quality control procedures as well as steps taken by the auditors to respond to changes in regulatory and other requirements. At the end of some Audit Committee meetings, the Audit Committee members spend time with the external auditors without the presence of management. The external auditors formally report to the Audit Committee during its meetings and have direct access to its Chairman when necessary. The Chairman of the Audit Committee then reports at each meeting of the Board of Directors. Please also refer to paragraphs 3.5.2 and 3.5.3 above.

At the beginning of the year, the Audit Committee pre-approves an amount of permitted services that may be performed by the external auditors. Such services are then reviewed on a regular basis at Audit Committee meetings. For any other audit or non-audit related services beyond the above-mentioned limit, authorisation is required from the Chairman of the Audit Committee upon recommendation from the Chief Financial Officer.

9. Information policy
Temenos is committed to open and transparent communication with its shareholders and wider stakeholders.

Updates
Temenos publishes an audited annual report for the year to 31 December and an audited interim report for the six months to 30 June. Temenos also reports figures on a quarterly basis. All of this information and additional company-specific information is available at http://www.temenos.com/en/about-temenos/investor-relations/.

In addition, those interested can sign up on the Temenos website to receive updates on new initiatives as well as financial news and the latest customer signings.

Contacting Temenos
For any investors relations enquiries please contact the Company at TemenosIR@temenos.com and for Management dealings enquiries/ Disclosure of shareholdings notifications at companysecretarial@temenos.com.

Meeting Temenos
On 6 May 2015, Temenos will hold its Annual General Meeting, in Geneva, Switzerland. This occasion affords shareholders the opportunity to put their questions to the Board and learn more about the group's strategic direction.

Meetings between Directors, institutional shareholders and other market professionals are held regularly as a part of Temenos' investor relations programme. Furthermore, all directors are available to meet shareholders if requested.

Dates of publication of 2015 quarterly results and list of roadshows and conferences Temenos will attend in 2015 are published on the Company's website and updated regularly at http://www.temenos.com/en/about-temenos/investor-relations/calendar/.

Business Code of Conduct, Anonymous reporting and Anti-corruption policies
It is crucial for Temenos to conduct business in an ethical way everywhere and in all circumstances. The Temenos Business Code of Conduct, the Anonymous Reporting and the Anti-Corruption and Bribery policy have been drawn up in this respect.

The Business Code of Conduct describes the policies and procedures governing the relationship between the employee and Temenos, and is considered a part of the employment relationship. This Code of Conduct is reviewed annually. It is distributed to all new employees and acknowledged. It is available on the Temenos intranet (central repository database) and on Temenos website: http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/.

The Anonymous Policy describes the procedures to follow when a Temenos employee feels action is required to avoid a negative and damaging impact on the Company. It is essential for Temenos success to follow and set the standard for the highest level of ethics and integrity. The Anonymous policy is reviewed annually and is available on Temenos website: http://www.temenos.com/en/about-temenos/investor-relations/corporate-governance/.

Temenos values integrity and high ethical standards in its business dealings with customers, partners, suppliers, vendors and competitors. Bribery and corruption are illegal wherever they take place and are not tolerated practices at Temenos. As Temenos continues to broaden its global reach it is incumbent upon Temenos to have best practices in place across the organisation and Temenos is committed to observing the standards set forth under anti-bribery and corruption laws of the countries in which it does business.

Temenos carefully considers corruption-related risks whenever and wherever Temenos engages in business and it will not be a partner to corruption in any form. Temenos has a companywide Anti-Bribery and Corruption policy in place which has been communicated to all staff and business partners worldwide supported by executive management. The Board of Directors examines compliance with this policy at least once a year. Temenos has instituted controls across the Company which ensures that no payments, gifts or contributions of any kind can be made or accepted by any individual by or on behalf of the Company without appropriate levels of due diligence, approvals and controls. Temenos reviews this policy at least once a year and delivers related training programs related to it at regular intervals. The Anti-Bribery and Corruption policy is complimented by the Business Code of Conduct and the Anonymous reporting policy.

As a company operating internationally Temenos faces a variety of complex legal and operational considerations related to compliance with export controls and sanctions and has to comply with all applicable export control laws and sanctions worldwide when conducting business around the world. In this respect Temenos has published an Export Control and Sanctions Policy whose purpose is to (i) set out Temenos responsibilities, and of those working for Temenos, in observing and upholding the manner in which Temenos observes and complies with sanctions and export controls and (ii) provide information and guidance to those working for Temenos on how to recognise and deal with business in countries or with individuals who may be at risk of being subject to sanctions or export controls.

Temenos is committed to a sustainable business model that makes it proud of how it interacts with its people, customers and marketplace. For information on corporate social responsibility please refer to http://www.temenos.com/en/about-temenos/corporate-social-responsibility/.

COMPENSATION REPORT

The report explains Temenos compensation philosophy and discloses the compensation that has been paid to the members of the Board of Directors and Executive Committee in 2014. The report also explains the decisions taken in 2014 that have set compensation policy and plans for 2015.

Our objective is to be clear, comprehensive and transparent on the pay and benefits of our members of the Board of Directors and Executive Committee and to comply with Swiss law and regulations and best corporate governance practice. Our intention is to provide information to meet the compensation disclosure requirements under the:

- Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (OaEC);
- SIX Directive on Information Relating to Corporate Governance;
- Swiss Code of Best Practice for Corporate Governance.

Compensation Policy and Principles

Temenos' executive compensation programmes are designed with two main goals in mind:

1. To align executives' and shareholders' interests by making the major portion of executive compensation dependent on achieving increased shareholder value for the long term; and
2. To enforce the ethos of a performance-orientated environment that rewards superior value creation and the achievement of outstanding results.

Executive compensation consists of fixed cash compensation and benefits; variable cash and deferred stock compensation that is linked to performance targets for the current financial year; and equity based variable compensation that is linked to long term performance targets.

Compensation of the non-executive members of the Board of Directors comprises fixed compensation only.

Performance criteria are set by the Board of Directors and may include criteria relating to individual performance, performance of the Company or parts thereof, as well as performance in relation to the market or other companies. The Board of Directors determines the extent to which the performance criteria impact on variable compensation, including any and maximum achievement, and the relative weight of the performance criteria. The Board of Directors also oversees the conditions linked to the grant, vesting, exercise and the forfeiture of equity based incentive programmes.

Organisation and Competencies

Executive Officers

The executive officers who served for the full 2014 financial year are:

Board of Directors:

- Andreas Andreades, Executive Chairman

Executive Committee:

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Group Product Director
- Mike Davis, Client Director

Non-Executive Directors

The non-executive directors who served in the 2014 financial year are:

- George Koukis
- Ian Cookson
- Thibault de Tersant
- Sergio Giacoletto-Roggio
- Erik Hansen
- Amy Yip – elected by shareholders on 28 May 2014
- Chris Pavlou – served until 28 May 2014 after which he did not seek re-election by shareholders

The Role of the Compensation Committee

The Board of Directors issues the terms of reference to the Compensation Committee to establish its organisation and decision making process. The Compensation Committee is authorised by the Board to:

- Recommend to the Board of Directors compensation practices and policies for executive directors, including the Executive Chairman, CEO and other members of the Executive Committee;
- Align the interests of executive directors and senior managers to the long-term interests of the Company and its shareholders by recommending compensation practices and policies that are equitable and performance based;
- Review the competitiveness of the Company's executive compensation programmes and thereby ensure the attraction and retention of executive directors and senior managers who are key in delivering the Company's business objectives;
- Confirm that compensation packages for executive directors and senior managers are in line with market norms.

To fulfil its duties, the Compensation Committee typically meets at least three times during the year on the following cycle and, in addition, as required between these meetings:

- February – to sign-off and recommend performance targets and compensation for the current financial year and to make recommendations to the Board of Directors on total compensation for executive directors and members of the Executive Committee;
- October – to review the competitiveness of compensation by benchmarking against comparators;
- November – to review compensation practices and policies for the new financial year and recommend fixed compensation, together with short and long term performance-based variable compensation, for executive directors and members of the Executive Committee.

The Compensation Committee comprises three non-executive and independent directors:

- Sergio Giacoletto-Roggio, Chairman;
- Ian Cookson, Member;
- Erik Hansen, Member.

Committee members were elected at the 2014 Annual General Meeting of Shareholders. The Compensation Committee members are elected annually by shareholders.

Decisions on Compensation Packages

Before submission to the shareholders for approval at the Annual General Meeting of Shareholders, the recommendation of compensation packages for Board and Executive Committee members are governed as follows:

Compensation of	Recommended by	Approved by
Executive Chairman of the Board	Compensation Committee	Board of Directors
Executive Committee	Compensation Committee	Board of Directors
Non-executive members of the Board of Directors	Chief Executive Officer	Chairman of the Board

Compensation for other senior managers of the Temenos Group is recommended by the Chief Executive Officer and approved by the Compensation Committee.

Benchmarking Compensation against a Comparator Group

To ensure executive compensation is correctly set in the context of industry practice, the Compensation Committee reviewed benchmark data collated from a range of organisations in the technology sector. The Temenos 2014 Comparator Group has been selected based on the following criteria:

- Companies that we target for hiring talent into Temenos;
- Software organisations that have similar operating characteristics to Temenos in terms of global reach, target markets, competitive dynamics and complexity;
- Major European software companies;
- Financial services software companies that industry analysts rank as global top performers.

In total, we have selected 18 companies against which to benchmark Temenos and these are presented in the table below.

Organisation	HQ
ACI Worldwide	USA
Broadridge Financial Solutions	USA
Dassault Systemes S.A.	France
Fidelity National Information Services	USA
Fidessa Group plc	UK
Fiserv	USA
IGATE	USA
Infosys	India
Intuit	USA
Jack Henry & Associates	USA
Logitech International	Switzerland
Micro Focus International plc	UK
Netsuite	USA
Quality Systems	USA
SAP	Germany
Software AG	Germany
The Sage Group	UK
Tibco Software	USA

We assimilated and considered data from the entire group, while our comparator methodology accounted for extreme outliers in the group. For 2014, the Chief Executive Officer's and Executive Chairman's compensation aligns approximately with the 50th percentile, around the median of the comparator group excluding extreme outliers.

Shareholder involvement

The Company seeks opinions from shareholders where relevant. A recent example was where the Board decided that growth should be one of the key drivers for the Company, as this is one of the key metrics that shareholders review. During 2014, the Compensation Committee and the Board of Directors saw the need to incentivise management to deliver growth, not only on the bottom line, but also product revenues and as such, the Board of Directors proposed to add an additional KPI metric to the Long Term Incentive Plan for management: non-IFRS Product Revenue. Before the final recommendation was accepted, the Company reached out to a few major shareholders to seek their views and opinions. The new metric was introduced in the 2015 SAR plan at 40% of the pay-out, and 60% on non-IFRS EPS, down from 100% on non-IFRS EPS for the 2014 SAR plan.

Rules with regard to Votes on Compensation

As set out in the Articles of Association, the General Meeting of Shareholders shall approve annually and separately the proposals of the Board of Directors in relation to the maximum aggregate amount of:

- Compensation of the Board of Directors for the next fiscal year
- Compensation of the Executive Committee for the next fiscal year

The Board of Directors may submit for approval by the General Meeting of Shareholders proposals in relation to maximum aggregate amounts of compensation relating to different periods, or in relation to amounts for specific compensation elements for the same or different periods.

In the event a proposal of the Board of Directors has not been approved by the General Meeting of Shareholders, the Board of Directors shall determine, taking into account all relevant factors, the respective maximum aggregate amount of compensation or partial maximum amounts for specific compensation elements, and submit the amount(s) so determined for approval by a General Meeting of Shareholders. The Company may pay out compensation prior to approval by the General Meeting of Shareholders subject to subsequent approval by a General Meeting of Shareholders.

If the maximum aggregate amount of compensation already approved by the General Meeting of Shareholders is not sufficient to also cover compensation of one or more members who become members of or are being promoted within the Executive Committee during a compensation period for which the General Meeting of Shareholders has already approved the compensation, the Company is authorised to pay the member a supplementary amount during the compensation period already approved. The total supplementary amount per compensation period shall not exceed 40% of the aggregate amount of compensation of the executive management last approved by the General Meeting of Shareholders.

Compensation Components

Compensation Elements for our Executive Director and Executive Committee Members

The elements of executive compensation for 2014, together with their objectives, are:

Fixed salary
- To pay executives for their expected day-to-day management, leadership and contribution to the business.

Benefits
- To provide a level of security in health and retirement and, should it be required, in disability and death.

Variable short term incentive
- To make a significant portion of executive overall annual compensation variable and dependent on delivery of the Company's annual key targets of licence revenue, cash collection, non-IFRS EBIT and non-IFRS EPS growth.
- For 2014, on the condition that targets are achieved, 50% of the Variable is paid in cash and 50% is paid in Temenos stock which has to be retained until 1 January 2016.

Variable long term equity incentive
- To provide a balance of total compensation, via long term equity incentives, that is variable and linked directly to long term shareholder value creation.
- To incentivise sustainable future performance in non-IFRS EPS growth and non-IFRS product revenue growth. Product revenue is defined as software licensing, including Software-as-a-Service, and maintenance revenues.
- To retain executives for the long term.

For the Board of Directors, the Executive Chairman's compensation is made up of a fixed salary, benefits, variable compensation as an annual incentive and Stock Appreciation Rights (SAR) awards as a variable long-term incentive.

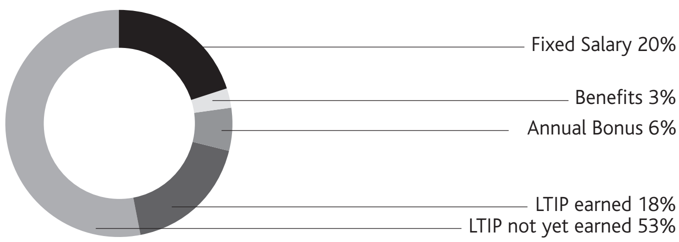
Compensation Mix in 2014

The chart below shows a percentage split on aggregate compensation in 2014 by the Executive Committee. The fixed salary and benefits are the only fixed components; bonus and SAR awards being "at risk" and dependent on the achievement of results.

In 2014, 77% of total compensation earned was variable and conditional upon the performance future performance targets. If these targets are not achieved, then this variable compensation will not be earned.

Based on the growth delivered in licence revenue, non-IFRS EBIT, non-IFRS EPS and operating cashflow performance in 2014, the compensation earned by the Executive Committee was made up as follows:

2014 Executive Committee Members



2014 Variable Short Term Incentive

For 2014, the Variable Short Term Incentive plan is payable on 11 February 2015 after the year end results are announced. It is dependent on the annual total software licensing, non-IFRS EPS and operating cashflow targets being achieved. As in 2013, 50% of any Variable award is in cash and 50% is in restricted stock, which must be retained until 1 January 2016 on the conclusion of the current 3 year plan.

The targets and respective achievements were as follows:

2014 Target	Percentage of Bonus	Target	Actual	Threshold	% of Achievement
Total software licensing	40%	173.5	139.6	90%	80.5%
Non-IFRS EPS	30%	1.44	1.44	90%	100%
Operating Cashflow	30%	209.9	190	90%	90.5%

In the interest of transparency, in addition to the aggregate data shown in the Compensation Report, we show in the table below the 2014 payout for Mr Andreades, Mr Arnott and Mr Chuard.

Executive	2014 Target	Actual Cash Compensation	Actual Deferred Stock Value
Andreas Andreades	Non-IFRS Total software licensing	USD 0	USD 0
Executive Chairman	Non-IFRS EPS	USD 92,061	USD 92,065
	Operating Cashflow	USD 4,781	USD 4,781
David Arnott	Non-IFRS Total software licensing	USD 0	USD 0
Chief Executive Officer	Non-IFRS EPS	USD 122,838	USD 122,847
	Operating Cashflow	USD 6,379	USD 6,379
Max Chuard	Non-IFRS Total software licensing	USD 0	USD 0
Chief Financial Officer	Non-IFRS EPS	USD 73,220	USD 73,215
	Operating Cashflow	USD 3,802	USD 3,802

The Variable Short Term Incentive earned by the three executives in 2014 represents 32% of their on-target variable cash compensation, demonstrating the direct association between the delivery of results and compensation earned.

Long Term Equity Incentive

The Company grants Stock Appreciation Rights (SARs) to executives and senior managers with performance and vesting criteria that conform to ISS recommendations. The tables below provide an overview of the schemes in place together with their performance criteria and pricing. The level and value of awards is commensurate with an executive's contribution to the business.

SARs are valued on a fair value basis by an independent organisation using the Enhanced American Model so as to comply with IFRS 2.

In case of a change of control of Temenos Group AG, all SARs granted will become immediately vested and exercisable provided that their respective vesting period has started. A case of change of control occurs when a third party acquires the control of more than 50% ownership in Temenos Group AG.

2015 Executive Team SAR Scheme

The 2015 SARs plan awarded 2,070,000 SARs, 1,678,000 of which (including those issued to the Executive Director and Executive Committee members) were issued at a grant price of USD 35.34 and a grant date of 28 November 2014. 309,600 were issued at a grant price of USD 35.15 and a grant date of 10 December 2014, the remainder are reserved for new joiners.

Target Population	Performance Criteria	Pricing of Long Term Equity Awards
Executive Director, Executive Committee members and senior managers	Grant conditions linked to the achievement of annual and 3 year cumulative non-IFRS EPS and non-IFRS product revenue targets, vesting after more than three years.	To ensure pricing integrity, long term equity awards are not issued at a discount to market price; they are priced at the closing market price on the day preceding the grant date.

Vesting of the 2015 SAR awards is subject to active employment to the end of the vesting period which is the date of approval by the Board of Directors of the financial results of Temenos for the year ending 31 December 2017 or latest 31 May 2018. The award is split into two parts which are independent of each other: 60% is on non-IFRS EPS targets and 40% is on non-IFRS product revenue targets for the years 2015 to 2017 inclusive.

The award will be the greater of:

i. Annual targets being achieved, divided equally (33.3%) for achievement in each year, 2015, 2016 and 2017 of the plan. There is no overachievement element on the awards linked to annual targets.
ii. Cumulative target achievement being greater than 85% of the sum of the annual targets.

For achievement between 85% target and 100% of target a pro-rated reduced amount will vest. For every 1% over-achievement of the 3 years cumulative non-IFRS EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant.

Any over or underachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown.

Cumulative non-IFRS EPS or non-IFRS product revenues: Achieved as % of Cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	–	50%	100%	120%	140%

The vesting profile of SARs awarded under the 2015 Executive Team SAR scheme is as follows:

% Vesting Profile	2015	2016	2017	On Target Total
On achievement of annual targets	33.3	33.3	33.3	100%
On achievement of cumulative targets	–	–	–	100%

Proportion due to vest	Vesting Date
100% on achievement of annual targets or cumulative target if compensating for a one or two year miss	On Board of Directors approval of the results for the year ending 31 December 2017.

Under the 2015 Executive Team SAR scheme the non-IFRS EPS performance targets are:

	2015 Target	2016 Target	2017 Target	Cumulative 2015-2017
Non-IFRS EPS Targets, USD	1.73	2.07	2.28	6.07
Growth on Prior Year	20%	20%	10%	16% CAGR

The targets for non-IFRS Product Revenue are considered commercially sensitive and are not disclosed in advance. They will be disclosed as each year is completed.

The performance period is from 1 January 2015 until the vesting date, which is the date of approval by the Board of Directors of the financial results of Temenos for the year ending 31 December 2017 or latest 31 May 2018.

The full value of the 2015-2017 variable incentive remains conditional on the achievement of the non-IFRS EPS and non-IFRS product revenue targets for 2015, 2016 and 2017 and/or the cumulative targets for the three year period 2015 to 2017.

2014 Executive Team SAR Scheme

The 2014 SARs plan awarded 1,510,000 SARs, 1,325,000 of which (including those issued to the Executive Director and Executive Committee members) were issued at a grant price of USD 34.38 and a grant date of 28 February 2014.

Target Population	Performance Criteria	Pricing of Long Term Equity Awards
Executive Director, Executive Committee members and senior managers	Grant conditions linked to the achievement of annual and 3 year cumulative non-IFRS EPS targets, vesting after more than three years.	To ensure pricing integrity, long term equity awards are not issued at a discount to market price; they are priced at the closing market price on the day preceding the grant date.

Vesting of the 2014 SAR awards is subject to active employment to the end of the vesting period and achievement of annual and cumulative non-IFRS EPS targets for the years 2014 to 2016 inclusive. 50% of the award is linked to annual non-IFRS EPS targets being achieved, divided equally (16.7%) for achievement in each year, 2014, 2015 and 2016 of the plan. There is no overachievement element on the awards linked to annual targets. The remaining 50% of the award is linked to the achievement of a cumulative non-IFRS EPS target for the three year period, 2014 to 2016. For this 50%, if the cumulative non-IFRS EPS achievement is below 85% of target the respective SARs grant will be forfeited. For achievement between 85% target and 100% of target a pro-rated amount will vest. For every 1% over-achievement of the 3 years cumulative non-IFRS EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant.

Any over or underachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown.

Cumulative non-IFRS EPS Achieved as % of Cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	–	50%	100%	120%	140%

The vesting profile of SARs awarded under the 2014 Executive Team SAR scheme is as follows:

% Vesting Profile	2014	2015	2016	On Target Total
On achievement of annual targets	16.7%	16.7%	16.7%	50%
On achievement of cumulative targets	–	–	–	50%

Proportion due to vest	Vesting Date
50% on achievement of annual targets or cumulative target if compensating for a one or two year miss	On Board of Directors approval of the results for the year ending 31 December 2016.
50% on achievement of cumulative target	

Under the 2014 Executive Team SAR scheme the non-IFRS EPS performance targets are:

	2014 Target	2015 Target	2016 Target	Cumulative 2014-2016
Non-IFRS EPS Targets, USD	1.44	1.73	2.07	5.24
Growth on Prior Year	18%	20%	20%	20% CAGR

The non-IFRS EPS achievement for 2014 was USD 1.44, representing 18% growth on the previous year. The level of performance means that the target for the year has been met and one sixth of the award has vested; five sixths of the full value of the 2014-2016 variable incentive remains conditional on the achievement of the non-IFRS EPS target for 2015, the non-IFRS target for 2016 and/or the cumulative non-IFRS target for the three year period 2014 to 2016.

The performance period is from 1 January 2014 until the vesting date, which is the date of approval by the Board of Directors of the financial results of Temenos for the year ending 31 December 2016 or latest 30 June 2017.

2013 Executive Team SAR Scheme

The 2013 SARs plan awarded 4,154,999 SARs (reduced to 3,554,999 as a result of forfeiture linked to Mr Cullinane leaving the Company) at a grant price of USD 16.32 (reduced to USD 16.03 after an adjustment to compensate for the dividend paid in 2013 and reduced further to USD 15.64 in 2014), and grant date of 31 October 2012, and 550,000 SARs at a grant price of USD 22.40 (reduced to USD 22.11 after adjustment in 2013 and to USD 21.72 in 2014) and a grant date of 1 March 2013.

Vesting of the 2013-2015 SAR award is subject to active employment to the end of the vesting period and achievement of annual and cumulative non-IFRS EPS targets for the years 2013 to 2015 inclusive. 50% of the award is linked to annual non-IFRS EPS targets being achieved, divided equally (16.7%) for achievement in each year, 2013, 2014 and 2015, of the plan. There is no overachievement element on the awards linked to annual targets. The remaining 50% of the award is linked to the achievement of a cumulative non-IFRS EPS target for the three year period, 2013 to 2015. For this 50%, if the cumulative non-IFRS EPS achievement is below 85% of target the respective SARs grant will be forfeited. For achievement between 85% target and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative non-IFRS EPS target, an additional 2% SARs may be granted up to a maximum of 140% of the total grant.

Any over or underachievement is calculated based on the table below. Intermediate performance is pro-rated on a straight-line basis between the data points shown.

Cumulative non-IFRS EPS Achieved as % of Cumulative target	85%	92.5%	100%	110%	120%
Proportion vesting	–	50%	100%	120%	140%

The vesting profile of SARs awarded under the 2013-2015 Executive Team SAR scheme is as follows:

% Vesting Profile	2013	2014	2015	On Target Total
On achievement of annual targets	16.7%	16.7%	16.7%	50%
On achievement of cumulative targets	–	–	–	50%

Fifty per cent (50%) of the underlying net shares derived from the grant after vesting must be retained for a period of 12 months from the vesting date.

Proportion due to vest	Vesting Date
50% on achievement of annual targets or cumulative target if compensating for a one or two year miss	On Board of Directors approval of the results for the year ending 31 December 2015.
50% on achievement of cumulative target	

Under the current 2013 Executive Team SAR scheme the non-IFRS EPS performance targets are:

	2013 Target	2014 Target	2015 Target	Cumulative 2013-2015
Non-IFRS EPS Targets, USD	1.19	1.44	1.73	4.36
Growth on Prior Year	35%	21%	20%	25% CAGR

The non-IFRS EPS achievement for 2013 was USD 1.22 and for 2014 was USD 1.44, representing 38% and 18% growth on the previous year respectively. The level of performance means that the targets for the first two years have been exceeded and hence long-term variable earnings linked to this target are currently on target (two sixths of the award have vested as a result of 2013 and 2014 performance). Four sixths of the full value of the 2013-2015 variable incentive remain conditional on the achievement of the non-IFRS EPS target for 2015.

2012 Executive Team SAR Scheme

The 2012 SARs plan, granted on 1 December 2011, has a grant price of USD 17.45 (reduced to USD 16.77 after adjustments for dividend), with vesting subject to active employment to the end of the vesting period and achievement of annual and cumulative non-IFRS EPS targets for the years 2012 to 2014 inclusive. A total of 100,934 SARs had been granted to the Executive Committee members at 31 December 2012 (as identified in the Compensation Report), reduced to 76,215 as of the 31 December 2013 as a result of Mr Cullinane leaving the Company and forfeiting his SARs.

Proportion due to vest	Vesting Date
50% on achievement of annual targets or cumulative target	On Board approval of the results for the year ending 31 December 2014
50% on achievement of cumulative target	

Under the current 2012 Executive Team SAR scheme the non-IFRS EPS performance targets are:

	2012 Target	2013 Target	2014 Target	Cumulative 2013-2015
Non-IFRS EPS Targets, USD	1.14	1.37	1.80	4.31

The non-IFRS EPS achievements for 2012, 2013 and 2014 were 0.88, 1.22 and 1.44 respectively and hence only 82.5% of the cumulative target was met. For achievement between 80% of target and 100% a reduced amount vested based on the below table:

Cumulative non-IFRS EPS Achieved as % of Cumulative target	80%	90%	100%	110%	120%
Proportion vesting	–	50%	100%	120%	140%

The achievement of 82.5% represents 12.8% of the 2012 SARs plan. The remainder has been forfeited.

420,000 2012 Performance Shares, granted in November 2011 (reduced to 320,000 as of the 31 December 2013 as a result of Mr Cullinane leaving the Company and forfeiting his shares), the vesting of which is subject to active employment to the end of the vesting period and achievement of annual and cumulative non-IFRS EPS targets for the years 2012 to 2014 inclusive. If the cumulative non-IFRS EPS is below 80% of target, the respective Performance Shares will be forfeited. For achievement between 80% of target and 100% of target a reduced amount will vest. For every 1% over-achievement of the 3 years cumulative non-IFRS EPS target, an additional 2% of Performance Shares may be granted up to a maximum of 140% of the total grant.

Contract Terms for our Executive Director and Executive Committee Members

The contractual notice periods of the executive member of the Board of Directors and members of the Executive Committee do not exceed twelve months; there are no severance payment clauses.

In the event of a change of control of the majority of Temenos stock, all non-vested stock options and stock appreciation rights shall become vested and exercisable immediately provided that their respective vesting period has started.

In case of dismissal for cause, all unvested options and stock appreciation rights are forfeited. In case of termination conditions vary by role and are described in each plan.

Compensation Elements for Non-Executive Directors

The Non-Executive Directors were compensated in 2014 with a non-executive fee for their Board duties, together with a supplementary fee for committee chairs.

Summary of Compensation Elements for all employees

		Fixed Salary and Benefits	Annual Profit Share Variable Incentive	Long Term Equity Based Variable Incentive
Eligible employees		All employees	All employees	Executive Directors, Executive Committee members and senior managers
Basis for funding		Role and experience	Role and experience with a 90% threshold on the target of non-IFRS EBIT to be achieved prior to the fund accumulating	Achievement of 3 year non-IFRS EPS targets and non-IFRS product revenue targets (new target in 2015) and continuity of service over 3 years
Payout		Monthly or bi-weekly depending on jurisdiction	After non-IFRS EBIT performance for the financial year has been audited	On Board of Directors approval of the results for the final year of the SAR plan
Payout affected by	**Forfeiture rules**	No	Yes	Yes
	KPIs	No	Yes	Yes
Performance range for Executive Directors		None	0% to 200% of fixed salary. 0% below 90% target threshold (cap of 200% reduced to 150% from 2015 onwards)	Up to 140% of on target LTIP value if all targets are exceeded by 20% 0% below 85% target threshold
Settlement		Cash	Cash, and cash and shares for members of management Shares to be retained until 1 January 2016	Stock Appreciation Rights

Summary of Key Compensation Changes in 2014

In 2014, we reviewed compensation of the Board of Directors and the Executive Committee against our Comparator Group. Our aim is to establish a sustainable and competitive policy for executive compensation and as a result of the benchmark we applied the following changes:

- Effective 1 January 2014:
  - The Board fees paid to non-executive directors increased from USD 85,000 to USD 90,000. The fees for the Chairman of the Audit Committee increased from USD 15,000 to USD 20,000 and the fees for the Chairman of the Compensation Committee increased from USD 10,000 to USD 20,000
  - For the Group Product Director and the Client Director, we increased the variable cash based compensation for each of them from 75% to 100% of their fixed salaries to align them with the rest of the Executive Committee. Their maximum variable cash compensation for 2014 was 200% of their fixed salaries which was dependent on significant overperformance on 2014 revenue, cash and profit targets.
- Effective 1 April 2014:
  - The fixed salary for both Group Product Director and the Client Director were increased by 5% and 3% respectively as part of the annual salary review process.
- Effective 1 July 2014:
  - For the CEO we increased the fixed salary and total cash compensation by 11 % to align him with the 42nd and the 47th percentiles respectively of the Comparator Group.
  - For the CFO we increased the fixed salary and total compensation by 10% to align him with the 42nd and 68th percentiles respectively of the Comparator Group.

We moved to a cycle of annual SAR grants that will vest after three years on the condition that the annual targets for non-IFRS EPS (for 2014 and 2015 grants) and non-IFRS product revenues (for 2015 grant) are achieved in each year of the plan, or together with the cumulative target for the three year period. We favour the use of SARs over restricted stock as they necessitate a growth in the share price, which itself is dependent on strong Company performance, before they have any value to the receiving executives. In this way we incentivise the management team to deliver strong growth in revenue and profitability over the long term.

Compensation for Financial Year under Review

Explanation of Summary Compensation Tables

The total of all compensation, in US dollars, earned in 2014 and 2013 by each member of the Board of Directors is in the following tables.

The Annual Bonus amount is the variable compensation earned in 2014 and relates to a cash element of the Variable (50%), together with the US dollar value of the stock element (50%), with a relevant stock price as of 10 February 2015. If the value of Temenos stock is higher or lower after 1 January, 2016 when the stock can be disposed of, then the gain by the Executive Directors will be correspondingly higher or lower; the incentive to increase the stock value over the medium term aligns the interests of the executive with that of shareholders.

All other Compensation includes life, medical, disability, accident insurances, pension and car allowance and payments in respect of termination of employment for 2013.

The Long Term Incentive Plan (LTIP) Value represents the full fair value at time of grant. The SARs value to the individual is only realised after non-IFRS EPS targets are achieved (which triggers vesting), the time vesting criteria have been satisfied and when the stock price rises above the grant price. The value of the LTIP in the tables below assumes an on target earning, ie the full fair value at 100%.

The 2013 LTIP value in the tables below, has been restated to show the full value of the grant issued in that year. In the 2013 Compensation Report and in the notes to the Financial Statements in prior years the audited accounting charge for the year was included, that is the annual allocation from each respective scheme where the value was evenly attributed over the service life and time vesting criteria of the scheme. Temenos believed this represented better the value of the compensation for the year, however, the guidelines from the "Treuhand-kammer" issued on 30 October 2014 require the full value of the grant to be shown in the year of the grant as a one off grant despite the fact that the grant is not earned. Therefore the charge is approximately three times the value previously reported reflecting the grant of the 2013-15 Scheme.

Although the grant for 2015 was issued in November 2014 upon the approval of the strategic plan 2015-2017 by the Board of Directors, with service period starting 1 January 2015, the value will be included in the 2015 Compensation Report as it constitutes compensation for 2015. The full value of the grant for 2015 for the Chairman is USD 3,356,850 and for the Executive Committee is USD 8,611,050. Similarly the charge for the 2013-15 Scheme has been included in the 2013 comparative even though it was actually issued in October 2012 with a service period starting 1 January 2013. Following the transition of leadership in 2012, the Board of Directors felt that the retention of key executives was of paramount importance to the success of the Company and the creation of shareholder value and therefore a higher number of options were granted for the 2013 fiscal year. Following this higher 2013 grant the Board of Directors reverted to a more steady state grant for 2014, which is therefore lower than 2013.

Social security charges comprise actual charges on base salary and other compensation, and estimated social security charges to be paid for bonus and LTIP's (based on the fair value) granted in the year of compensation.

As individuals are paid in currencies other than US dollars, the amounts in the tables below are converted into US dollars using the average exchange rate for 2014 and the average exchange rate for 2013 respectively. Comparison between these 2 years may be distorted through the exchange rate fluctuations.

Summary Compensation Tables

This section has been audited by our auditors, PwC.

Board of Directors

For Mr Andreades, of the total 2014 compensation of USD 4,489,719, USD 1,537,719 has been earned, and the remainder will only be earned if the targets for the period 2015-2016 of non-IFRS EPS as set out in the report are achieved and the time vesting criteria have been satisfied. The amount earned includes the proportion of LTIP's for which targets have been achieved. Even if earned, the LTIP value to the executive will only be realised if the Temenos stock price is higher than USD 34.38 after the time vesting criteria have been achieved in 2017.

Name Board Function	Fiscal year	Base Salary	Annual Bonus	All other Compensation	Total Compensation before LTIP	LTIP value[1]	Total Compensation	Employer social security charges	Total Compensation including Social Security Charges
A. Andreades									
Executive Chairman	2014	617,060	196,401	133,858	**947,319**	3,542,400	**4,489,719**	114,721	**4,604,440**
	2013	606,220	381,919	126,261	**1,114,400**	5,007,000	**6,121,400**	17,848	**6,139,248**
S. Giacoletto-Roggio[2]									
Vice Chairman from 28.5.2014	2014	110,000	–	–	**110,000**	–	**110,000**	9,670	**119,670**
Member	2013	95,408	–	–	**95,408**	–	**95,408**	8,121	**103,529**
G. Koukis									
Member	2014	90,000	–	17,016	**107,016**	–	**107,016**	6,271	**113,287**
	2013	85,365	–	18,335	**103,700**	–	**103,700**	6,772	**110,472**
T. de Tersant[3]									
Member	2014	110,000	–	–	**110,000**	–	**110,000**	9,670	**119,670**
	2013	100,430	–	–	**100,430**	–	**100,430**	8,560	**108,990**
I. Cookson									
Member	2014	90,000	–	–	**90,000**	–	**90,000**	5,275	**95,275**
	2013	85,365	–	–	**85,365**	–	**85,365**	5,575	**90,940**
E. Hansen									
Member	2014	90,000	–	–	**90,000**	–	**90,000**	–	**90,000**
Member from 24.5.2013	2013	55,271	–	–	**55,271**	–	**55,271**	–	**55,271**
A. Yip									
Member from 28.5.2014	2014	53,000	–	–	**53,000**	–	**53,000**	5,120	**58,120**
C. Pavlou[4]									
Vice Chairman until 28.5.2014	2014	45,222	–	–	**45,222**	–	**45,222**	2,828	**48,051**
	2013	100,430	–	–	**100,430**	–	**100,430**	6,178	**106,608**

(1) Mr Andreades' long term incentive plan compensation corresponds to the full fair value as at grant of the 2014 Executive Team SAR Award. For the award to vest in full, targets must be achieved for each of the respective 3 years, or a cumulative target for the 3 year period. The target for 2014 was reached, however, should the 2015 and 2016 non-IFRS EPS targets not be achieved, the major portion (five sixths) of the 2014 award will not vest and therefore no further compensation will be derived from this grant.

(2) Mr Giacoletto-Roggio's fees comprise a basic fee of USD 90,000 (USD 85,000 for 2013) annually plus USD 20,000 (USD 10,000 for 2013) annually for his duties as Chairman of the Compensation Committee. He does not receive additional fees for his duties as Vice-Chairman of the Company since taking this additional duty from 28 May 2014.

(3) Mr de Tersant's fees comprise a basic fee of USD 90,000 (USD 85,000 for 2013) annually plus USD 20,000 (USD 15,000 for 2013) annually for his duties as Chairman of the Audit Committee.

(4) Mr Pavlou's fees constitute a basic fee of USD 90,000 (USD 85,000 for 2013) annually plus USD 20,000 (USD 15,000 for 2013) annually for his duties as Vice-Chairman of the Company and Chairman of the Nomination Committee, both prorated until 28 May 2014.

Executive Committee

The total of all compensation, in US dollars, earned in 2014 and 2013 by the members of the Executive Committee is shown below. From the total compensation of USD 11,349,116, USD 5,324,883 has been earned and the remainder will only be earned if the targets for the period 2015-2016 of non-IFRS EPS as set out in the report are achieved. The amount earned includes the proportion of LTIP's for which targets have been achieved. Even if earned, the LTIP value to the executives will be realised only if the Temenos stock price is higher than USD 34.38 after the time vesting criteria have been achieved in 2017.

Function	Fiscal year	Base Salary[1]	Annual Bonus	All other Compensation[2]	Total Compensation before LTIP	LTIP value[3]	Total Compensation	Employer social security charges	Total Compensation including Social Security Charges
Executive Committee	2014	2,243,204	739,583	297,529	**3,280,316**	8,068,800	**11,349,116**	1,633,707	**12,982,823**
	2013	2,018,485	1,014,579	1,425,857	**4,458,921**	17,852,415	**22,311,336**	3,598,502	**25,909,838**

(1) The base salary for 2013 includes 2 months of base salary paid to Mr Cullinane (USD 59,431), who is no longer with the Company.
(2) The other compensation for 2013 includes USD 969,474 in respect of payments relating to termination of employment made to Mr Cullinane.
(3) This corresponds to the full fair value as at grant of the 2014 Executive Team SAR Award. The valuation method, conditions and grant details are explained in the paragraph Compensation Components. For the award to vest in full, targets must be achieved for each of the respective 3 years, together with a cumulative target for the 3 year period. For the 2014 award, should the 2015 and 2016 non-IFRS EPS targets not be achieved, the major portion (five sixths) of the 2014 award will not vest and therefore no further compensation will be derived from this grant.

In the table above the Executive Committee members for 2014 were Mr Arnott, Mr Chuard, Mr Loustau, Mr Davis and Mr Winterburn. In 2013 the named Executive Officers were Mr Arnott, Mr Chuard, Mr Loustau, Mr Davis, Mr Winterburn and Mr Cullinane for 2 months.

Highest Paid Member of the Executive Committee

As CEO, Mr Arnott was the highest paid executive in 2014 with compensation, in US Dollars, as follows below. For Mr Arnott, 85% of total compensation in 2014 is variable and conditional upon the 2014-16 performance targets that have to be achieved. Of the total 2014 compensation of USD 5,873,891, USD 2,158,077 has been earned, and the remainder will only be earned if the targets for the period 2015-2016 of non-IFRS EPS as set out in the report are achieved and the time vesting criteria have been satisfied. The amount earned includes the proportion of LTIP's for which targets have been achieved. Even if earned, the LTIP value to the executive will be realised only if the Temenos stock price is higher than USD 34.38 after the time vesting criteria have been achieved in 2017.

Name Function	Fiscal year	Base Salary	Annual Bonus	All other Compensation	Total Compensation before LTIP	LTIP value	Total Compensation	Employer social security charges	Total Compensation including Social Security Charges
David Arnott Chief Executive Officer	2014	779,201	262,064	109,426	**1,150,691**	4,723,200	**5,873,891**	822,369	**6,696,260**
	2013	661,147	460,136	78,603	**1,199,886**	6,672,949	**7,872,835**	1,297,798	**9,170,633**

Compensation in CHF

Pursuant to Article 958d Para 3 of the Swiss Code of Obligations compensation amounts may be quoted in the significant currency of the business activity, in Temenos' case USD, but must also be quoted in CHF. The amounts quoted below in CHF are calculated taking the USD amount converted at the average exchange rate for the year for the Board of Directors, the Executive Committee and Highest Paid Executive Committee member respectively.

Function	Fiscal year	Base Salary	Annual Bonus	All other Compensation	Total Compensation before LTIP	LTIP value	Total Compensation	Employer social security charges	Total Compensation including Social Security Charges
Board of Directors	2014	1,103,570	179,827	138,141	**1,421,538**	3,243,460	**4,664,998**	140,596	**4,805,594**
	2013	1,043,248	353,070	133,674	**1,529,992**	4,628,792	**6,158,784**	49,046	**6,207,831**

Function	Fiscal year	Base Salary	Annual Bonus	All other Compensation	Total Compensation before LTIP	LTIP value	Total Compensation	Employer social security charges	Total Compensation including Social Security Charges
Executive Committee	2014	2,053,902	677,170	272,421	**3,003,493**	7,387,881	**10,391,374**	1,495,840	**11,887,214**
	2013	1,866,017	937,942	1,318,154	**4,122,113**	16,503,918	**20,626,031**	3,326,687	**23,952,718**

Function	Fiscal year	Base Salary	Annual Bonus	All other Compensation	Total Compensation before LTIP	LTIP value	Total Compensation	Employer social security charges	Total Compensation including Social Security Charges
David Arnott Chief Executive Officer	2014	713,445	239,949	100,192	**1,053,585**	4,324,613	**5,378,198**	752,970	**6,131,168**
	2013	611,207	425,379	72,666	**1,109,252**	6,168,902	**7,278,154**	1,199,768	**8,477,922**

Shareholdings and Equity Incentives

Non-executive directors' shares

Name	Position	31 December 2014 Shares	31 December 2013 Shares
S. Giacoletto-Roggio	Vice-Chairman	15,000	10,000
I. Cookson	Member	15,250	9,250
T. de Tersant	Member	3,000	3,000
E. Hansen	Member	11,000	11,000
G. Koukis	Member	–	55,111
A. Yip	Member	–	na
C. Pavlou	Former Vice-Chairman	na	50

Executive Directors' and Executive Committee members' Shares and Outstanding Equity Awards
As of 31 December 2014

			SARs, Options and Performance Shares						
Name	Position	Shares	Grant year[1]	Plan	Exercise price USD	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares[2]	Number of unvested Profit Shares
A. Andreades	Executive Chairman	435,779	2012	2013 scheme	15.64	–	750,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	360,000	–	–
				2015 scheme	35.45	–	345,000	–	–
D. Arnott	CEO	139,984	2008	2009 scheme	11.80	6,915	–	–	–
			2011	2012 scheme[3]	16.77	3,384	–	13,110	–
			2012	2013 scheme	15.64	–	1,050,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	480,000	–	–
				2015 scheme	35.45	–	460,000	–	–
M. Chuard	CFO	34,131	2009	2010 scheme	23.87	8,541	–	–	–
			2011	2012 scheme[3]	16.77	1,207	–	3,933	–
			2012	2013 scheme	15.64	–	680,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	240,000	–	–
				2015 scheme	35.45	–	230,000	–	–
A. Loustau	CTO	–	2011	2012 scheme	16.77	2,220	–	13,110	–
			2012	2013 scheme	15.64	–	450,000	–	–
			2013	2013 Profit share		–	–	–	441
			2014	2015 scheme	35.45	–	45,000	–	–
M. Winterburn	Group Product Director	–	2011	2012 scheme[3]	16.77	1,471	–	6,553	–
			2012	2013 scheme	15.64	–	450,000	–	–
			2013	2013 Profit share		–	–	–	1,705
			2014	2015 scheme	35.45	–	75,000	–	–
M. Davis	Client Director	–	2009	2010 scheme	23.87	1,214	–	–	–
			2011	2012 scheme[3]	16.77	1,471	–	2,620	–
			2012	2013 scheme	15.64	–	174,999	–	–
			2013	2013 scheme	21.72	–	100,000	–	–
			2013	2013 Profit share		–	–	–	2,046
			2014	2014 scheme	34.38	–	100,000	–	–
				2015 scheme	35.45	–	75,000	–	–

1 Two grants were issued in the year, the 2014 grant in February 2014 and the 2015 grant in November 2014.
2 The performance shares were originally granted in 2011 as part of the 2012-2014 Performance Shares award. The additional shares relate to the top up adjustment due to the dividend, which were awarded in 2013 and 2014 as per the table below, but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.

	Grant date					
Name	2011	2013	2014	Total granted	Forfeited	Options outstanding
D. Arnott	100,000	1,305	1,095	102,400	89,290	13,110
M. Chuard	50,000	654	546	51,200	47,267	3,933
A. Loustau	100,000	1,305	1,095	102,400	89,280	13,110
M. Winterburn	50,000	654	546	51,200	44,647	6,553
M. Davis	20,000	261	219	20,480	17,860	2,620

3 The targets for the 2012 scheme were not met, and only 12.8% of the SAR's vested in February 2015. The remainder was forfeited. The numbers in the table reflect the amount outstanding after forfeiture.

As of 31 December 2013

Name	Position	Shares	SARs, Options and Performance Shares				
			Grant year	Exercise price USD	Number of vested Options/SARs	Number of unvested SARs	Number of unvested Performance Shares
A. Andreades	Executive Chairman	929,982	2010	23.71	750,000	–	–
			2012	16.03	–	750,000	–
			2013	22.11	–	150,000	–
G. Koukis	Member	55,111	2007	15.27	74,144	–	–
			2009	24.26	6,441	–	–
D. Arnott	CEO	133,000	2008	12.19	6,915	–	–
			2011	17.16	–	26,431	101,305[1]
			2012	16.03	–	1,050,000	–
			2013	22.11	–	150,000	–
M. Chuard	CFO	30,000	2007	19.71	169,000	–	–
			2008	12.19	20,960	–	–
			2009	24.26	8,541	–	–
			2011	17.16	–	9,436	50,654[2]
			2012	16.03	–	680,000	–
			2013	22.11	–	150,000	–
A. Loustau	CTO	24,373	2007	23.22	20,000	–	–
			2007	27.50	150,000	–	–
			2007	15.27	90,606	–	–
			2008	12.19	68,021	–	–
			2009	24.26	13,593	–	–
			2011	17.16	–	17,344	101,305[1]
			2012	16.03	–	450,000	–
M. Winterburn	Group Product Director	–	2011	17.16	–	11,502	50,654[2]
			2012	16.03	–	450,000	–
M. Davis	Client Director	–	2009	24.26	1,214	–	–
			2011	17.16	–	11,502	20,261[3]
			2012	16.03	–	174,999	–
			2013	22.11	–	100,000	–

1 1,305 is the number of shares for these awards relating to the top up adjustment due to the dividend. These were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.
2 654 is the number of shares for these awards relating to the top up adjustment due to the dividend. These were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.
3 261 is the number of shares for these awards relating to the top up adjustment due to the dividend. These were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.

No options and/or shares were held on 31 December 2014 and 2013 by persons related to the members of the Board of Directors and of the Executive Committee.

Loans Granted to Members of Governing Bodies
As of 31 December 2014 and 31 December 2013 the Company has no outstanding loans to members of the Board of Directors and Executive Committee. No loans were granted to persons related to the latter.

Options outstanding for all senior management other than Board of Directors and Executive Committee

In addition to the holdings above by the members of the Board of Directors and the Executive Committee, the following options are outstanding to other senior management:

Grant year	Plan	Exercise price USD	Number of vested SARs	Number of vested Options	Number of unvested SARs	Number of unvested Performance Shares	Number of unvested Profit Shares
2005	2005	6.27		2,100			
2005	2005	7.84		75,000			
2005	2005	8.52		27,500			
2006	2006	9.10	12,521				
2006	2006	9.78	3,317				
2007	2007	14.88	38,547				
2008	2009	11.80	86,331				
2009	2009	23.87		35,000			
2009	2010	23.87	40,194				
2009	2010	24.26	3,009				
2010	2010	34.14		9,582			
2010	2010	25.29	213				
2011	2011	32.83		5,000			
2011	2011	30.88		2,000			
2011	2012					185,000	
2011	2012	16.77			164,017		
2012	2012	15.79			19,433		
2012	2012	16.66			4,579		
2012	2012	17.04			96,622		
2012	2012	18.35			172,164		
2012	2012					15,131	
2012	2013	14.54			105,000		
2012	2013	15.53			60,000		
2012	2013	15.64			1,995,000		
2013	2013	17.44			30,000		
2013	2013	17.69			22,000		
2013	2013	19.54			30,000		
2013	2013	20.57			3,966		
2013	2013	21.72			557,500		
2013	2013	21.74			10,000		
2013	2013	22.22			85,000		
2013	2013	22.74			5,000		
2013	2013	24.61			5,211		
2013	2013	25.99			5,000		
2014	2014	34.04			30,000		
2014	2014	34.38			145,000		
2014	2014	35.33			130,000		
2014	2014	36.37			20,000		
2014	2015	35.45			448,000		
2014	2015	35.15			309,600		
2014	2013						38,639
Total			**184,132**	**156,182**	**4,453,092**	**200,131**	**38,639**

Pay for Performance Appraisal
Based on the 2014 results, the Executive Chairman and the Executive Committee received 32% of the variable bonus. In 2013, 63% was received. In both 2014 and 2013 the non-IFRS EPS target was met, but the revenue achievement in 2014 did not meet the threshold limit and cash achievements were significantly below target. This clearly demonstrates the link between pay and performance.

With regard to the Long Term Incentive Plan, the non-IFRS EPS targets to date for the 2014 and 2013 Executive Schemes were met. However, the targets for the 2012 Executive Scheme were significantly below target and 87.2% of the grants are forfeited. The historical trend of vesting is shown in the table below.

SAR scheme	Proportion vested based on targets met
2007	100%
2008	forfeited
2009	60%
2010	30%
2011	forfeited
2012	12.8%

Targets will continue to be set at challenging levels to maintain the direct link between pay and performance.

The Year Ahead: Compensation of the Board of Directors and Executive Committee for 2015
Changes that Affect 2015 Compensation
The key changes that are being made to compensation in 2015 are summarised below:

- Reduction in cap of variable pay for our Executive Chairman and the Executive Committee members from 200% to 150%.
- LTIP awards will be granted in the year for which approval has been obtained. Hence for 2016 compensation, the LTIP will be issued in February 2016.
- The 2015 LTIP award includes a second performance measure: non-IFRS product revenues. Previous LTIP's were on based on non-IFRS EPS only. Non-IFRS product revenue is defined as the sum of software licensing, SaaS and maintenance revenue. This change is intended to reflect and support the Temenos business model where growth and value from a shareholder perspective are driven predominantly by growth in product licensing and maintenance revenues.
- A benchmarking exercise was done for the non-executive directors and it was found that the fees, and in particular Chairmanship fees, were lower than those in other Companies in the Temenos comparator group and in companies in the SMIM. Hence effective from 1 January 2015:
  - The Board fees paid to non-executive Directors increased from USD 90,000 to USD 95,000. The fee for the Chairman of the Audit Committee increased from USD 20,000 to USD 32,500 and the fee for the Chairman of the Compensation Committee increased from USD 20,000 to USD 32,500.

2015 Variable Short Term Incentive
For 2015, we shall maintain the Variable Short Term Incentive plan that will pay out when annual total software licensing, non-IFRS EPS and operating cashflow targets are achieved.

In the interest of transparency, we provide in the table below the 2015 on target payout for Mr Andreades, Mr Arnott and Mr Chuard.

Executive	2015 Target	On Target Cash Compensation
Andreas Andreades Executive Chairman	Non-IFRS Total software licensing Non-IFRS EPS Operating Cashflow	USD 246,867 USD 185,150 USD 185,150
David Arnott Chief Executive Officer	Non-IFRS Total software licensing Non-IFRS EPS Operating Cashflow	USD 351,213 USD 263,410 USD 263,410
Max Chuard Chief Financial Officer	Non-IFRS Total software licensing Non-IFRS EPS Operating Cashflow	USD 195,248 USD 146,436 USD 146,436

The target for 2015 for non-IFRS EPS is USD 1.73. The targets for Total software licensing and Operating Cashflow are considered commercially sensitive and are not disclosed in advance. They will be disclosed in due course.

2015 Long Term Equity Awards

The LTIP award for 2015 was issued in November 2014. 60% of the award is comprised on non-IFRS EPS targets as shown below:

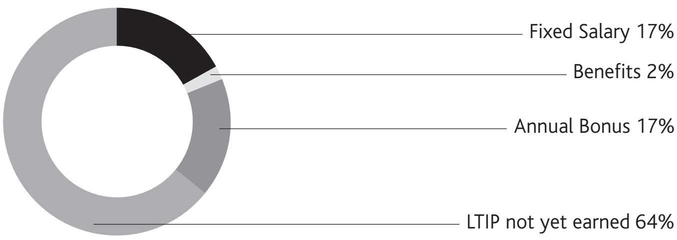
	2015 Target	2016 Target	2017 Target	Cumulative 2015-2017
Non-IFRS EPS Targets, USD	1.73	2.07	2.28	6.07
Growth on Prior Year	20%	20%	10%	16% CAGR

40% of the award is comprised of non-IFRS Product Revenue targets. The targets for non-IFRS Product Revenue are considered commercially sensitive and are not disclosed in advance. They will be disclosed as each year is completed.

2015 Compensation Plan

For 2015, the split of aggregate compensation for the Executive Committee at the on-target level is shown below. The majority of compensation (81%) is at risk and dependent on achieving the annual total software licensing, operating cashflow and annual non-IFRS EPS and non-IFRS product revenue targets for the 2015 financial year. The only fixed compensation which is guaranteed is the fixed salary and benefits which, in aggregate amount to 23% of the on-target total compensation.

2015 Executive Committee Members



Report of the Statutory Auditors
On the compensation report

Report of the statutory auditor to the General Meeting Temenos Group AG Geneva.

Report of the statutory auditors on the compensation report

We have audited pages 76 to 78 of the accompanying Compensation Report of Temenos Group AG for the year ended 31 December 2014.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the Compensation Report of TEMENOS Group AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Guillaume Nayet
Audit expert
Auditor in charge

Yazen Jamjum

Geneva, 18 February 2015

PRINCIPAL RISKS AND UNCERTAINTIES

Temenos Risk Function
In 2014, Temenos has advanced Risk management processes to further integrate them into the day-to-day operation. This has enabled the business decision making processes to be increasingly risk focussed towards the desired level of risk exposure to achieve Temenos objectives.

Economic Environment
The Banking Software industry is highly competitive and continues to evolve and innovate at a rapid rate.

As the approach towards the provision of software changes based on technological improvements in the industry, (i.e. Software-as-a-Service and Platform-as-a-Service models) the rate of potential product obsolescence and level of competition amongst software providers is significant.

Temenos responds to these economic conditions through its commitment to product innovation and new product strategies. By providing packaged software solutions the Customer receives a higher degree of ownership and inherent value in the product without being tied to long term and potentially onerous service contracts.

Temenos target strategic opportunities with key customers to provide software that excels within the target marketplace and remains relevant to customer needs. This approach based on strategic relationships and customisable packaged products, creates scalable value to Temenos, our strategic customer partners and in turn Temenos' entire customer base.

Temenos' global exposure also enables us to leverage growth from all corners of the globe so as not to be reliant on a single market demographic.

Law and Litigation
The inclusion of embedded or associated 3rd party products within or accompanying our products increases our exposure to claims of IP infringement. Regardless of whether the claims can be justified there are costs and implications of defending Temenos legal position including litigation costs, time commitment, damage to our reputation and relationships with both customers and strategic partners.

Risks relating to IP infringement through packaged Temenos solutions are assessed as part of the initial risk assessment of any prospective deal. This allows for the careful treatment and clear documentation around of the use of any 3rd party product to limit the potential for IP infringement claims.

Our partner contracts are designed in a manner which provides clarity and understanding of both parties with regard to the protection and safeguarding of their IP.

Temenos Regional Legal Support Teams are aligned to business operations and are involved early in any decisions which may incur legal implications. Regional Legal Support also review and provide guidance on complex customer contracts to ensure contractual agreements align to local commerce laws and regulations. This is covered further in Foreign Operating Environments on page 87.

More broadly, the risk of potential breach of legislative or regulatory requirements through general operations, such as breach of listing requirements or group level legal requirements are managed through group level controls, compliance policies and procedures.

Policy compliance requirements are periodically assessed by Risk Management and reviewed by Internal Audit to provide comfort over the policy framework's coverage of new and emerging legislative risks to the organisation.

IT Security and Protection of IP and Source Code
Due to the nature of software products there is an inherent exposure to damage or loss of source code and IP through the following types of events:

- Incursion of Temenos systems by malicious software or illegitimate access from either internal (including partner entities) or external sources. This may result in theft or insertion of spyware/malware.
- Loss of data due to data corruption, power failure, accidental or malicious destruction/deletion.

IP and source code are protected through various control systems, including but not limited to; a restricted production environment limiting interaction with general IT infrastructure, access restrictions, data backup, data security and legal protection through contractual agreements with customers and partners.

Given the constantly changing environment of information technology, a process of continuous review and assessment is required. This periodic assessment aims to minimise any underutilised systems and equipment reducing exposure to potential attacks, system faults and failures.

This focus on streamlining the underlying IT infrastructure acts to minimise potential vulnerabilities, improve performance and strengthen the resilience to attacks through a tightly controlled low complexity IT environment. The reduction in underutilised systems also generates increased savings due to reduced maintenance and monitoring.

Continuous product testing during development and targeted penetration testing for Temenos' IT environments provides additional comfort over the degree of vulnerability to infiltration and cyber-attacks.

Theft or piracy of our IP is also a significant risk consideration and is protected through physical and logical protections as well as use of copyright law, escrow, contractual clauses and processes which provide strong documented evidence in the event of litigation.

Product Quality

Banks are under continued pressure to improve their internal systems to meet the increasingly demanding needs of their customers as well as ensuring conformity to increasingly strict regulatory requirements. Technological changes such as mobile phone and internet banking as well as anti-money laundering, Basel 3 and intensive reporting requirements across various regional jurisdictions mean that Temenos products are continuously required to be modified and updated to meet the requirements of its customers.

The quality specifications of Temenos products are under continuous pressure to perform to the detailed and specific quality standards of the banking industry. The development and modification of this highly complex and sophisticated software is inherently subject to errors, defects and potentially inefficient or ineffective code due to the continuous modification and enhancement of the software.

Failure to meet and maintain the high degree of quality expected by the banking industry would result in significant reputational damage.

As a Product focussed company the provision of high quality packaged products is one of Temenos' primary objectives. Temenos maintain their position as a product leader through our dedication to our software portfolio and investment in research and development.

Extensive product testing is carried out to identify and resolve any issues which may adversely affect the functionality of the products. Testing of code performance is conducted to identify inefficient or ineffective code in order to streamline and strengthen product capabilities during the design stage.

Temenos also seek out strategic partnerships with customers to help build products which meet the requirements of the banking industry. Through these partnering arrangements, Temenos are able to provide products which are built on a model framework unique to the customer's country of operation and able to be configured to meet the individual customer's requirements.

Strategic business partnerships with other software providers also enable Temenos to provide a diverse range of complimentary products to its customers.

Key Personnel

Organisational change carries the inherent risk of interrupting operations through the displacement of staff and may impact staff motivation and engagement. In order to minimise interruption to continuous delivery of operational objectives, Temenos utilise workforce planning and mapping of skills and qualifications to ensure operational requirements are met.

Achieving the right mix of skills and proficiencies across the organisation is key to the efficient and effective delivery of operational performance requirements. Staff must receive sufficient, appropriate training, support, and motivation to be enabled to work as part of a global team.

Incentive and recognition programs are utilised to align staff efforts to organisational objectives. Staff receive product specific and implementation methodology training to ensure they have the necessary skills to perform their duties.

Foreign Operating Environments

Due to Temenos' global customer base our people operate in various locations worldwide. Conducting operations in foreign jurisdictions require that social, political and cultural sensitivities, local laws and regulations be observed and respected.

Exposure to potential physical health and safety hazards including foreign disease, poor sanitary condition, civil unrest, terrorism and increased exposure to natural disasters in certain regions must be addressed.

Safety of individuals, compliance with local laws, tax requirements and observation of local customs are necessary to facilitate successful operations in new operating environments. Temenos take great care to assess the legal, taxation, political, cultural and personal implications of working in foreign operating environments.

By identifying safety and compliance requirements early, various customised mitigation strategies may be implemented to provide smooth delivery of services in new markets with limited exposure to unforeseen risks. The initiation of all implementation projects in foreign jurisdictions requires the assessment of these risks and the identification of appropriate mechanisms to minimise disruption to our staff.

Our Business Partners are often utilised to provide a strong understanding of the local environment and awareness of customs. This is reinforced at a group level through provision of informative guidance to staff travelling to locations where they may encounter potential hazards.

As Temenos expands into new markets and legislative and political environments continue to change, the focus on ensuring safety and compliance is continuously reviewed and developed to address the potential hazards in foreign operating environments.

Managing Customer Relationships

Temenos relations with Customers are protracted due to the nature of the products provided. The relationship continues from implementation to maintenance, support and upgrades through the life of the product. As such the customer relationship is a long term and multi-faceted arrangement and must be managed accordingly. The contractual arrangements supporting this relationship are therefore often varied and diverse to reflect the nature of the requirements of the customer factoring in specific legal and cultural requirements of the customers operating environment as well as the multiple stages of the relationship.

Temenos has increased its focus on assessing customer satisfaction and proactively seeking and responding to customer feedback.

Prior to entering into new customer relationships Temenos are taking additional steps to develop a customer profile which assists in clearly identifying and articulating customer requirements as well as providing a mechanism to identify and mitigate any potential areas for concern which may materialise into disagreements at a late date.

Improved mechanisms for tracking and oversight of contract clauses are utilised by the global contract team to provide additional comfort over the effective management of customer contractual arrangements.

Temenos aims to build long term strategic relationships with Customers in order to maximise the value provided to both parties. Through strong relationships, Temenos are able to further develop products according to industry needs and requirements.

Strategic Partnerships

Temenos place a degree of reliance on project delivery partners and enterprise partners who provide embedded or aligned products to support the services and product offerings provided by Temenos. While these relationships ultimately provide great benefit and increased value to both parties there is a risk associated with managing these relationships and ensuring Temenos continues to receive and maximise benefits from the arrangement.

As Partners acting on behalf of, or in association with Temenos are capable of impacting the reputation of Temenos, care must be taken to govern these relationships.

Temenos' strategy for managing strategic partners ensures that our strategic partners are rewarded whilst ensuring sufficient value is generated to Temenos.

Cloud Solution

Cloud technology, like all new technology, is characterised by a degree of uncertainty in terms of its technical, legal and overall industry impact.

Temenos is currently providing Cloud solutions to customers operating microfinance, community banks and credit unions in various countries. Temenos have taken the opportunity to partner with these organisations to further develop our service offering while expanding our potential customer base.

Temenos' provision of Cloud services is a Platform-as-a-Service model which utilises a 3rd party enterprise partner to reduce exposure to technical and legal risks.

Temenos are investing in the further development of the Cloud Solutions Business within Temenos as well as continued development and enhancement of the product. Temenos Cloud Business is being enhanced through a dedicated strategic risk and governance team to analyse and assess issues of product liability, legal implications and market adoption. Temenos has also obtained SSAE 16 certification to provide a greater degree of assurance to customers.

Software Implementation Project Management

The implementation of Temenos software and integration of various product components is a complex procedure requiring skilled and experienced personnel. The implementation of Temenos software is often performed in part or wholly by service delivery partners as well as committed resources of the customer. The complex nature of the custom built, componentised product also makes it necessary to provide training and education on the operation of the product.

The reliance on 3rd party capabilities, complex nature of product customisation and installation requirements mean that there is a high potential for unforeseen events to occur delaying the progress of implementations.

Temenos focus heavily on training the staff and partners responsible for implementation of software to ensure a strong mix of qualified project managers and technical product expertise. Temenos ensures the adequacy of skills through requiring certification of staff and partners in Temenos Implementation Methodology and products.

Implementation teams are also trained to identify and effectively manage any unforeseen events and a suite of risk management tools are used to monitor and track potential issues which may adversely impact the successful installation of software. Project governance boards are held monthly to oversee the delivery of the implementation against milestones.

Temenos Implementation Methodology is periodically reviewed and updated in order to maintain high standards to Temenos staff and our Business Partners. Identified initial project risks receive an increased level of review and analysis in order to more effectively mitigate and monitor them throughout the life of the Implementation Project.

Mergers and acquisitions

Temenos has a continued focus on growing and developing our business and operations through strategic and targeted acquisition of complementary companies and their product offerings.

Acquisitions carry various risks such as the integration of products into the Temenos product suite fail to provide expected value, merging and integrating operations, and achieving continued profitability. Strong due diligence practices and strategic review and consideration are performed by the executive board and approved by the Board of Directors prior to making any new acquisitions.

The integration of the acquired entity must be managed effectively to ensure optimal integration of functions, operations and product delivery strategies. Integration is conducted based on the nature of the acquisition and due care must be given to maintain the value within acquired entity, this may mean a staggered integration or maintaining separation if necessary.

Detailed integration planning is utilised to ensure a smooth transition of product offerings and services. Legal, commercial and personnel matters are also considered prior to integration in order to limit exposure to unexpected losses or damage.

Physical Security, Business continuity and Disaster Management
Cyber security threats are treated as a serious risk factor due to the potential severity of their impact on Temenos Products. Maintaining a secure network and IT assets is achieved through various controls to prevent undesirable access to Temenos data and systems.

As part of the periodic Risk Assessment of IT infrastructure, potential physical vulnerabilities are factored into the process for developing a resilient and robust IT infrastructure.

The physical security of IT infrastructure and personnel are kept secure through standardised general IT controls across Temenos in line with best practice standards.

The governance framework around BCPs has been updated in alignment with recently updated international standards on Business Continuity. The framework focusses on achieving a balanced and cost effective model based on a consideration of potential business impact resulting from loss of critical functions or services.

The Business Continuity Framework currently provides contingency planning for all mission critical business functions and process within the organisation.

Temenos carries out periodic testing, review and reassessment of Business Continuity and Disaster Recovery Plans to ensure relevance and sufficient coverage of business critical operations and core business units.

IT Disaster Recovery Plans are also being modified and improved to keep up with changes to the IT environment and business support requirements. All major IT Systems within the organisation are covered by a Disaster Recovery Plan designed to minimise the amount of downtime if there were to be an incident.

The BCP strategy focuses on key high risk functions in order to provide a high degree of comfort over critical operating capability while providing a lower yet sufficient level of comfort over less critical functional areas.

Insurance
Temenos has taken out a variety of policies in areas where a loss would have a significant financial impact.

Across the various local legal jurisdictions that Temenos operate, there are various legal requirements to hold certain insurance policies such as workers compensation policies and public liability for example.

Temenos local offices manage their legally required policies with oversight and review by Temenos Head Office. Also each office is reviewed and as necessary covered for Property damage, Business Interruption and Public Liability risks. Information and IT infrastructure is also covered by regional and local Computer Policies.

The United States and Canada are of particular note with regard to statutory imposed insurance requirements and are as such monitored carefully to provide sufficient coverage.

Temenos Head Office also manages all global policies. The main global policies provide coverage across core business areas as follows; Professional Indemnity liability (covering Errors and Omissions, Cyber Liability and Data Protection), Cyber Insurance, Global Travel Insurance and Directors and Officers policy that is providing the professional coverage.

All Insurance policies are reviewed periodically to ensure that the Company, our offices and employees are sufficiently covered and that the policies provide value for money.

Report of the Statutory Auditors
On the consolidated financial statements

Report of the statutory auditor to the General Meeting of Temenos Group AG, Geneva.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Temenos Group AG, which comprise the statement of profit or loss, statement of other comprehensive income, statement of financial position, statement of cashflows, statement of changes in equity and notes, for the year ended 31 December 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cashflows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet Audit expert Auditor in charge	Yazen Jamjum

Geneva, 18 February 2015

Consolidated statement of profit or loss
For the year ended 31 December

	2014 USD 000	2013 USD 000
Revenues		
Software licensing	**139,667**	137,758
Software-as-a-Service	**7,962**	4,822
Total software licensing	**147,629**	142,580
Maintenance	**223,398**	212,496
Services	**97,675**	112,726
Total revenues (note 7)	**468,702**	467,802
Operating expenses		
Cost of sales	**115,394**	140,215
Sales and marketing	**80,420**	79,635
General and administrative	**59,038**	60,130
Other operating expenses	**95,655**	94,323
Total operating expenses (note 8)	**350,507**	374,303
Operating profit	**118,195**	93,499
Finance income	**2,968**	5,050
Finance costs	**(14,830)**	(16,134)
Finance costs – net (note 10)	**(11,862)**	(11,084)
Profit before taxation	**106,333**	82,415
Taxation (note 20)	**(14,702)**	(14,200)
Profit for the year	**91,631**	68,215
Attributable to:		
Equity holders of the Company	**91,631**	68,215
Non-controlling interest	**–**	–
	91,631	68,215
Earnings per share (in USD) (note 11):		
basic	**1.36**	0.99
diluted	**1.32**	0.98

Notes on pages 96 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income
For the year ended 31 December

	2014 USD 000	2013 USD 000
Profit for the year	**91,631**	68,215
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment defined benefit obligations (note 22)	**(1,477)**	(2,672)
	(1,477)	(2,672)
Items that are or may be subsequently reclassified to profit or loss		
Available-for-sale financial assets (note 25)	**(84)**	197
Cashflow hedges (note 25)	**3,387**	(1,339)
Currency translation differences (note 25)	**(24,717)**	6,858
	(21,414)	5,716
Other comprehensive income for the year, net of tax	**(22,891)**	3,044
Total comprehensive income for the year	**68,740**	71,259
Attributable to:		
Equity holders of the Company	**68,740**	71,259
Non-controlling interest	**–**	–
	68,740	71,259

Notes on pages 96 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December

	2014 USD 000	Re-presented 2013 USD 000
Assets		
Current assets		
Cash and cash equivalents (note 12)	**192,610**	115,649
Trade and other receivables (note 13)	**231,647**	254,353
Other financial assets (note 14)	**3,143**	2,444
Total current assets	**427,400**	372,446
Non–current assets		
Property, plant and equipment (note 15)	**14,089**	12,945
Intangible assets (note 16)	**437,808**	473,946
Trade and other receivables (note 13)	**22,298**	27,454
Other financial assets (note 14)	**388**	6,688
Deferred tax assets (note 20)	**23,865**	24,817
Total non-current assets	**498,448**	545,850
Total assets	**925,848**	918,296
Liabilities and equity		
Current liabilities		
Trade and other payables (note 17)	**79,834**	93,941
Other financial liabilities (note 14)	**2,841**	3,784
Deferred revenues	**179,894**	171,830
Income tax liabilities	**14,177**	13,903
Borrowings (note 18)	**12,860**	11,598
Provisions for other liabilities and charges (note 21)	**649**	2,244
Total current liabilities	**290,255**	297,300
Non–current liabilities		
Other financial liabilities (note 14)	**4,140**	72
Income tax liabilities	**1,782**	1,848
Borrowings (note 18)	**279,232**	201,487
Provisions for other liabilities and charges (note 21)	**958**	1,661
Deferred tax liabilities (note 20)	**1,087**	2,781
Retirement benefit obligations (note 22)	**6,356**	4,979
Total non-current liabilities	**293,555**	212,828
Total liabilities	**583,810**	510,128
Capital and reserves attributable to the Company's equity holders		
Share capital	**228,357**	239,798
Treasury shares	**(152,942)**	(131,775)
Share premium and capital reserves (note 24)	**(59,187)**	16,442
Fair value and other reserves (note 25)	**(80,639)**	(59,225)
Retained earnings	**406,449**	342,928
	342,038	408,168
Non-controlling interest	**–**	–
Total equity	**342,038**	408,168
Total liabilities and equity	**925,848**	918,296

Notes on pages 96 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of cashflows
For the year ended 31 December

	2014 USD 000	2013 USD 000
Cashflows from operating activities		
Profit before taxation	**106,333**	82,415
Adjustments:		
Depreciation, amortisation and impairment of financial assets	**64,339**	58,619
Impairment charge of property, plant and equipment (note 15)	**163**	460
Profit on disposal of intangible asset/business	**(2,042)**	(529)
Cost of share options (note 26)	**12,122**	14,053
Foreign exchange loss/(gain) on non-operating activities	**4,712**	(1,213)
Interest expenses, net (note 10)	**8,005**	6,222
Net (profit)/loss from financial instruments (note 10)	**(2,584)**	6,514
Other finance costs (note 10)	**3,161**	2,709
Other non-cash items	**(450)**	2,282
Changes in:		
Trade and other receivables	**(8,707)**	7,795
Trade and other payables, provisions and retirement benefit obligations	**(13,859)**	(23,866)
Deferred revenues	**19,139**	13,839
Cash generated from operations	**190,332**	169,300
Income taxes paid	**(8,445)**	(7,838)
Net cash generated from operating activities	**181,887**	161,462
Cashflows from investing activities		
Purchase of property, plant and equipment	**(5,865)**	(3,334)
Disposal of property, plant and equipment	**24**	9
Purchase of intangible assets	**(4,350)**	(5,124)
Disposal of intangible assets	**2,000**	–
Capitalised development costs (note 16)	**(43,181)**	(41,872)
Acquisitions of subsidiary, net of cash acquired	**–**	(12,710)
Disposal of subsidiary or business, net of cash disposed	**43**	316
Settlement of financial instruments	**3,352**	(6,395)
Interest received	**103**	224
Net cash generated used in investing activities	**(47,874)**	(68,886)
Cashflows from financing activities		
Acquisition of treasury shares	**(119,948)**	(53,647)
Proceeds from borrowings	**2,025**	100,000
Repayments of borrowings	**(10,048)**	(213,608)
Proceeds from issuance of bond	**112,332**	104,080
Interest payments	**(6,345)**	(5,031)
Dividend paid	**(26,633)**	(20,400)
Payment of other financing costs	**(1,964)**	(5,842)
Payment of finance lease liabilities	**(137)**	(291)
Net cash used in financing activities	**(50,718)**	(94,739)
Effect of exchange rate changes	**(6,334)**	78
Net increase/(decrease) in cash and cash equivalents in the year	**76,961**	(2,085)
Cash and cash equivalents at the beginning of the year	**115,649**	117,734
Cash and cash equivalents at the end of the year	**192,610**	115,649

Notes on pages 96 to 138 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December

	Share capital USD 000	Treasury shares USD 000	Share premium and capital reserves (note 24) USD 000	Fair value and other reserves (note 25) USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 January 2013	**239,798**	**(105,264)**	**20,398**	**(64,941)**	**297,785**	**387,776**
Profit for the year	–	–	–	–	68,215	68,215
Other comprehensive income for the year, net of tax	–	–	–	5,716	(2,672)	3,044
Total comprehensive income	–	–	–	5,716	65,543	71,259
Dividend paid	–	–	–	–	(20,400)	(20,400)
Shares issued related to business combination	–	15,558	(6,285)	–	–	9,273
Cost of share options (note 26)	–	–	14,053	–	–	14,053
Exercise of share options	–	11,583	(11,583)	–	–	–
Acquisition of treasury shares	–	(53,652)	–	–	–	(53,652)
Costs associated with equity transactions	–	–	(141)	–	–	(141)
	–	(26,511)	(3,956)	5,716	45,143	20,392
Balance at 31 December 2013	**239,798**	**(131,775)**	**16,442**	**(59,225)**	**342,928**	**408,168**
Profit for the year	–	–	–	–	91,631	91,631
Other comprehensive income for the year, net of tax	–	–	–	(21,414)	(1,477)	(22,891)
Total comprehensive income	–	–	–	(21,414)	90,154	68,740
Dividend paid (note 27)	–	–	–	–	(26,633)	(26,633)
Share capital reduction	(11,441)	53,654	(42,213)	–	–	–
Cost of share options (note 26)	–	–	12,122	–	–	12,122
Exercise of share options	–	45,127	(45,127)	–	–	–
Acquisition of treasury shares	–	(119,948)	–	–	–	(119,948)
Costs associated with equity transactions	–	–	(411)	–	–	(411)
	(11,441)	(21,167)	(75,629)	(21,414)	63,521	(66,130)
Balance at 31 December 2014	**228,357**	**(152,942)**	**(59,187)**	**(80,639)**	**406,449**	**342,038**

Notes on pages 96 to 138 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
31 December 2014

1. General information

Temenos Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of Temenos Group AG have been publicly traded on the SIX Swiss Exchange. On incorporation, Temenos Group AG succeeded Temenos Holdings NV in the role of the ultimate holding company of the Group. On 23 May 2006 the Company moved its seat of incorporation to Geneva, Switzerland. The registered office is 2 Rue de L'Ecole-de-Chimie, Geneva.

The Company and its subsidiaries (the "TEMENOS GROUP" or "the Group") are engaged in the development, marketing and sale of integrated banking software systems. The Group is also involved in supporting the implementation of the systems at various client locations around the world as well as in offering help desk support services to existing users of TEMENOS software systems. The client base consists of mostly banking and other financial services institutions.

These consolidated financial statements have been approved for issue by the Board of Directors on 10 February 2015.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation ("IFRIC"). The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Standards, amendments and interpretations relevant to the Group's operation and adopted by the Group as at 1 January 2014

- IFRS 2 (amendment) 'Share-based Payment' as part of the 2010-2012 cycle annual improvements.
- IFRS 3 (amendment) 'Business Combinations' as part of the 2010-2012 cycle annual improvements.
- IFRIC 21 (interpretation) 'Levies'.

The adoption of these amendments and this interpretation has not resulted in a significant impact on the Group's consolidated financial statements.

Standards, amendments and interpretations relevant to the Group's operation that are not yet effective and have not been early adopted by the Group

The following standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have any significant impact on the Group's financial statements:

- IFRS 9 (standard) 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018. This new standard replaces existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and introduces revised guidance on the classification, recognition, derecognition and measurement of financial assets and financial liabilities as well as a new expected credit losses model for calculating impairment on financial assets. It also includes new general hedge accounting requirements. Although the Group is still assessing the potential effect of this new standard, it is not expected to have a significant impact on the Group's financial statements. The Group will apply this new standard for the financial reporting period commencing on 1 January 2018.
- IFRS 15 (standard) 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017. This new standard replaces the current IAS 18 'Revenue', IAS 11 'Construction Contracts', IFRIC 13 'Customer Loyalty Programmes' and is fully converged with US Generally Accepted Accounting Principles ("US GAAP"). It establishes a comprehensive framework for determining core principles for revenue recognition, improves comparability and requests extensive disclosures. Although the Group expects that the new revenue recognition standard will have a substantial impact on the Group accounting policies and revenue recognition manner, the Group has not yet fully evaluated these impacts. The Group will apply this new standard for the financial reporting period commencing on 1 January 2017 but has not yet concluded on the transitional method.
- IAS 1 (amendment) 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2016. This amendment provides clarification that information should not be obscured by aggregating or by providing immaterial information and that materiality considerations apply to all parts of the financial statements. The amendment provides additional examples of possible ways of ordering notes to clarify that understandability and comparability should be considered when determining the order of notes. This amendment is not expected to have a significant impact on the Group's financial statements. The Group will apply this amendment for the financial reporting period commencing on 1 January 2016.
- IAS 16 (amendment) 'Property, Plant and Equipment', IAS 38 (amendment) 'Intangible Assets', effective for annual periods beginning on or after 1 January 2016. These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset will not be any longer appropriate. The application of these amendments will modify the Group's amortisation method for customer related intangible asset. The Group will apply these amendments for the financial reporting period commencing on 1 January 2016.
- 2010-2012 cycle annual improvements (amendments), effective for annual periods beginning on or after 1 July 2014. The Group will apply these amendments for the financial reporting period commencing on 1 January 2015.
- 2011-2013 cycle annual improvements (amendments), effective for annual periods beginning on or after 1 July 2014. The Group will apply these amendments for the financial reporting period commencing on 1 January 2015.

2.2 Basis of consolidation
The consolidated financial statements include the financial statements of Temenos Group AG ("the Company") as well as its subsidiaries.

Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. If the consideration is lower than the fair value of the net assets acquired, the difference is recognised in profit or loss.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognised in profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Changes in ownership interests in subsidiaries without loss of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Foreign currency
Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency and the currency in which the majority of the Group's transactions are denominated. The Company's functional currency is Swiss Francs.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

The results and financial position of the Group's subsidiaries (none of which has the currency of a hyperinflationary economy) with a different functional currency than the presentation currency are translated as follows:

- assets and liabilities are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income are translated on a monthly basis at the average exchange rates of the month (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- equity items are translated at the historical rates; and
- all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

Gains or losses resulting from long term intragroup balances for which settlement is neither planned nor likely to occur in the foreseeable future are treated as a net investment in foreign operations (i.e. quasi-equity loans). The gains or losses recognised in the separate financial statements of the subsidiary are reclassified as cumulative translation adjustment to other comprehensive income in the Group's consolidated financial statements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity. They are recognised in the functional currency of the acquired entity and translated to the presentation currency using the closing rate.

2.4 Cash and cash equivalents
Cash and cash equivalents includes cash at bank and in hand as well as short term deposits and investments with original maturities of three months or less.

For the purpose of the consolidated statement of cashflows, the Group reports repayments and proceeds from borrowings on a net basis when it relates to short term roll-forward of the revolving credit facility with the same banks (note 18).

2. Accounting policies continued

2.5 Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, change of strategy and default or delinquency in payments are considered indicators that the trade receivable could be impaired. Given the complexity, the size and the length of certain implementation service projects, a delay in the settlement of an open trade receivable does not constitute an objective event that the trade receivable is impaired. The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the original effective interest rate. The carrying amount of the asset is either reduced through the use of an allowance account or directly written off when there is no expectation of future recovery. The impairment loss is recognised in profit or loss. Subsequent recoveries are credited in the same account previously used to recognise the impairment charge.

Non-current trade and other receivables represent balances expected to be recovered after 12 months.

2.6 Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows (in years):

Buildings	50
Furniture and fixtures	10
Office equipment	5
IT equipment*	4
Vehicles	4

* IT equipment is depreciated over the shorter of the license term, if any, and four years.

Leasehold improvements are depreciated over the shorter of the remaining lease term and useful life (ten years).

The assets' residual values and useful lives are reviewed and adjusted if necessary at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance are charged to profit or loss as incurred.

Gains or losses on disposals are determined by comparing the consideration received or receivable with the carrying amount and are recognised within "General and administrative" in profit or loss unless otherwise specified.

2.7 Intangible assets
Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested annually for impairment. The carrying amount is allocated to the cash-generating unit ("CGU") that is expected to benefit from the synergies of the business combination. CGU to which the Goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to the goodwill is recognised immediately as an expense and is not subsequently reversed.

Computer software
Software licenses separately acquired are capitalised when the Group can demonstrate that:

- it controls the asset;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and
- the cost of the asset can be reliably measured.

The cost of the asset comprises its purchase price (including non-refundable purchase taxes) and any directly attributable cost of preparing the asset for its intended use. The cost of the asset is amortised using the straight-line method over its estimated useful life.

Software technologies acquired through business combinations are initially measured at fair value and then amortised using the straight line method over their estimated useful lives.

Customer related intangible asset
Customer-related intangible assets are assets acquired through business combinations. They are initially measured at fair value and then amortised using a revenue-based method.

Internally generated software development

The Group follows a strategy of investing a substantial part of its revenues in research and development work which is directed towards the enhancement of its product platforms.

The costs associated with the development of new or substantially improved products or modules are capitalised when the following criteria are met:

- technical feasibility to complete the development;
- management intent and ability to complete the product and use or sell it;
- the likelihood of success is probable;
- availability of technical and financial resources to complete the development phase;
- costs can be reliably measured; and
- probable future economic benefits can be demonstrated.

Directly attributable development costs that are capitalised include the employee costs and an appropriate portion of relevant overheads. Directly attributable development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development expenditures that are not directly attributable are recognised as an expense when incurred.

Internally generated software development costs are amortised using the straight-line method after the product is available for distribution. Development costs related to architecture developments are amortised over a five-year period and development costs related to functional developments are amortised over a three-year period.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group incurs withholding tax in various jurisdictions. An assessment is made to assess the ability to recover these withholding taxes against the normal tax liabilities occurring within the Group, and a provision is made to the extent that withholding tax is not recoverable.

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

When the effect of the time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense within "Finance costs".

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it.

A provision for onerous lease is recognised when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting the obligations under the contract.

2. Accounting policies continued

2.11 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Effective interest costs are recognised within "Finance costs" in profit or loss.

Fees directly attributable to the conclusion of the borrowing facility are recognised as a prepayment for liquidity services that is subsequently amortised within "Finance costs" over the life of the borrowing facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.12 Leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as liabilities in the statement of financial position. The interest elements of the lease obligations are charged to profit or loss over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset (note 2.6) and the remaining lease term.

All other leases are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.13 Share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or other instruments are shown in equity within share premium (note 24), net of tax, from the proceeds.

Where any subsidiary of the Group purchases the Company's shares (treasury shares), the consideration paid (including any directly attributable incremental costs) is presented as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders. Gains or losses on the reissuance of the treasury shares are recognised within share premium (note 24).

2.14 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method. The related interest expense is recognised in profit or loss within "Finance costs".

2.15 Employee share-based payments
The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instrument granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss , with a corresponding adjustment to equity.

When the instruments are exercised, the Group issues new shares or re-issues treasury shares. The consideration received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and capital reserves.

2.16 Employee benefits
Pension obligations
The Group operates various pension schemes including both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee's service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

When a surplus in a plan exists, the Group measures the net benefit asset at the lower of the surplus and the present value of the future economic benefits available to the Group in the form of a reduction in future contributions or a cash refund.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

For defined contribution plans, the relevant contributions are recognised as personnel costs when they are due. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some subsidiaries provide other post-retirement benefits to their retirees (e.g. gratuities). The entitlement of those benefits is usually conditional on the employee completing a specific length of service. The expected costs of these benefits are accrued over the period of employment using actuarial assumptions. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.17 Revenue recognition

The Group derives revenues from the following sources: (1) software licences, software development services and hosting arrangements; (2) software maintenance (help desk services and rights to future product enhancements); and (3) software implementation and support services.

The Group recognises revenues in accordance with IAS 18: 'Revenue'. This requires the exercise of judgment and the use of estimates in connection with the determination of the amount of revenue to be recognised in each accounting period. In exercising such judgment, the Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18: 'Revenue'.

Revenues are recognised net of any tax collected on behalf of local tax authorities.

Software licence

Software licence revenues represent all fees earned from granting customers licences to use the Group's softwares, either through an initial licence or through the purchase of additional modules or user rights, but excludes any amounts that are related to maintenance. For software licence arrangements that do not require significant modification or customisation of the underlying software, revenue is recognised when the following criteria are met:

- Evidence of an arrangement exists;
- Delivery has occurred;
- The risks and rewards of ownership have been transferred to the customer;
- The amount of revenue can be reliably measured and is not subject to future adjustments (i.e. fixed and determinable);
- The associated costs can be reliably measured;
- Collection is probable.

Unless collection is deemed virtually certain, license revenue due after 12 months is deferred until 1) the collection becomes due within 12 months, 2) there were no delinquency in prior payments, 3) the remaining balance is free from any uncertainties and future adjustments.

Sale of software license to a customer which is not the end-user (i.e. reseller arrangement) is recognised when evidence of sell-through exists or when the Group has received non-refundable consideration.

Software development services revenue represents fees charged to clients for developing requested additional functionality. Generic developments relating to country-specific requirements or functionalities that are re-usable in future sales but not yet readily available at the time of the sale are deferred and recognised upon delivery. Non-generic development fees are recognised on a percentage-of-completion basis over the period when the service is performed .

Revenue from "Software-as-a-Service" relates to hosting arrangements that provide the customer with the right to use Temenos' products over a certain period time. Fees for the ongoing hosting service are recognised either on a usage basis (if this can be reliably measured) or over the contractual term of the arrangement. Non-refundable one-time upfront fees consisting of standardisation set-up, initiation or activation services are recognised over the term of the arrangement unless related costs can be reliably measured and revenue can be separately determined based on market pricing for the same obligation. Other professional services such as consulting or training constitute separate obligation and are recognised when revenue recognition criteria for services, as described below, are met. When the hosting arrangement is combined with a license sale of the software, the license revenue is recognised according to the revenue criteria above when, and only when, the customer can take possession of the product without significant penalties. Otherwise, license revenue is recognised on the same terms of the related hosting arrangement.

2. Accounting policies continued

2.17 Revenue recognition continued
Maintenance
Software maintenance is included in most software license arrangements and is generally priced as a percentage of the initial software license fees. Maintenance provides customers with rights to unspecified software product upgrades, maintenance enhancements and access to the help desk during the term of the support period and is recognised ratably on a straight-line basis over the term of the arrangement.

Services
Software implementation and support services represents income from consulting, training and implementation services sold separately under services contracts. Fixed-price arrangements are accounted for on a percentage-of-completion basis in accordance with the rules applicable to long-term contract revenue recognition as defined in IAS 11 'Construction Contracts', whereby revenue recognised during the period represents the man-days effort incurred up to the end of the reporting period as a percentage of the total estimated man-days to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Fees relating to time and material contracts are recognised when man-days efforts are provided and collection is deemed probable.

Multiple element arrangements
In many cases, the Group enters into transactions with customers that include multiple elements such as software licence, maintenance, development services and services revenues. The revenues from these arrangements are generally accounted for separately. The factors considered in determining whether the revenue should be accounted for separately include the nature of the services (i.e. whether they are essential to the functionality of the software licence), the existence of the fair value for the separable elements (i.e. availability of services from other vendors), the timing of payments and the acceptance criteria on the realisability of the software licence fee.

Revenue from multiple-element arrangements is allocated to the different elements based on their fair value. Fair value for professional service and software development service is determined by market pricing for equivalent performance obligation sold separately or the "cost-approach plus reasonable margin" methodology when market data does not exist. When revenue is objectively determined for all undelivered elements with the exception of one delivered element, the residual method is used to allocate revenue to the delivered element. Revenue for delivered elements is recognised when the revenue recognition criteria described above are met and revenue is free from any future uncertainties or adjustments attributable to the undelivered elements from which a portion of the fees have been allocated. Revenue for any undelivered elements is deferred and recognised when the product is delivered or over the period in which the service is performed.

Fees collected in advance are reported within "deferred revenues" and then subsequently recognised as revenue when the performance obligation starts. Fees that have been earned but not yet invoiced are reported under "trade and other receivables".

2.18 Earnings per share
Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are computed by dividing the profit or loss attributable to equity holders of the Company, adjusted for the effect that would result from the conversion of dilutive ordinary shares, by the weighted average number of ordinary shares plus the weighted average of number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares.

2.19 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Chief Executive Officer ("CEO").

2.20 Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must commit to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.21 Financial assets
Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables or as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

All financial assets are initially recognised at fair value plus, in the case of financial assets not subsequently reported at fair value through profit or loss, transactions costs that are attributable to the acquisition of the financial asset.

Subsequent measurement
Financial assets at fair value through profit or loss (FVTPL)
Financial assets at fair value through profit or loss are financial asset held for trading. A financial asset is classified in this category if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- a derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within "Finance costs – net".

FVTPL financial assets are classified as current assets.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents (notes 2.4 and 2.5).

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, except for the current portion where the recognition of interest would be immaterial.

The effective interest income is recognised in profit or loss within "Finance costs – net".

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cashflows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Available-for-sale financial assets (AFS)
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the reporting date.

Available-for-sale financial assets are initially recognised at fair value and transaction costs are expensed in profit or loss. They are subsequently measured at fair value and the resulting gains or losses are recognised in other comprehensive income.

Impairment of financial assets
Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cashflows of the financial asset has been impacted.

Objective evidence could include, amongst other:

- significant financial difficulty of the counterparty;
- financial reorganisation or change in strategy;
- default or delinquency in payments;
- it becomes probable that the counterparty will enter bankruptcy.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cashflows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets carried at amortised costs with the exception of trade receivables, where the carrying amount may be reduced through the use of an allowance account (note 2.5).

2. Accounting policies continued

2.22 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised costs, net of directly attributable costs.

Subsequent measurement

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss are financial liabilities held for trading and contingent consideration incurred in a business combination. Financial liabilities is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- a derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within "Finance costs – net".

FVTPL financial liabilities are classified as current liabilities.

Financial liabilities measured at amortised costs

Financial liabilities measured at amortised costs are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The resulting discounted interest charge is recognised in profit or loss within "Finance costs".

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

2.23 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at each reporting date. The method of recognising the gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item.

The Group designates derivatives as either:

(a) held for trading, or
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cashflow hedge).

While providing effective economic hedges under the Group's risk management policies, certain derivatives are not designated as hedging instruments according to IAS 39 'Financial Instruments: Recognition and Measurement'. They are classified as held for trading and the changes in the fair value are immediately recognised within "Finance costs – net". Related cashflows are reported as cashflows from investing activities.

When hedge accounting is designated, the Group documents at the inception of the hedge the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy. This process includes linking all derivatives designated as hedges to specific assets or liabilities or to specific forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cashflows of the hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 14. Movements on the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item has a remaining maturity of more than 12 months. Derivatives not designated for hedge accounting are classified as a current asset or liability.

Cashflow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cashflow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in other comprehensive income are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability (e.g. fixed assets, deferred revenue), the gains and losses previously deferred in other comprehensive income are included in the initial cost of the asset or the carry amount of the liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in other comprehensive income remains in equity and is recycled to profit or loss when the hedge item is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in profit or loss.

2.24 Fair value measurement
The Group measures certain financial instruments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to or by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group's consolidated financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: Inputs for the asset or liability that are not based on observable market data.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period when the event or change in circumstances occurred.

For items categorised within level 3, the Group's finance team reviews and assesses on a regular basis but, in all cases, at each interim period the unobservable inputs and reports to the Chief Financial Officer ("CFO") any changes that may have a significant effect on the reported fair value.

The Group has elected to use the exception provided by paragraph 48 of IFRS 13 'Fair Value Measurement' to measure the credit risk element attributable to the Group's own credit risk (net short position) or the counterparty's credit risk (net long position) on a net basis for the financial assets and financial liabilities governed by a master netting agreement.

2.25 Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Group:

- currently has a legally enforceable right to set-off the financial assets and financial liabilities; and
- intends either to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

A enforceable right to offset financial assets and financial liabilities must not be contingent on future event and must be currently legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy.

2.26 Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Comparative information
The Group has re-presented comparative information to reflect the finalisation of the initial accounting of Trinovus Capital LLC (note 6). The Group has also re-presented comparative information to reclassify a post-employment benefit liability initially reported under trade and other payables for USD 916 thousand.

Given that the effect of the re-presentation is not material, the Group has decided not to present a third statement of financial position as at 1 January 2013.

3. Financial instruments

3.1 Accounting classifications
The following table shows the financial instruments by category of IAS 39 'Financial Instruments: Recognition and Measurement' to which the accounting policies and disclosures according to IFRS 7 'Financial Instruments: Disclosures' applies:

	2014 **USD 000**	Re-presented 2013 USD 000
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	**787**	755
Derivatives instruments used for hedging	**2,588**	8,130
Available-for-sale financial assets	**156**	247
Loans and receivables (including cash and cash equivalent)	**430,790**	378,872
Total	**434,321**	388,004

	2014 **USD 000**	Re-presented 2013 USD 000
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	**1,631**	810
Derivatives instruments used for hedging	**5,350**	3,046
Financial liabilities measured at amortised cost	**369,676**	306,520
Total	**376,657**	310,376

3.2 Financial risk factors
The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cashflow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Chief Financial Officer ("CFO"). The CFO and his team identify, evaluate and mitigate financial risks when deemed necessary.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to those described below. Foreign exchange risk arises from:

- forecasted revenues and costs denominated in a currency other than the entity's functional currency;
- monetary assets and liabilities denominated in a currency other than the entity's functional currency; and
- net investments in foreign operations.

The Group makes efforts to mitigate its future cashflows foreign exposure risk by aligning the revenue streams to currencies that match the cost base and hedge the residual exposure by using derivatives instruments whenever hedge accounting is applicable. At any point in time, the Group's policy is to mitigate the next 18 -24 months of cashflows foreign exposure risk. The Group uses forward contracts as hedging instruments.

Forecasted transactions designated as hedged items under cashflow hedge relationship mainly comprises of future revenue streams as well as future recurring operating costs such as personnel costs and office related costs. They are expected to occur each month during the next 24 months. With the exception of future maintenance streams for which gains or losses affect profit or loss over the subsequent periods after the cashflows occur (straight line basis over the maintenance period), gains or losses are recognised during the same period when the related cashflows occur.

The Group has entered into a cross-currency swap to hedge the foreign exchange risk attributable to the bond issued in 2013. The terms of the cross-currency swap match those of the bond. Expected cashflows occur on 25 July every year till 2017 and affect profit or loss every month during the life of the bond.

There was no ineffectiveness recognised during the period (2013: USD nil).

The Group offsets its short-term material foreign currency exposures arising from monetary assets and liabilities by entering into forwards contracts. These derivatives are not designated as a hedging instrument according to IAS 39 'Financial Instruments: Recognition and Measurement' since the related gains or losses are recognised and presented within the same period and the same profit or loss line item (i.e. Finance costs – net) as the underlying exposures.

The Group does not follow a defined plan to hedge the risk from the net investments in foreign operations as long as the risk is kept at a reasonable level.

The table below illustrates the Group's principal foreign currency exposures:

	Net exposure	
	2014 FCY* 000	2013 FCY* 000
EURO	**228**	1,640
UK Pounds	**(484)**	(429)
Swiss Francs	**(6,663)**	5,893
India rupee	**189,847**	38,873

* Foreign currency.

A negative value represents a net liability exposure.

These exposures represent monetary assets and liabilities that are either:

- denominated in one of the currencies above and measured in an entity with a different functional currency; or
- denominated in another currency but measured in an entity whose functional currency is one of the above.

These amounts include the derivatives classified as held for trading but exclude the derivatives qualified for cashflow hedge accounting.

Sensitivity analysis

The following table represents the effect in profit or loss and equity of a reasonable shift in the currencies above against all the other currencies to which they are measured.

				2014
	EURO USD 000	**UK Pounds USD 000**	**Swiss Francs USD 000**	**India rupee USD 000**
Sensitivity assumption	**+10%**	**+10%**	**+20%**	**+10%**
Profit or (loss)	**28**	**(76)**	**(673)**	**299**
Other comprehensive income*	**(2,064)**	**2,025**	**1,616**	**3,784**
Equity	**(2,036)**	**1,949**	**943**	**4,083**
Sensitivity assumption	**–10%**	**–10%**	**–20%**	**–10%**
Profit or (loss)	**(28)**	**76**	**673**	**(299)**
Other comprehensive income*	**2,064**	**(2,025)**	**(1,616)**	**(3,784)**
Equity	**2,036**	**(1,949)**	**(943)**	**(4,083)**

* Derivatives qualified as cashflow hedge (excluding cross-currency swap).

				2013
	EURO USD 000	UK Pounds USD 000	Swiss Francs USD 000	India rupee USD 000
Sensitivity assumption	+10%	+10%	+10%	+10%
Profit or (loss)	217	(399)	657	63
Other comprehensive income*	(3,032)	3,155	1,675	5,106
Equity	(2,815)	2,756	2,332	5,169
Sensitivity assumption	–10%	–10%	–10%	–10%
Profit or (loss)	(217)	399	(657)	(63)
Other comprehensive income*	3,032	(3,155)	(1,675)	(5,106)
Equity	2,815	(2,756)	(2,332)	(5,169)

* Derivatives qualified as cashflow hedge (excluding cross-currency swap).

Sensitivity assumption represents management's assessment of reasonably possible changes in spot rates. Assumption used for the current period for the Swiss Francs reflects the movement in the spot rate observed between the end of the reporting period and the date when the financial statements are approved for issue (note 1).

3. Financial instruments continued

3.2 Financial risk factors continued

(ii) Price risk

The Group is exposed to price risk arising from equity securities classified as available-for-sale (note 14).

An increase of 10% in the quoted price would increase the equity by USD 16 thousand (2013: USD 25 thousand). An equal opposite change would decrease the equity by USD 16 thousand (2013: USD 25 thousand).

(iii) Cashflow and fair value interest risk

The Group is exposed to cashflow interest rate risks arising from cash and cash equivalents and borrowings at variable rates.

The Group is exposed to fair value interest risk on its fixed interest rate borrowings. However, since they are not measured at fair value the Group is not exposed to any profit or loss impact as a result of this risk.

The primary objective of the Group's policy is to minimise the effect of the interest expenses in the statement of profit or loss by the use of derivatives when the risk is deemed to be substantial. The Group analyses its interest rate exposure on a dynamic basis taking into consideration all the current terms of the financial assets or liabilities at variable rates, the current market forecasts and management's assessment of reasonable possible change in the interest rates. At 31 December 2014, the risk was not considered significant, as demonstrated by the sensitivity analysis below and, therefore, no derivatives were entered into.

Sensitivity analysis

A sensitivity simulation was performed on the net exposure of financial instruments with variable rates. With all other variables held constant, an increase of the interest rate by 100 basis point was tested. The result of the sensitivity analysis was USD 0.9 million (2013: USD 1.1 million) additional finance expense to profit or loss and, consequently, a reduction of equity for a similar amount.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables.

The carrying amount of the financial assets, as reported in the section 3.1 above, represents the maximum credit exposure.

The Group's policy is to determine the creditworthiness of any new prospective or existing customer at the initial phase of the negotiation. Payment terms and requirement of financial security are adapted according to the degree of the credit quality and the past experience.

The Group's policy also requires to continuously assess the credit risk for customers with significant balances. At present, the Group does not hold any collateral security.

In cases when delinquency in payments occurs, the Group may withhold services delivery under current implementation or limit the right to use its software.

The Group mitigates the credit risk for cash and cash equivalents and derivative financial instruments by conducting all the transactions with major reputable financial institutions.

Credit risk related to derivative financial instruments is mitigated through legally enforceable master netting agreements.

As at 31 December 2014 and 2013, there is no geographical concentration of credit risk as the Group's customer base is internationally dispersed and no individual customer represents more than 10% of the Group's outstanding "trade and other receivables" balances.

The Group's management believes that no impairment allowance is necessary in respect of trade and other receivables not past due other than those already provided for.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its exposure to liquidity risk through short and long-term forecasts and by seeking to align the maturity profiles of its financial assets with its financial liabilities. The Group's policy is to maintain adequate level of liquidity to meet its liabilities expected to be settled in the short or near term, under both normal and stressed conditions. Excess of liquidity are primarily used to repay any drawn borrowing facilities (note 18) and then invested in short-term deposits with maturities of three months or less.

The following table details the remaining contractual maturity of the Groups' non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cashflows.

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2014				
Trade and other payables	72,019	4,770	–	–
Onerous lease provision	76	76	–	643
Borrowings	11,782	2,825	14,860	279,214
Total non-derivatives financial liabilities	**83,877**	**7,671**	**14,860**	**279,857**

	Less than 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2013 (re-presented)				
Trade and other payables	85,812	5,922	–	–
Onerous lease provision	171	171	90	1,270
Borrowings	10,121	3,182	13,186	198,681
Total non-derivatives financial liabilities (re-presented)	**96,104**	**9,275**	**13,276**	**199,951**

The following table details the Groups' liquidity analysis for its derivative financial liabilities. These amounts represents the contractual undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to quoted prices in active markets for identical instruments.

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2014					
Cross-currency swap	–	–	1,625	1,625	5,975
Outflow foreign exchange derivatives	83,240	7,710	10,206	4,810	–
Inflow foreign exchange derivatives	(81,916)	(7,236)	(9,853)	(4,643)	–
Net settled foreign exchange derivatives	693	–	–	217	–
Total derivatives	**2,017**	**474**	**1,978**	**2,009**	**5,975**

	Less than 3 months USD 000	Between 3 and 6 months USD 000	Between 6 and 12 months USD 000	Between 1 and 2 years USD 000	Between 2 and 5 years USD 000
At 31 December 2013 (re-presented)					
Cross-currency swap (inflow)	–	–	867	895	(5,150)
Outflow foreign exchange derivatives	132,889	7,301	13,776	3,036	–
Inflow foreign exchange derivatives	(132,016)	(7,039)	(13,373)	(2,999)	–
Net settled foreign exchange derivatives	625	600	1,028	36	–
Total derivatives	**1,498**	**862**	**2,298**	**968**	**(5,150)**

3. Financial instruments continued

3.3 Capital risk management

The Group's principal objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group is also subject to external covenants under its facility agreement. These covenants require the Group to remain within certain thresholds used for calculating financial ratios that are primarily based on financial indebtedness, EBITDA and interest expenses.

The capital structure of the Group consists of borrowings (note 18), cash and cash equivalents (note 12) and equity attributable to equity holders of the parent.

3.4 Fair value measurement

The following table provides the level of the fair value hierarchy within which the carrying amounts of the financial assets and liabilities measured at fair value are categorised.

Year ended 31 December 2014

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	787	–	787
Equity securities	156	–	–	156
Derivatives used for hedging				
Forward foreign exchange contracts	–	2,588	–	2,588
Total	156	3,375	–	3,531

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Forward foreign exchange contracts	–	1,631	–	1,631
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,590	–	1,590
Cross-currency swap	–	3,760	–	3,760
Total	–	6,981	–	6,981

Year ended 31 December 2013

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	755	–	755
Equity securities	247	–	–	247
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,885	–	1,885
Cross-currency swap	–	6,245	–	6,245
Total	247	8,885	–	9,132

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL (re-presented)				
Forward foreign exchange contracts	–	810	–	810
Derivatives used for hedging				
Forward foreign exchange contracts	–	3,046	–	3,046
Total (re-presented)	–	3,856	–	3,856

There were no transfers between Level 1 and 2 in the current and prior periods.

Assets and liabilities in level 2

- Forward foreign exchange contracts: The fair value is based on forward exchange rate (provided by brokers) with the resulting value discounted using a free risk curve plus counterparty credit risk.
- Cross-currency swap: The fair value is measured by discounting the contractual cashflows using observable curves for both currencies that reflect currency basis spreads and counterparty credit risk. The resulting value from the leg in foreign currency is translated using the spot exchange rate at the reporting date.

There were no changes in valuation techniques during the period.

3.5 Offsetting financial assets and financial liabilities

Derivatives transactions entered into by the Group are governed by ISDAs or equivalent. Such agreements allow the Group for net settlement of the cashflows related to financial assets and liabilities with the same counterparty in the normal course of business and, also, give the right to set-off exposure with the same counterparty in the event of default, insolvency or bankruptcy of either the entity or the counterparty.

Year ended 31 December 2014

	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set-off USD 000	Net amount USD 000
Financial assets					
Derivatives financial assets	3,375	–	3,375	1,772	1,603
Total	**3,375**	**–**	**3,375**	**1,772**	**1,603**
Financial liabilities					
Derivatives financial liabilities	6,981	–	6,981	1,772	5,209
Total	**6,981**	**–**	**6,981**	**1,772**	**5,209**

Year ended 31 December 2013

	Gross amount USD 000	Amount set-off USD 000	Amount reported USD 000	Amount not set-off USD 000	Net amount USD 000
Financial assets					
Derivatives financial assets	8,885	–	8,885	2,347	6,538
Total	**8,885**	**–**	**8,885**	**2,347**	**6,538**
Financial liabilities					
Derivatives financial liabilities	3,856	–	3,856	2,347	1,509
Total	**3,856**	**–**	**3,856**	**2,347**	**1,509**

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 16).

If the future sales and the size of the market opportunities are significantly lower than management's estimates the carrying value of goodwill may need to be reduced accordingly. However, unless any downturn is particularly severe and pervasive, it is unlikely to have a material impact on the carrying value of goodwill.

At 31 December 2014 the carrying amount of the goodwill amounts to USD 308.9 million (2013: USD 341.3 million).

Deferred income taxes

The Group recognises deferred tax assets on carried forward losses and other temporary differences. The amount recognised is based on management's estimates and assumptions with regards to the availability of future taxable profits at the subsidiaries where the carried forward losses or temporary differences exist. Where the actual outcomes are to differ by 10% from management's estimates, the Group would:

- increase the deferred tax asset by USD 976 thousand, if favourable; or
- decrease the deferred tax asset by USD 976 thousand, if unfavourable.

However, were management to revise internal pricing arrangements, there could be a larger impact on deferred tax.

At 31 December 2014 the carrying amount of the deferred tax asset amounts to USD 23.9 million (2013: USD 24.8 million).

Critical judgements in applying the Group's accounting policies

Revenue recognition

As detailed in note 2.17, the Group is required to make an assessment for each new software licence contract as to whether the underlying software requires significant modification or customisation by the Group in order to meet the customer's requirements. If significant modification or customisation is required, then the licence fee is recognised based on percentage-of-completion. However, the majority of such modifications or customisations have not been deemed significant in current or prior periods.

The Group also exercises judgement in assessing uncertainties surrounding the probability of collection when payment terms are linked to service implementation milestones or other various contingencies exist. These assessments are made at the outset of the contract.

In respect of service revenue, the management exercises judgement in determining the percentage of completion, specifically with regards to the total man-days remaining to complete the implementation.

Internally generated software development

As detailed in note 2.7, the Group is required to make an assessment for each ongoing project in order to determine at what stage a project meets the criteria outlined in the Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project. The total development expense for the period was USD 106.1 million (2013: USD 96.7 million) and the total capitalised development costs was USD 43.2 million (2013: USD 41.9 million).

5. Group companies

The consolidated financial statements include the accounts of Temenos Group AG and the following entities as of 31 December 2014:

Company name	Country of incorporation	Ownership interest
ODYSSEY FINANCIAL TECHNOLOGIES AUSTRALIA PTY LTD.	Australia	100%
TEMENOS AUSTRALIA PTY LIMITED	Australia	100%
TEMENOS ÖSTERREICH GMBH	Austria	100%
TEMENOS BELGIUM S.A.	Belgium	100%
ODYSSEY FINANCIAL TECHNOLOGIES S.A.	Belgium	100%
TEMENOS HOLDINGS LIMITED	British Virgin Islands	100%
TEMENOS BULGARIA EOOD	Bulgaria	100%
TEMENOS CANADA INC.	Canada	100%
TEMENOS SOFTWARE CANADA LIMITED	Canada	100%
TEMENOS SOFTWARE SHANGAI CO. LIMITED	China	100%
TEMENOS COLOMBIA SAS	Colombia	100%
TEMENOS COSTA RICA S.A.	Costa Rica	100%
TEMENOS (RUSSIA) LIMITED	Cyprus	100%
TEMENOS MIDDLE EAST LIMITED	Cyprus	100%
TEMENOS ECUADOR S.A.	Ecuador	100%
TEMENOS EGYPT LLC	Egypt	100%
TEMENOS FRANCE SAS	France	100%
TEMENOS HOLDINGS FRANCE SAS	France	100%
QUETZAL INFORMATIQUE SAS	France	100%
VIVEO GROUP SAS	France	100%
VIVEO FRANCE SAS	France	100%
ODYSSEY FINANCIAL TECHNOLOGIES GmbH	Germany	100%
TEMENOS DEUTSCHLAND GMBH	Germany	100%
TEMENOS HELLAS S.A.	Greece	100%
TEMENOS HONG KONG LIMITED	Hong Kong	100%
TEMENOS INDIA PRIVATE LIMITED	India	100%
FINANCIAL OBJECTS SOFTWARE (INDIA) PRIVATE LIMITED	India	100%
EDGE IPK OFFSHORE DEVELOPMENT PVT LTD.	India	100%
ENERGYCREDIT SOFTWARE SERVICES PRIVATE LIMITED	India	100%
TEMENOS SYSTEMS IRELAND LIMITED	Ireland	100%
TEMENOS JAPAN KK	Japan	100%
TEMENOS KAZAKHSTAN LLP	Kazakhstan	100%
TEMENOS EAST AFRICA LIMITED	Kenya	100%
TEMENOS KOREA LIMITED	Korea	100%
TEMENOS FINANCE LUXEMBOURG S.A.R.L.	Luxembourg	100%
TEMENOS LUXEMBOURG S.A.	Luxembourg	100%
TEMENOS SOFTWARE LUXEMBOURG S.A.	Luxembourg	100%
ODYSSEY GROUP S.A.	Luxembourg	100%
TEMENOS (MALAYSIA) SDN BHD	Malaysia	100%
TEMENOS MEXICO S.A. DE CV	Mexico	100%
TEMENOS NORTH AFRICA LLC	Morocco	100%
TEMENOS (NL) BV	Netherlands	100%
TEMENOS HOLLAND BV	Netherlands	100%
TEMENOS INVESTMENTS BV	Netherlands	100%
TEMENOS PANAMA S.A.	Panama	100%
TEMENOS PHILIPPINES, INC.	Philippines	100%
TEMENOS POLSKA SP.ZOO	Poland	100%
TEMENOS ROMANIA SRL	Romania	100%
TEMENOS SINGAPORE PTE LIMITED	Singapore	100%
TEMENOS AFRICA PTY LIMITED	South Africa	100%
DBS GLOBAL SOLUTIONS (PTY) LIMITED	South Africa	100%
TEMENOS HISPANIA SL	Spain	100%

5. Group companies continued

Company name	Country of incorporation	Ownership interest
TEMENOS HEADQUARTERS S.A.	Switzerland	100%
TEMENOS SUISSE S.A.	Switzerland	100%
TEMENOS (THAILAND) CO. LIMITED	Thailand	100%
TEMENOS EURASIA BANKA YAZILIMLARI LTD. SIRKETI	Turkey	100%
TEMENOS SOLUTIONS USA INC.	U.S.A.	100%
TEMENOS USA, INC.	U.S.A.	100%
FINANCIAL OBJECTS INC.	U.S.A.	100%
EDGE IPK INC.	U.S.A.	100%
TRINOVUS LLC	U.S.A.	100%
TRINOVUS SYSTEMS LLC	U.S.A.	100%
TEMENOS UKRAINE LLC	Ukraine	100%
TEMENOS UK LIMITED	United Kingdom	100%
FE MOBILE LIMITED	United Kingdom	100%
FINANCIAL OBJECTS LIMITED	United Kingdom	100%
FINANCIAL OBJECTS (UK) LIMITED	United Kingdom	100%
FINANCIAL OBJECTS INTERNATIONAL LIMITED	United Kingdom	100%
FINANCIAL OBJECTS (RISK MANAGEMENT) LIMITED	United Kingdom	100%
WEALTH MANAGEMENT SYSTEMS LIMITED	United Kingdom	100%
FAIRS LIMITED	United Kingdom	100%
GENISYS TECHNOLOGY LIMITED	United Kingdom	100%
LYDIAN ASSOCIATES LIMITED	United Kingdom	100%
FINO SOFTWARE SERVICES LIMITED	United Kingdom	100%
RAFT INTERNATIONAL LIMITED	United Kingdom	100%
RAFT (OVERSEAS) LIMITED	United Kingdom	100%
WEALTH MANAGEMENT SOFTWARE LIMITED	United Kingdom	100%
ODYSSEY FINANCIAL TECHNOLOGIES PLC	United Kingdom	100%
EDGE IPK LTD.	United Kingdom	100%
TEMENOS VIETNAM COMPANY LIMITED	Vietnam	100%

In addition to the Group companies listed above, some Group subsidiaries maintain branches or representative offices at the following locations: Beirut (Lebanon); Dubai (United Arab Emirates); Riyadh (Saudi Arabia); Moscow (Russia); Prague (Czech Republic); Kiev (Ukraine); Taipei (Taiwan); Islamabad (Pakistan); Jakarta (Indonesia); New-York (U.S.A); Stockholm (Sweden), Santo Domingo (Dominican Republic), Tunis (Tunisia), Montpellier (France), Nantes (France), Hong Kong (Hong Kong) and Lausanne (Switzerland).

Significant restrictions
Other than those described in note 12, there is no significant restriction on the Group's ability to access or use assets, and settle liabilities, of the above subsidiaries.

6. Business combinations

Prior years acquisitions

Trinovus Capital LLC
The following tables summarise the financial effect of the finalisation of the initial accounting.

	2013 USD 000	**2014 adjustment USD 000**	Total USD 000
Purchase consideration:			
– Cash consideration	13,125	**–**	13,125
– Equity instruments (408,877 treasury shares)	9,273	**–**	9,273
– Contingent consideration	1,609	**(1,609)**	–
Total purchase consideration	24,007	**(1,609)**	22,398
Fair value of net assets acquired	6,563	**(286)**	6,277
Goodwill	17,444	**(1,323)**	16,121

As a result of subsequent information obtained during the measurement period, the contingent consideration initially recognised as a liability was reversed since it did not meet any longer the definition of contingent consideration as per IFRS 3 'Business Combinations'.

As required by IFRS 3: 'Business Combinations', comparative information in the financial statements has been re-presented to reflect the finalisation of the initial accounting.

Subsequent adjustments by category

	2013 USD 000	**2014 adjustment USD 000**	Total USD 000
Cash and cash equivalents	800	**–**	800
Trade and other receivables	1,688	**(286)**	1,402
Property, plant and equipment	881	**–**	881
Intangible assets	7,284	**–**	7,284
Trade and other payables	(1,748)	**–**	(1,748)
Deferred revenues	(2,193)	**–**	(2,193)
Borrowings	(149)	**–**	(149)
Total	6,563	**(286)**	6,277

7. Segment information

The Chief Operating Decision Maker ("CODM") has been identified as the Group's Chief Executive Officer ("CEO"). He regularly reviews the Group's operating segments in order to assess performance and to allocate resources.

The CODM considers the business from a product perspective and, therefore, recognises the reporting segments as: "Product" and "Services". Other representation of the Group's activity such as regional information is also presented to the CODM but it is not primarily used to review the Group's performance and to make decisions as how to allocate resources.

The "Product" segment is primarily engaged in marketing, licensing and maintaining the Group's software solutions, including software development fees for requested functionality, as well as providing hosting arrangements. The "Services" segment represents various implementation services such as consulting and training.

The CODM assesses the performance of the operating segments based on the operating result. This measure includes the operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated expenses mainly comprise of restructuring costs, share-based payment expenses, offices-related expenses and any other administrative or corporate overheads that cannot be directly attributable to the operating segments.

The table below summarises the primary information provided to the CODM:

	Product		Services		Total	
	2014 USD 000	2013 USD 000	**2014 USD 000**	2013 USD 000	**2014 USD 000**	2013 USD 000
Revenue	**371,027**	355,076	**97,675**	112,726	**468,702**	467,802
Operating contribution	**161,336**	155,864	**13,694**	7,454	**175,030**	163,318
Total assets	**140,709**	162,756	**89,956**	90,423	**230,665**	253,179

All revenues are derived from external customers. The Group has a large number of customers and no individual customer contributed more than 10% of total Group's revenue in the current and prior year.

The accounting policies applied to the reportable segments are the same as the Group's accounting policies described in note 2.

Intersegment transactions are recognised as part of the allocated expenses. They are based on internal cost rates that excludes any profit margin.

Reconciliation to Group's consolidated financial statements	**2014 USD 000**	2013 USD 000
Total operating contribution from the reportable segments	**175,030**	163,318
Depreciation and amortisation (note 8)	**(49,584)**	(48,997)
Unallocated expenses	**(7,251)**	(20,822)
Finance costs – net (note 10)	**(11,862)**	(11,084)
Profit before taxation	**106,333**	82,415

Total assets	**2014 USD 000**	Re-presented 2013 USD 000
Total assets allocated to the reportable segments	**230,665**	253,179
Unallocated items:		
Trade and other receivables	**23,280**	28,628
Cash and cash equivalents	**192,610**	115,649
Other financial assets	**3,531**	9,132
Property, plant and equipment	**14,089**	12,945
Intangible assets	**437,808**	473,946
Deferred tax assets	**23,865**	24,817
Total assets per the statement of financial position	**925,848**	918,296

Geographical information

Revenue from external customers	2014 USD 000
Switzerland (country of the Group's domiciliation)	**17,913**
United Kingdom	**35,233**
France	**23,639**
Luxembourg	**24,123**
Other countries	**367,794**
Total	**468,702**

	2013 USD 000
Switzerland (country of the Group's domiciliation)	26,401
United Kingdom	36,344
France	27,582
Luxembourg	27,769
Other countries	349,706
Total	467,802

Revenues are based on the location where the license and maintenance is sold or the service is provided.

Non-current assets other than financial instruments and deferred tax assets	2014 USD 000
Switzerland (country of the Group's domiciliation)	**105,459**
Luxembourg	**135,096**
United Kingdom	**69,479**
France	**64,990**
USA	**22,930**
Other countries	**53,943**
Total	**451,897**

	Re-presented 2013 USD 000
Switzerland (country of the Group's domiciliation)	84,042
Luxembourg	149,310
United Kingdom	75,915
France	75,850
USA	23,401
Other countries	78,373
Total	486,891

8. Expenses by nature

	2014 USD 000	2013 USD 000
Third party licences and commissions	**11,815**	18,934
Personnel costs and external consultants	**252,185**	264,301
Depreciation and amortisation (note 15 and 16)	**49,584**	48,997
Travel expenses	**26,654**	29,081
Rent and other occupancy costs	**16,069**	16,532
Marketing and other professional costs	**12,599**	12,926
Other costs	**24,781**	25,404
Capitalised expenditure (note 16)	**(43,180)**	(41,872)
	350,507	374,303

9. Employee benefit expenses

	2014 USD 000	2013 USD 000
Wages and salaries	**170,828**	180,365
Termination benefits	**1,282**	5,110
Social charges	**25,350**	25,279
Defined contribution pension costs	**5,248**	5,023
Defined benefit pension costs (note 22)	**1,933**	2,103
Cost of employee share option scheme (note 26)	**12,122**	14,053
	216,763	231,933

Included in the personnel costs, is the remuneration of the key management personnel as illustrated below:

	2014 USD 000	2013 USD 000
Key management personnel of Temenos Group AG		
– short-term cash compensation and benefits	**3,999**	3,575
– post-employment benefits	**222**	297
– termination benefits	**–**	109
– share-based payment	**6,750**	4,897
	10,971	8,878
Non-executive directors		
– short-term benefits	**605**	541

Remuneration of the Board of Directors and the Executive Committee in accordance with the Swiss Code of Obligations and the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies can be found in the compensation report of the annual report.

10. Finance costs – net

	2014 USD 000	2013 USD 000
Finance income:		
– Interest income on short-term bank deposits and investments	**88**	220
– Unwinding of discount on non-current trade and other receivables	**296**	469
– Net gain on derivatives not designated as hedging instruments	**2,584**	–
– Foreign exchange gain, net	**–**	4,361
Total finance income	**2,968**	5,050
Finance costs:		
– Interest expense	**(8,389)**	(6,911)
– Other financing costs*	**(3,161)**	(2,709)
– Net loss on derivatives not designated as hedging instruments	**–**	(6,514)
– Foreign exchange loss, net	**(3,280)**	–
Total finance costs	**(14,830)**	(16,134)
Finance costs – net	**(11,862)**	(11,084)

* Other financing costs mainly comprise of fees incurred for the conclusion of the credit facility, the commitment fees attributable to the undrawn portion of the credit facility and fees related to guarantees in issue (note 18).

11. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2014 USD 000	2013 USD 000
Profit attributable to equity holders of the Company (USD 000)	**91,631**	68,215
Weighted average of ordinary shares outstanding during the year (in thousands)	**67,416**	68,621
Basic earnings per share (USD per share)	**1.36**	0.99

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the periods presented in these consolidated financial statements, the Group has only one category with a potential dilutive effect: "Share options".

For the period ended 31 December 2013 and 31 December 2014, this category was fully dilutive.

	2014 USD 000	2013 USD 000
Profit used to determine diluted earnings per share (USD 000)	**91,631**	68,215
Weighted average of ordinary shares outstanding during the year (in thousands)	**67,416**	68,621
Adjustments for:		
– Share options (in thousands)	**2,057**	1,116
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**69,473**	69,737
Diluted earnings per share (USD per share)	**1.32**	0.98

12. Cash and cash equivalents

The balance in respect of cash and cash equivalents consists of:

	2014 USD 000	2013 USD 000
Cash at bank and in hand	**132,446**	88,228
Short term deposits with banks	**50,164**	27,421
Other short term investments	**10,000**	–
	192,610	115,649

Included in the above amount, is USD 3.1 million (2013: USD 2.8 million) of cash and cash equivalents that are held in jurisdiction where regulatory exchange controls exist and, therefore, are not available for the general use of the Group.

13. Trade and other receivables

	2014 USD 000	Re-presented 2013 USD 000
Trade receivables	**253,607**	272,373
Less: provision for impairment of trade receivables	**(22,942)**	(19,194)
Trade receivables – net	**230,665**	253,179
VAT and other taxation recoverable	**7,936**	10,060
Other receivables	**2,620**	3,153
Prepayments	**12,724**	15,415
Total trade and other receivables	**253,945**	281,807
Less non-current portion	**(22,298)**	(27,454)
Total current portion of trade and other receivables	**231,647**	254,353

Included in "Trade receivables" line, are USD 158.8 million of accrued income (2013: USD 175.2 million).

Trade and other receivables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount of the current portion of the trade and other receivables is due within the next 12 months after the reporting date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit quality of these receivables are periodically assessed by reference to external credit ratings (if available) or to historical information about their default rates. The Group does not hold any collateral as security.

Fair values of the trade and other receivables

	Carrying amount		Fair value	
	2014 USD 000	2013 USD 000	**2014 USD 000**	2013 USD 000
Current trade and other receivables	**231,647**	254,353	**231,647**	254,353
Non-current trade and other receivables	**22,298**	27,454	**21,855**	26,920
	253,945	281,807	**253,502**	281,273

The carrying amounts of current trade and other receivables approximate their fair value. Fair value of non-current trade and other receivables is based on a discounted cashflow approach using the LIBOR plus appropriate credit risk at the reporting date and is within level 2 of the fair value hierarchy.

Ageing of the trade and other receivables past due but not impaired:

	2014 USD 000	2013 USD 000
Past due less than 30 days	**22,839**	17,466
Past due 31-90 days	**9,583**	8,561
Past due 91-180 days	**10,412**	8,303
Past due 181-360 days	**5,689**	10,864
More than 360 days	**16,085**	17,882
	64,608	63,076

The Group believes that the past due and not impaired receivables are fully recoverable as there are no indicators of future delinquency or potential litigation.

Movements in the allowance for doubtful debts
The allowance account is used for impairment of trade receivables. The other classes do not contain any impaired assets.

	2014 USD 000	2013 USD 000
At 1 January	**19,194**	16,843
Provision for receivables impairment	**12,918**	5,107
Used amounts	**(8,842)**	(2,372)
Unused amounts	**(29)**	(406)
Exchange gain or loss	**(299)**	22
At 31 December	**22,942**	19,194

Management acknowledges that there is an inherent risk linked to the Group's trade receivables in respect of the complexity of the Group's business and the existence of mid to long projects.

Included in "Sales and marketing", is USD 14.8 million (2013: USD 9.6 million) of net impairment loss related to trade receivables. The Group has provided for the adverse probable outcome on a limited number of projects that are facing some implementation difficulties or funding issues.

14. Other financial assets and liabilities

	2014		Re-presented 2013	
	Assets USD 000	**Liabilities USD 000**	Assets USD 000	Liabilities USD 000
Forward foreign exchange contracts – cashflow hedges	**2,588**	**1,590**	1,885	3,046
Forward foreign exchange contracts – held for trading	**787**	**1,631**	755	810
Cross-currency swap – cashflow hedges	**–**	**3,760**	6,245	–
Available-for-sale investment	**156**	**–**	247	–
At 31 December	**3,531**	**6,981**	9,132	3,856
Reported as follows:				
Current	**3,143**	**2,841**	2,444	3,784
Non-current	**388**	**4,140**	6,688	72
At 31 December	**3,531**	**6,981**	9,132	3,856

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets as reported in the statement of financial position.

Available-for-sale investment financial assets includes equity securities of a publicly listed company in Australia.

15. Property, plant and equipment

Year ended 31 December 2014	Leasehold improvements USD 000	Vehicles USD 000	Fixtures fittings & equipment USD 000	Land and buildings USD 000	Total USD 000
Cost					
At 1 January 2014	12,183	421	35,111	2,729	50,444
Foreign currency exchange differences	(299)	(4)	(1,727)	(58)	(2,088)
Additions	1,426	21	4,345	–	5,792
31 December 2014	**13,310**	**438**	**37,729**	**2,671**	**54,148**
Depreciation and impairment					
At 1 January 2014	10,609	246	26,387	257	37,499
Foreign currency exchange differences	(230)	(2)	(1,329)	(8)	(1,569)
Charge for the year	559	62	3,295	50	3,966
Impairment loss	60	10	93	–	163
31 December 2014	**10,998**	**316**	**28,446**	**299**	**40,059**
Net book value					
31 December 2014	**2,312**	**122**	**9,283**	**2,372**	**14,089**
Year ended 31 December 2013					
Cost					
At 1 January 2013	11,522	392	32,846	2,502	47,262
Foreign currency exchange differences	(199)	(32)	(872)	(279)	(1,382)
Acquisition of subsidiary	34	–	341	506	881
Additions	826	61	2,796	–	3,683
31 December 2013	12,183	421	35,111	2,729	50,444
Depreciation and impairment					
At 1 January 2013	9,637	190	23,402	235	33,464
Foreign currency exchange differences	(73)	(11)	(609)	(28)	(721)
Charge for the year	645	67	3,534	50	4,296
Impairment loss	400	–	60	–	460
31 December 2013	10,609	246	26,387	257	37,499
Net book value					
31 December 2013	1,574	175	8,724	2,472	12,945

Leased assets, where the Group is a lessee, mainly comprise of IT hardware and some office equipment.

	Fixtures fittings & equipment USD 000
Net book value at 31 December 2014	**24**
Net book value at 31 December 2013	116

In all cases the assets leased are pledged as collateral against the finance lease liability.

16. Intangible assets

Year ended 31 December 2014	Internally generated software development costs USD 000	Goodwill USD 000	Computer software USD 000	Customer related USD 000	Total USD 000
Cost					
At 1 January 2014	255,934	341,308	71,624	50,815	719,681
Foreign currency exchange differences	(6,584)	(32,335)	(4,017)	(4,772)	(47,708)
Additions	43,181	–	3,528	–	46,709
Disposals*	–	–	–	–	–
31 December 2014	**292,531**	**308,973**	**71,135**	**46,043**	**718,682**
Amortisation					
At 1 January 2014	147,677	–	49,788	48,270	245,735
Foreign currency exchange differences	(2,194)	–	(3,519)	(4,766)	(10,479)
Charge for the year	33,356	–	10,409	1,853	45,618
Disposals*	–	–	–	–	–
31 December 2014	**178,839**	**–**	**56,678**	**45,357**	**280,874**
Net book value					
31 December 2014	**113,692**	**308,973**	**14,457**	**686**	**437,808**

Year ended 31 December 2013					
Cost					
At 1 January 2013	212,228	313,804	60,981	47,116	634,129
Foreign currency exchange differences	1,834	11,383	937	1,746	15,900
Acquisition of subsidiary	–	16,121	5,331	1,953	23,405
Additions	41,872	–	4,375	–	46,247
31 December 2013 (re-presented)	255,934	341,308	71,624	50,815	719,681
Amortisation					
At 1 January 2013	119,539	–	37,953	40,513	198,005
Foreign currency exchange differences	424	–	1,162	1,443	3,029
Charge for the year	27,714	–	10,673	6,314	44,701
31 December 2013	147,677	–	49,788	48,270	245,735
Net book value					
31 December 2013 (re-presented)	108,257	341,308	21,836	2,545	473,946

* During the year the Group disposed of components of a software intellectual property acquired in 1999 and received in exchange a disposal consideration of USD 2 million. There was no separate value allocated to these individual items at the time of the acquisition. The entire acquired software intellectual property was fully amortised at the time of the disposal, hence there was no write-off of the cost and the accumulated amortisation resulting from this disposal.

Amortisation charge of USD 41.1 million (2013: USD 40.0 million) is included in the "Cost of sales" line; USD 0.4 million (2013:USD 0.2 million) in "Sales and marketing" line; USD 0.7 million (2013: USD 0.9 million) in "Other operating expenses" line and USD 3.4 million (2013: USD 3.6 million) in "General and administrative" line.

16. Intangible assets continued

Impairment tests for goodwill
Goodwill is allocated to the "Product" reportable segment.

	2014			2013		
	Carrying amount USD 000	**Growth rate %**	**Discount rate %**	Re-presented carrying amount USD 000	Growth rate %	Discount rate %
"Product" segment	**308,973**	**1**	**11.91**	341,308	1	12.51
	308,973			341,308		

The recoverable amount of the cash-generating unit ("CGU") is determined based on value-in-use calculations. These calculations use pre-tax cashflow projections based on the most recent financial budget approved by the management covering a four-year period (2013: a two-year period) and then inflated over a perpetual period using the estimated growth rate assigned to the countries where the cash-generating unit operates. The growth rate does not exceed the long-term average growth rate for the software industry in which the CGU performs its operations. The growth rate and the pre-tax discount rate used in the calculation are presented above.

Budgeted cashflow projections are determined based on the expectation of the future client signings of the Group's current pipeline. Budgeted gross margin is based on expectations of market development and efficiency leverage. Management believes that any reasonable change in any of the key assumptions on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the cash-generating unit.

The discount rate represents the Group's Weighted Average Cost of Capital adjusted for tax effect to determinate the pre-tax rate as required by IFRS.

17. Trade and other payables

	2014 USD 000	Re-presented 2013 USD 000
Trade payables	**28,614**	14,198
Accrued expenses	**38,678**	61,568
Other payables	**12,542**	18,175
Total trade and other payables	**79,834**	93,941

Current trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals to the contractual amount or the fair value initially recognised.

The carrying amounts of current trade and other payables approximate their fair value.

18. Borrowings

	2014 USD 000	2013 USD 000
Current		
Obligations under finance leases (note 19)	**30**	136
Other loans	**58**	64
Unsecured bonds	**2,731**	1,371
Bank borrowings	**10,041**	10,027
	12,860	11,598
Non-current		
Obligations under finance leases (note 19)	**–**	30
Other loans	**64**	113
Unsecured bonds	**200,770**	111,344
Bank borrowings	**78,398**	90,000
	279,232	201,487
Total borrowings	**292,092**	213,085

Fair values of the borrowings

	Carrying amount		Fair value	
	2014 USD 000	2013 USD 000	**2014 USD 000**	2013 USD 000
Current borrowings	**12,860**	11,598	**12,860**	11,598
Non-current borrowings:				
Obligations under finance leases (note 19)	**–**	30	**–**	30
Other loans	**64**	113	**64**	112
Unsecured bonds	**200,770**	111,344	**202,147**	116,552
Bank borrowings	**78,398**	90,000	**76,782**	84,451
	292,092	213,085	**291,853**	212,743

The carrying amounts of current borrowings approximates their fair value. Fair value of non-current obligations under finance leases, non-current other loans and non-current bank borrowings are based on a discounted cashflow approach using the LIBOR and Swaps curve plus appropriate credit risk at the reporting date and are within level 2 of the fair value hierarchy. Fair value of the bonds is derived from its quotation at the reporting date and is within level 1 of the fair value hierarchy.

The carrying amounts of the borrowings are denominated in the following currencies:

	2014 USD 000	2013 USD 000
Swiss Francs	**203,501**	112,715
EURO	**26,200**	–
Other currencies	**122**	242
US dollars	**62,269**	100,128
	292,092	213,085

In March 2014, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2% paid annually on 31 January. The bond will mature on 31 January 2019 at a redemption price of 100% of the principal amount.

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

Bank facilities

On 21 March 2013, the Group concluded a combined term loan and revolving credit facility with a pool of five large financial institutions, replacing existing facilities. The pertinent details of the facility available to the Group are as follows:

Multicurrency term loan refinancing facility:

USD 100 million bearing interest at LIBOR/EURIBOR plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. Utilised amounts are repayable in fixed installments between March 2014 and March 2017.

As at 31 December 2014, USD 88.4 million (2013: USD 100 million) was drawn under the refinancing facility.

Multicurrency revolving credit facility (“RCF”):

USD 250 million bearing interest at LIBOR/EURIBOR plus a variable margin dependent on certain financial measurements at the start of each interest rate fixing period. The facility is repayable in full on 21 March 2017.

As at 31 December 2014, a total of USD nil (2013: USD nil) was drawn under the RCF and guarantees totalling USD 12.6 million (2013: USD 15.1 million) were in issue.

Commitment fees are due on the undrawn portion of the revolving credit facility.

The facilities granted are subject to various financial covenants which have been adhered to during the year 2014 and 2013.

19. Obligations under finance leases

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2014 USD 000	2013 USD 000	**2014 USD 000**	2013 USD 000
Obligations under finance leases:				
repayable within one year	**30**	147	**30**	136
repayable between one and five years	**–**	33	**–**	30
	30	180	**30**	166
Included in the financial statement as:				
Current borrowings (note 18)			**30**	136
Non-current borrowings (note 18)			**–**	30
			30	166

The interest charge on obligations under finance leases is recognised in the statement of profit or loss within "Finance costs".

20. Taxation

Tax expense	**2014 USD 000**	2013 USD 000
Current tax on profits for the year	**16,515**	13,443
Adjustments in respect of prior years	**(903)**	(1,120)
Total current tax	**15,612**	12,323
Deferred tax – origination and reversal of temporary differences	**(910)**	1,877
Total tax expense	**14,702**	14,200

Temenos Group AG is incorporated in Switzerland but the Group operates in various countries with various tax laws and rates. Consequently, the effective tax rate may vary from period to period to reflect the generation of taxable income in tax jurisdictions. A reconciliation between the reported income tax expense and the amount computed using a basic Swiss statutory corporate tax rate of 25%, is as follows:

	2014 USD 000	2013 USD 000
Profit before tax	**106,333**	82,415
Tax at the domestic rate of 25%	**26,583**	20,604
Non-taxable income and expenses	**3,538**	1,884
(Utilisation) generation of previously unrecognised losses – net	**(5,238)**	(3,248)
Tax adjustments related to prior periods	**(903)**	(1,120)
Reversal (recognition) of deferred tax assets on intellectual property	**5,868**	5,840
Non-taxable consolidation adjustment on intellectual property amortisation	**(12,763)**	(12,693)
Other movement on deferred tax assets and liabilities, including rate changes	**(7,079)**	(1,306)
Effects of different tax rates	**(1,190)**	(1,549)
Overseas withholding tax	**3,518**	3,735
Other tax and credits	**2,368**	2,053
Total tax expense	**14,702**	14,200

There is no income tax expense or tax credit arising relating to components of other comprehensive income (2013: USD nil) and no income tax charged or credited directly to equity (2013: USD nil). No deferred tax has been calculated on the prior year IAS 19 adjustment due to the existence of tax losses on which no deferred tax asset has been recognised in the entities affected.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax assets and liabilities shown in the consolidated balance sheet are as follows:

	2014 USD 000	2013 USD 000
Deferred tax assets – to be recovered after more than 12 months	**14,899**	17,084
Deferred tax assets – to be recovered within 12 months	**8,966**	7,733
Deferred tax assets	**23,865**	24,817
Deferred tax liabilities – to be recovered after more than 12 months	**(600)**	(955)
Deferred tax liabilities – to be recovered within 12 months	**(487)**	(1,826)
Deferred tax liabilities	**(1,087)**	(2,781)
Net deferred tax assets	**22,778**	22,036

An assessment of the realisability of deferred tax assets is made on a country by country basis, based on the weight of available evidence including factors such as recent earnings history and expected future taxable income. Deferred tax assets are recognised to the extent that realisation of the related tax benefit through the future taxable profits is probable. The majority of the deferred tax assets recognised are expected to be utilised after more than twelve months.

The Group has not recognised deferred tax assets of USD 42,809 thousand (2013: USD 52,206 thousand) in respect of losses amounting to USD 205,329 thousand (2013: USD 230,430 thousand) that can be carried forward against future taxable income. Losses amounting to USD 83,616 thousand (2013: USD 56,764 thousand) will expire within the next 5 years, USD 19,458 thousand (2013: USD 19,062 thousand) will expire within 5 to 10 years and USD 14,364 thousand (2013: USD 22,251 thousand) will expire within 10 to 20 years. There are no unrecognised deferred tax liabilities.

The Group has recognised deferred tax assets of USD 6,558 thousand (2013: USD 12,429 thousand) in respect of temporary differences arising on an intra-group transfer of intellectual property. There are no unrecognised deferred tax assets in respect of these temporary differences (2013: nil).

The gross movement on the deferred income tax account is as follows:

	2014 USD 000	2013 USD 000
At 1 January	**22,036**	24,008
Income statement credit/(charge)	**910**	(1,877)
Foreign currency exchange differences	**(168)**	(95)
At 31 December	**22,778**	22,036

The movement in deferred tax assets is as follows:

	Tax losses USD 000	Taxable intellectual property USD 000	Taxable goodwill USD 000	Other USD 000	Total USD 000
At 1 January 2013	10,887	18,269	425	745	30,326
Credited/(charged) to the income statement	196	(5,840)	(295)	508	(5,431)
Foreign currency exchange differences	(29)	–	4	(53)	(78)
At 31 December 2013	11,054	12,429	134	1,200	24,817
Credited/(charged) to the income statement	5,215	(5,871)	(24)	(13)	(693)
Foreign currency exchange differences	(170)	–	–	(89)	(259)
At 31 December 2014	**16,099**	**6,558**	**110**	**1,098**	**23,865**

20. Taxation continued

The movement in deferred tax liabilities is as follows:

	Acquisition fair value adjustment USD 000	Investments in subsidiaries USD 000	Other USD 000	Total USD 000
At 1 January 2013	(5,540)	–	(778)	(6,318)
Credited to the income statement	3,015	–	539	3,554
Foreign currency exchange differences	(57)	–	40	(17)
At 31 December 2013	(2,582)	–	(199)	(2,781)
Credited to the income statement	1,404	–	199	1,603
Foreign currency exchange differences	91	–	–	91
At 31 December 2014	**(1,087)**	**–**	**–**	**(1,087)**

21. Provisions for other liabilities and charges

	Legal provision USD 000	Property provision USD 000	Termination benefits USD 000	Contingent liability arising on business combination USD 000	Total USD 000
At 1 January 2014	1,189	1,702	670	344	3,905
Foreign currency exchange differences	(50)	(79)	(17)	(29)	(175)
Increase in provisions recognised in the income statement	22	82	454	–	558
Used during the year	(701)	(388)	(858)	–	(1,947)
Unused during the year	(143)	(522)	(69)	–	(734)
31 December 2014	**317**	**795**	**180**	**315**	**1,607**
Reported as follows:					
2014					
Current	317	152	180	–	649
Non-current	–	643	–	315	958
31 December 2014	**317**	**795**	**180**	**315**	**1,607**
2013					
Current	1,189	385	670	–	2,244
Non-current	–	1,317	–	344	1,661
31 December 2013	1,189	1,702	670	344	3,905

Legal provision
The amounts represent provisions for certain legal claims brought against the Group. The balance at 31 December 2014 is expected to be utilised in 2015. Management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2014.

Property provision
The amounts represent the net present value of the estimated future costs associated with onerous leases and dilapidations. Provision for onerous lease represents the lowest cost to exit the lease contract. Provision for dilapidations represents the estimated costs to be incurred at the date of exit.

The non-current portion has not been discounted as the effect of the time value was not material.

Included in the non-current portion, are USD 643 thousand of dilapidation costs that will be settled when the related leases are terminated which is not expected to occur within the next 12 months.

Termination benefits
The amounts represent the benefits payable for the period with no future economic benefits to the Group. The carrying amount is expected to be fully utilised in 2015.

Contingent liability arising on business combination
PRIMISYN received government contributions to develop its software for the public benefit of Canada. Such contributions were governed by specific provisions, specifically with regard to the change in ownership of the acquiree. The Group has provided for such provisions as the IP was disposed of to an entity outside Canada. The carrying amount is expected to be fully utilised in the medium term. Given the uncertainty of the period when the settlement will occur, the Group has decided to report the carrying amount as non-current.

The non-current portion has not been discounted as the effect of the time value was not material.

22. Retirement benefit obligations

The Group maintains defined contribution plans for its employees of which many are state-sponsored. The relevant contributions are charged to the statement of profit or loss when incurred. No assets or liabilities are recognised in the Group's statement of financial position in respect of such plans, apart from prepayments and accruals of the contributions withheld from employees' wages and salaries and of the Group's contributions.

In certain countries, the Group has a legal obligation to make one-time payments to employees reaching retirement age or departing. Such gratuities are based on the amount of the employees' final salary and their length of service. With the exception of India, these plans are unfunded. These plans are categorised as defined benefit plans.

The Group also operates funded defined benefit pension plans in Switzerland that represent the most significant portion of the Group's defined benefit obligation at 31 December 2014.

Pension plans in Switzerland
Swiss based plans entitle retired employees to receive either a capital or an annual pension payment. Final benefit is based on retirement savings accumulated over the working life period of the employees. The plans are administrated by separate funds that are legally separated from the entity. Two Swiss plans are funded through institutional investments and one plan is funded by the conclusion of an insurance contract.

Swiss based pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (LPP), which stipulates that pension plans are to be managed by independent, legally autonomous units. Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the LPP specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case the plan's statutory funding falls below a certain level, various measures can be taken such as the increase of the current contribution, lowering the interest rate on the retirement account balances or a reduction of the additional prospective benefits. The employer can also make additional restructuring contributions.

The Swiss based pension plans are administrated by a legal foundation under the supervision and management of one of the largest insurance company for pension plans based in Switzerland. The Board of Trustees is composed of equal numbers of employee and employer representatives. Its responsibilities are to set-out the strategy of the plans, approve the budget for the administrative expenses etc. Each individual plan is then governed by a sub-committee that is equally composed of representatives of employer and plan participant. The primary objective of this committee is to implement the investment strategy set out by the Board of Trustees. It mainly consists of determining the asset allocation, the investment structure and approving the delegation to an asset manager. The committee is also responsible for the appropriation of the prospective result within the framework set out by the LPP.

As all the plans within the Group are not exposed to materially different risks and as a significant portion of the Group's obligation is contributed by the Swiss plans, the management has decided not to present additional disaggregation of the disclosures presented below unless explicitly required by IAS 19 "Employee Benefits".

The amounts recognised in the statement of financial position at 31 December are as follows:

	2014 **USD 000**	Re-presented 2013 USD 000
Present value of funded obligations	**25,469**	23,620
Fair value of plan assets	**(21,418)**	(22,063)
Surplus/(deficit) of funded plans	**4,051**	1,557
Present value of unfunded obligations	**2,029**	1,670
Impact of asset ceiling	**276**	1,752
Net liability in the statement of financial position	**6,356**	4,979

22. Retirement benefit obligations continued

The movement in the net defined benefit liability (asset) over the year is as follows:

	Present value of obligation USD 000	Fair value of plan assets USD 000	Total USD 000	Effect of asset ceiling USD 000	Total USD 000
Balance at 1 January 2014	25,290	(22,063)	3,227	1,752	4,979
Current service cost	1,743	–	1,743	–	1,743
Other cost	–	77	77	–	77
Interest expense/(income)	643	(570)	73	40	113
	2,386	(493)	1,893	40	1,933
Remeasurements (included in OCI):					
– Return on plan assets, excluding interest income	–	(511)	(511)	–	(511)
Actuarial loss (gain) from:					
– demographic assumptions	85	–	85	–	85
– financial assumptions	2,269	–	2,269	–	2,269
– experience adjustment	1,148	–	1,148	–	1,148
Change in asset ceiling	–	–	–	(1,514)	(1,514)
	3,502	(511)	2,991	(1,514)	1,477
Exchange differences	(2,648)	2,258	(390)	(2)	(392)
Contributions:					
– Employers	–	(1,641)	(1,641)	–	(1,641)
– Plan participants	764	(764)	–	–	–
Payment from plans:					
– Benefit paid	(1,796)	1,796	–	–	–
– Settlements	–	–	–	–	–
	(3,680)	1,649	(2,031)	(2)	(2,033)
Balance at 31 December 2014	**27,498**	**(21,418)**	**6,080**	**276**	**6,356**
Balance at 1 January 2013 (re-presented)	23,268	(21,832)	1,436	1,092	2,528
Current service cost	2,022	–	2,022	–	2,022
Past service cost and settlement gains and losses	–	–	–	–	–
Interest expense/(income)	603	(572)	31	50	81
	2,625	(572)	2,053	50	2,103
Remeasurements (included in OCI):					
Return on plan assets, excluding interest income	–	46	46	–	46
Actuarial loss (gain) from:					
– demographic assumptions	52	–	52	–	52
– financial assumptions	1,037	–	1,037	–	1,037
– experience adjustment	932	–	932	–	932
Change in asset ceiling	–	–	–	605	605
	2,021	46	2,067	605	2,672
Exchange differences	397	(403)	(6)	5	(1)
Contributions:					
– Employers	–	(2,323)	(2,323)	–	(2,323)
– Plan participants	1,038	(1,038)	–	–	–
Payment from plans:					
– Benefit paid	(4,059)	4,059	–	–	–
– Settlements	–	–	–	–	–
	(2,624)	295	(2,329)	5	(2,324)
Balance at 31 December 2013	25,290	(22,063)	3,227	1,752	4,979

One Swiss plan has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

The defined benefit obligation is calculated using the projected unit credit method. This reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions primarily regarding discount rates used and projected rates of remuneration growth. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or government bonds in countries where there is not a deep market in corporate bonds.

Plan assets comprise:

	2014	2013
Equity securities:		
– Quoted	**14%**	14%
– Unquoted	**0%**	0%
Fixed income securities:		
– Quoted	**21%**	22%
– Unquoted	**0%**	0%
Real estate	**11%**	10%
Insurance contracts	**52%**	51%
Other	**2%**	4%
	100%	100%

The committee of each plan annually performs an asset-liability assessment. The objective of such assessment is to select an appropriate asset allocation to match cashflows of the assets with the plan obligations while maximising the return and minimising the risk.

Actuarial assumptions:

These defined benefit plans expose the Group to actuarial risks, such as currency risk, interest rate risk and market risk (investment risk).

Actuarial assumptions are based on the requirement set out by IAS 19 "Employee Benefits". They are unbiased and mutually compatible estimates of variables that determine the ultimate cost of providing post-employment benefits. They are based on market expectations at the reporting date for the period over which the obligations are to be settled. They are set on an annual basis by independent actuaries.

Actuarial assumptions consist of demographic assumptions such as employee turnover and financial assumptions such as interest rates, salary growth and consumer price inflation. The actuarial assumptions vary based upon local economic and social conditions.

Discount rate is determined by reference to high-quality corporate bonds or government bonds in countries where there is not a deep market in corporate bonds.

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2014	2013
Discount rate	**1.75%**	2.93%
Inflation	**0.96%**	1.17%
Future salary growth	**1.77%**	1.99%

22. Retirement benefit obligations continued

Sensitivity analysis:
The sensitivity of the defined benefit obligation to changes in the principal assumption is:

			2014
	Change in assumption	**Increase USD 000**	**Decrease USD 000**
Discount rate	**50bps**	**(1,105)**	**1,186**
Future salary growth	**0.50%**	**410**	**(390)**

			2013
	Change in assumption	Increase USD 000	Decrease USD 000
Discount rate	50bps	(968)	1,037
Future salary growth	0.50%	349	(329)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur since some of the assumptions are correlated. The sensitivity analyses have been calculated using the same methodology as applied when determining the pension liability in the statement of financial position.

Expected contributions to post-employment benefit plans for the year ending 31 December 2015 are USD 1,695 thousand.

At 31 December 2014, the weighted-average duration of the defined benefit obligation was 8 years (2013: 8 years).

23. Share capital

As at 31 December 2014, the issued shares of Temenos Group AG comprised 69,888,362 ordinary shares of a nominal value of CHF 5 each. All issued shares are fully paid.

The changes in the number of issued and outstanding shares in the year ended 31 December 2014 are summarised below:

	Number
Total number of shares issued, as at 31 December 2013	72,023,148
Treasury shares	(4,334,421)
Total number of shares outstanding, as at 31 December 2013	67,688,727
Share capital reduction	(2,134,786)
Movement in treasury shares	64,062
Total number of shares outstanding, as at 31 December 2014	**65,618,003**

As at 31 December 2014, the number of treasury shares held by the Group amounted to 4,270,359 (2013: 4,334,421).

During the period, 2,134,786 treasury shares were cancelled as a share capital reduction (approved by the 2014 Annual General Meeting of Shareholders).

Temenos Group AG also has conditional and authorised capital, comprising:

Authorised shares available until 24 May 2015	14,304,823
Conditional shares that may be issued on the exercise of employee share options	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

24. Share premium and capital reserves

	Share premium USD 000	Employee share options reserve USD 000	Discount on shares issued to employees USD 000	Negative premium arising on creation of Temenos Group AG USD 000	Total USD 000
Balance at 1 January 2013	133,395	96,728	(141,269)	(68,456)	20,398
Cost of share options (note 26)	–	14,053	–	–	14,053
Exercise of share options	(4,034)	–	(7,549)	–	(11,583)
Loss on issuance of treasury shares related to business combination	(6,285)	–	–	–	(6,285)
Costs associated with equity transactions	(141)	–	–	–	(141)
Balance at 31 December 2013	122,935	110,781	(148,818)	(68,456)	16,442
Cost of share options (note 26)	–	12,122	–	–	12,122
Exercise of share options	(2,350)	–	(42,777)	–	(45,127)
Loss on issuance of treasury shares related to the share capital reduction	(42,213)	–	–	–	(42,213)
Costs associated with equity transactions	(411)	–	–	–	(411)
Balance at 31 December 2014	**77,961**	**122,903**	**(191,595)**	**(68,456)**	**(59,187)**

Share premium
The share premium primarily includes the following transactions:

- premium on issuance of new shares at a price above their par value.
- the equity component determined at the issuance of the convertible bond in 2006 and the premium resulting from the early redemption occurred in 2010.
- the expenses incurred in issuing new shares or acquiring own shares.
- gains or losses on the issuance of treasury shares.

Share options reserve
As detailed in note 26, the Group has issued instruments to employees. The fair value of these instruments is charged to the statement of profit or loss over the period that the related service is received, with a corresponding credit made to the share options reserve.

Discount on shares issued to employees
As detailed in note 26, the Group has issued instruments to employees. When the instruments are exercised, the Group fulfils its obligations by issuing newly created shares out of conditional capital or by reissuing treasury shares purchased by the Group. To the extent that the consideration received by the group in respect of these shares issued or reissued are less than their fair value at the time of exercise, this amount is allocated to discount on shares issued to employees.

Negative premium arising on creation of Temenos Group AG
Temenos Group AG was incorporated on 7 June 2001. The issued and outstanding shares of Temenos Holdings Limited (previously known as Temenos Holdings NV) were exchanged shortly before the initial public offering for Temenos Group AG shares, thus rendering Temenos Holdings Limited a wholly owned subsidiary of Temenos Group AG. The number of shares acquired was 40,104,336 which prior to the exchange had a nominal value of USD 0.001 per share, totalling USD 39 thousand. The new shares in Temenos Group AG were issued at nominal value of CHF 5 which resulted in a negative premium of USD 113,538 thousand. Expenses related to the initial public offering of Temenos Group AG, and share premium items arising prior to the creation of Temenos Group AG, were recorded against this account.

A deficit of USD 62,277 thousand was recorded to share premium on the cancellation of shares repurchased in 2000. This was transferred into "negative premium arising on creation of Temenos Group AG" during the period ended 31 December 2001.

25. Fair value and other reserves

	Cumulative translation adjustment USD 000	Available-for-sale Investment USD 000	Fair value gains (losses) on qualifying cash flow hedges USD 000	Total USD 000
Balance at 1 January 2013	(64,774)	(4)	(163)	(64,941)
Currency translation differences	5,871	–	–	5,871
Transfer to profit or loss within "Personnel costs"	–	–	1,567	1,567
Transfer to profit or loss within "Software licensing revenue"	–	–	603	603
Transfer to deferred revenues	–	–	811	811
Transfer to finance income	987	–	(7,164)	(6,177)
Net fair value gain	–	197	2,844	3,041
Balance at 31 December 2013	(57,916)	193	(1,502)	(59,225)
Currency translation differences	(24,717)	–	–	(24,717)
Transfer to profit or loss within "Personnel costs"	–	–	(539)	(539)
Transfer to profit or loss within "Software licensing revenue"	–	–	(759)	(759)
Transfer to deferred revenues	–	–	299	299
Transfer to finance costs	–	–	11,811	11,811
Net fair value loss	–	(84)	(7,425)	(7,509)
Balance at 31 December 2014	**(82,633)**	**109**	**1,885**	**(80,639)**

26. Share-based payments

Share options

Share options are granted to executive board members and selected employees. Share options are conditional on the employee completing a specified period of service (the vesting period). The vesting period for the unvested options is a minimum of three years and the share options have a contractual term of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

		2014		2013
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	**692,390**	**$17.14**	1,088,062	$16.56
Forfeited during the year	**(24,250)**	**$8.63**	(118,972)	$25.28
Exercised during the year	**(511,957)**	**$18.00**	(276,700)	$10.60
Outstanding at the end of the year	**156,183**	**$14.24**	692,390	$17.14

All of the outstanding options (2013: 670,000) were exercisable at the balance sheet date with a weighted average exercise price of USD 14.24 (2013: USD 16.58). The options exercised during the year had a weighted average share price at the time of exercise of USD 36.99 (2013: USD 25.06).

Share appreciation rights

Share appreciation rights are granted to executive board members and selected employees. Share appreciation rights are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified cumulative earnings per share targets. In case of over achievement of earnings per share targets, certain share appreciation rights grants may be increased by a maximum of 40% of the original grant. The vesting period for the unvested share appreciation rights is a minimum of three years and the share appreciation rights have a maximum contractual term of eleven and a quarter years. The Group has no legal or constructive obligation to repurchase or settle the share appreciation rights in cash.

A summary of the movements in the number of share appreciation rights outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Number of rights	**Weighted average exercise price**	Number of rights	Weighted average exercise price
Outstanding at the beginning of the year	**10,000,201**	**$ 17.66**	9,937,751	$ 17.17
Granted during the year	**3,497,600**	**$ 34.99**	1,374,360	$ 22.22
Forfeited during the year	**(584,521)**	**$ 17.70**	(1,024,224)	$ 17.13
Exercised during the year	**(1,812,868)**	**$ 19.39**	(287,686)	$ 13.59
Outstanding at the end of the year	**11,100,412**	**$ 22.51**	10,000,201	$ 17.66

494,758 of the outstanding share appreciation rights (2013: 2,072,684) were exercisable at the balance sheet date with a weighted average exercise price of USD 17.45 (2013: USD 19.58). The share appreciation rights exercised during the year had a weighted average share price at the time of exercise of USD 36.08 (2013: USD 24.95).

As described above, in case of over achievement of earnings per share targets, certain share appreciation right grants may be increased by a maximum of 40% of the original grant. There were no share appreciation rights granted during the year as a result of the application of the over achievement provisions from grants in prior years (2013: nil). As at 31 December 2014 there were 10,326,275 remaining share appreciation rights (2013: 7,471,576) that may be subject to the over achievement provisions with a weighted average exercise price of USD 22.88 (2013: USD 17.15).

Share options and share appreciation rights outstanding at the end of the year have exercise prices and weighted average remaining contractual lives as follows:

2014 **Exercise price**	**Number**	**Remaining contractual life (years)**
$6.27-$7.84	**77,100**	**0.76**
$8.19-$9.78	**89,982**	**2.81**
$11.80	**93,246**	**4.17**
$14.54-$15.79	**5,784,643**	**7.80**
$16.64-$18.54	**235,428**	**7.20**
$19.54-$22.74	**1,241,465**	**8.18**
$23.46-$26.26	**225,546**	**4.76**
$30.88-$32.83	**7,000**	**6.45**
$34.04-$36.37	**3,502,185**	**9.59**
	11,256,595	

2013 Exercise price	Number	Remaining contractual life (years)
$5.71-$7.67	122,500	0.84
$8.23-$9.78	393,939	2.80
$12.19	266,788	5.17
$14.93-$16.18	6,107,947	8.59
$17.03-$18.93	840,814	8.10
$19.71-$22.61	1,458,967	8.47
$23.22-$25.68	1,176,104	5.73
$26.26-$27.50	303,142	5.05
$31.27-$34.53	22,390	7.28
	10,692,591	

26. Share-based payments continued

Fair value of stock options and share appreciation rights
The fair value of options and share appreciation rights granted during the period 2014 is determined using an "Enhanced American Pricing Model".

The weighted average fair value of options and share appreciation rights granted during the period was USD 9.74 (2013: USD 6.03). The significant inputs into the model were weighted average share price at grant date of USD 35.32 (2013: USD 21.80), weighted average exercise price of USD 35.01 (2013: USD 22.23), standard deviation of expected share price returns of 38.24% (2013: 42.71%), weighted average option lives of 5.86 years (2013: 4.0 years), weighted average annual risk-free interest rate of 1.86% (2013: 1.20%) and weighted average expected dividend yield of 1.44% (2013: 2.04%). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the relevant historical period.

Performance, Loyalty and Profit share plan shares

	2014 Number of shares	2013 Number of shares
Outstanding at the beginning of the year	**746,621**	762,781
Granted during the year	**67,186**	162,931
Forfeited during the year	**(471,471)**	(169,034)
Exercised during the year	**(95,134)**	(10,057)
Outstanding at the end of the year	**247,202**	746,621

Loyalty shares
A grant of 1,338 Loyalty shares was made in 2014 (2013: 156,062). Loyalty shares are conditional on the employee completing a specified period of service. The vesting period is three years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the Loyalty shares in cash. The weighted average fair value of Loyalty shares granted during the period determined by the share price on the date of grant was USD 35.36 (2013: USD 21.92). None of the Loyalty shares were exercisable on the balance sheet date (2013: nil).

Performance shares
A grant of 5,623 (2013: 6,869) Performance shares was made to certain employees. Performance shares are conditional on the employee completing a specified period of service and are only exercisable if the Group achieves specified cumulative earnings per share targets. In case of over achievement of earnings per share targets, certain Performance share grants may be increased by a maximum of 40% of the original grant. The vesting period is a minimum of three years and there is no maximum contractual term. The Group has no legal or constructive obligation to repurchase or settle the Performance shares in cash. The weighted average fair value of Performance shares granted during the period determined by the share price on the date of grant was USD 35.36 (2013: USD 25.55). None of the Performance shares were exercisable at the balance sheet date.

Profit share plan
For the years ended 31 December 2013 and 31 December 2014 a Profit share plan was in place for the group's employees. Under the terms of the plan, part of the amount due to certain employees is not paid in cash but will instead be satisfied by the award of restricted shares. These restricted shares will only vest unconditionally after a further one or two years period of service. The Group has no legal or constructive obligation to repurchase or settle the shares in cash. In 2014, 60,225 share awards were granted in respect of the 2013 Profit share plan. The weighted average fair value of Profit share plan shares granted during the period determined by the share price on the date of grant was USD 34.38 (2013: USD n/a). None of the Profit share plan shares were exercisable at the balance sheet date. As at the balance sheet date the number of restricted shares to be granted in respect of the 2014 plan had not been determined.

The total expense recorded in profit or loss in respect of share-based payment arrangements is USD 12,122 thousand (2013: USD 14,053 thousand).

27. Dividend per share

Dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of the Shareholders. The dividend proposed for the 2014 financial year is amounting to CHF 26.2 million (CHF 0.40 per share) and it is not yet recorded as a liability. This amount may vary depending on the number of treasury shares as of the ex-dividend date.

The dividend paid in 2014 related to 2013 financial year amounted to CHF 23.9 million (CHF 0.35 per share).

28. Commitments and contingencies

The Group has obligations under operating leases relating to office premises and leased equipment. The leases have varying terms, escalation clauses and renewal rights.

Payments recognised as an expense are as follows:

	2014 USD 000	2013 USD 000
Lease expense	**13,996**	14,290
Sub-lease income	**(1,535)**	(1,193)
	12,461	13,097

The future aggregate minimum lease and sub-lease payments under non-cancellable operating leases are as follows:

	2014 USD 000	2013 USD 000
No later than 1 year	**11,470**	11,010
Later than 1 year and no later than 5 years	**25,312**	26,513
Later than 5 years	**4,325**	2,385
Total	**41,107**	39,908

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business (note 18). The Group is also involved in various lawsuits, claims, investigations and proceedings incidental to the normal conduct of its operations. These matters mainly include the risks associated with personnel litigation, tax claims and contractual disputes.

Although an estimate of the future financial effects cannot be reliably estimated at the reporting date, it is not anticipated that any material liabilities will arise from these contingent liabilities other than those provided for in note 21.

29. Related party transactions and balances

Remuneration of executive and non-executive directors is described in note 9. Equity compensation for executive and non-executive directors granted in the form of options, SARSs and shares is described in note 26.

There were no other significant transactions with related parties during the year ended 31 December 2014.

30. Events after the reporting period

On 9 February 2015, the Group acquired 100% of the share capital of Akcelerant Software LLC based in USA.

Akcelerant is a leading provider of software and services to the financial industry. The company offers multiple product lines and holds strong relationships with numerous best-of-breed service providers. Today, more than 500 financial institutions in North America are using Akcelerant technology.

The acquisition will significantly increase Temenos' competitiveness and accelerate business growth in the US market. It will also provide complementary products to the Group's portfolio of banking technology solutions.

The goodwill arising from the acquisition is mainly attributable to the cross-selling opportunities with the acquired customer base and the expansion of the Group' presence into the US market.

Estimated fair value of the consideration transferred at acquisition date:	USD 000
– Cash consideration	49,433
– Contingent consideration	5,000
Total purchase consideration	**54,433**

The Group has not yet fully determined if the contingent consideration is part of the consideration for the acquisition or post-acquisition remuneration.

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:	
Cash and cash equivalents	3,058
Trade and other receivables	3,499
Property, plant and equipment	314
Intangible assets	16,550
Trade and other payables	1,586
Deferred revenues	2,655
Total identifiable net assets	27,662
Goodwill	26,771
Acquisition-related costs that will be expensed in 2015	428
Consideration paid in cash	50,000
Cash and cash equivalents acquired	(3,058)
Cash outflow on acquisition	46,942

The goodwill recognised is expected to be tax deductible for income tax purposes.

The initial accounting has been provisionally determined. The Group is still evaluating the fair value of the identifiable assets acquired and liabilities assumed.

31. Risk assessment required by Swiss Law

Executive Management evaluates risks at yearly intervals, or in special cases, on an ad-hoc basis. The Group Risk Management function coordinates risk management through the Group, promoting anticipatory management of threats and opportunities, and providing the Executive Management with information necessary to manage overall risk exposure. The Group integrates this risk management into its ongoing business planning process. Potential negative developments are evaluated, so that they can implement timely countermeasures if any events should lead to deviations from our business plan. The Internal Audit department aligns their activities to the risk management system. The Board of Directors monitors the risk assessment process of the Group and is ultimately responsible for it. Additional details about financial risk management are presented in note 3 and a presentation of the Group's risk mitigation is presented in the corporate governance section of the annual report.

Report of the Statutory Auditors
On the unconsolidated financial statements

Report of the statutory auditor to the General Meeting of Temenos Group AG, Geneva.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Temenos Group AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet Audit expert Auditor in charge	Yazen Jamjum

Geneva, 18 February 2015

Unconsolidated balance sheet
As at 31 December 2014

	2014 CHF 000	2013 CHF 000
Assets		
Current assets		
Prepayments and other assets	**263**	217
Treasury shares (note 5)	**112,270**	50,035
Liquid funds	**1,227**	947
Total current assets	**113,760**	51,199
Non-current assets		
Investments in, and advances to, subsidiaries (note 2)	**858,304**	859,067
Receivable from other Group entities	**175,776**	143,974
Total non-current assets	**1,034,080**	1,003,041
Total assets	**1,147,840**	1,054,240
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	**1,499**	14
Other liabilities	**335**	644
Deferred unrealised exchange gain	**3,568**	70
Borrowings (note 7)	**201,547**	100,238
Tax payable	**2,339**	1,027
Total current liabilities	**209,288**	101,993
Non-current liabilities		
Payable to other Group entities	**161,203**	101,802
Total non-current liabilities	**161,203**	101,802
Shareholders' equity		
Share capital (note 3)	**349,442**	360,116
General legal reserve (note 4)	**11,207**	11,187
General reserve from capital contributions (note 4)	**150,654**	196,837
Reserve for treasury shares (note 4)	**140,550**	120,927
Retained earnings (note 4)	**125,496**	161,378
Total shareholders' equity	**777,349**	850,445
Total shareholders' equity and liabilities	**1,147,840**	1,054,240

Unconsolidated income statement
For the year ended 31 December

	2014 CHF 000	2013 CHF 000
Income from investments in subsidiaries (note 8)	**10,000**	5,000
Financial (expense)/income	**(2,738)**	499
Expenses associated with the maintenance of the Register of Shareholders and other expenses	**(5,000)**	(4,717)
Profit before taxation	**2,262**	782
Taxation	**(1,419)**	(376)
Profit of the year	**843**	406

Notes to the unconsolidated financial statements
31 December 2014

1. Legal status and principal activities

Temenos Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of Temenos Group AG have been publicly traded on the SIX Swiss Exchange.

Temenos Group AG is the ultimate holding company of the Group and is not otherwise engaged in trading, financing or investing activities, except as the holder of all the issued and outstanding shares of the subsidiaries described in note 2.

The financial statements of Temenos Group AG comply with the requirements of Swiss law for companies, especially the Swiss Code of Obligations (SCO).

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

2. List of direct subsidiaries

The following are the direct subsidiaries of the Company, which are wholly-owned unless otherwise indicated (percentage of voting rights).

	Voting rights
Temenos Holdings Limited, British Virgin Islands (holding company)	
40,105 shares of a nominal value of USD 1 each.	100%
Temenos Headquarters SA, Switzerland (holding and licensing company)	
1,000 shares of a nominal value of CHF 100 each.	100%
Temenos Suisse SA, Switzerland (operating company)	
15,000 shares of a nominal value of CHF 500 each.	100%
Temenos Investments BV, Netherlands (holding company)	
180 shares of a nominal value of EUR 100 each.	100%
Temenos Egypt LLC, Egypt (operating company)	
2 shares of a nominal value of EGP 100 each.	50%
Temenos Luxembourg SA, Luxembourg (operating company)	
47,250 shares of a nominal value of EUR 25 each.	100%
Temenos Finance Luxembourg SARL, Luxembourg (financing company)	
37,500 shares of a nominal value of EUR 1 each.	100%
Temenos UK Limited, United Kingdom (holding and operating company)	
10,994,218 shares of a nominal value of Pounds 20 each.	100%
Temenos Holdings France SAS, France (holding company)	
28,010,000 shares of a nominal value of EUR 10 each.	100%
Temenos USA Inc., USA (operating company)	
100 shares of a nominal value of USD 0.01 each.	100%
Temenos Panama SA, Panama (dormant company)	
100 shares of a nominal value of USD 100 each.	100%

3. Share capital

The shares issued by the Company during the year are set out below:

	2014 Number	2013 Number
Total number of Temenos Group AG shares issued, as at 1 January	**72,023,148**	72,023,148
Shares issued and alloted on exercising of employee share options	**–**	–
Share capital reduction approved at the 2014 Annual General Meeting	**(2,134,786)**	–
Total number of Temenos Group AG shares issued, as at 31 December	**69,888,362**	72,023,148

Temenos Group AG also has conditional and authorised capital, comprising:

Authorised shares that may be issued in the context of acquisition or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchange (available to the Board until 24 May 2015)	14,304,823
Conditional shares that may be issued on the exercise of employee share options	7,177,782
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

The holdings of more than 3% of the voting rights of all issued shares, as at 31 December 2014 are as follows:

Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	11.60%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	6.92%
Alken Luxembourg S.à.r.l	5.21%
Aviva plc	5.03%
UBS Fund Management (Switzerland) AG	3.11%
BlackRock, Inc.	3.11%

4. Share premium and capital reserves

	Share capital CHF 000	General legal reserve CHF 000	General reserve from capital contributions CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Total CHF 000
Balance at 1 January 2013	360,116	5,164	216,326	96,459	191,463	869,527
Appropriation of available earnings:						
– to General legal reserve	–	6,023	–	–	(6,023)	–
Reserve for treasury shares from retained earnings	–	–	–	24,468	(24,468)	–
Repayment of "General Reserve from Capital Contributions" as per 2013 Annual General Meeting ("AGM") resolution	–	–	(19,488)	–	–	(19,488)
Profit of the year	–	–	–	–	406	406
Balance at 31 December 2013	360,116	11,187	196,837	120,927	161,378	850,445
Appropriation of available earnings:						
– to General legal reserve	–	20	–	–	(20)	–
Reserve for treasury shares from retained earnings	–	–	–	69,658	(69,658)	–
Repayment of "General Reserve from Capital Contributions" as per 2014 Annual General Meeting ("AGM") resolution	–	–	(23,904)	–	–	(23,904)
Share capital reduction as per 2014 Annual General Meeting ("AGM") resolution:						
– dissolution of treasury shares	(10,674)	–	–	–	(39,361)	(50,035)
– dissolution of the reserve for treasury shares	–	–	–	(50,035)	50,035	–
Reclassification of 1997 to 2010 issuance costs	–	–	(22,280)	–	22,280	–
Profit of the year	–	–	–	–	843	843
Balance at 31 December 2014	**349,442**	**11,207**	**150,654**	**140,550**	**125,496**	**777,349**

The reserve for treasury shares increased to CHF 140,549,690 in line with the value of treasury shares held by Temenos Group AG directly or through a subsidiary as at 31 December 2014.

As per the 2014 Annual General Meeting resolution, the share capital was reduced by CHF 10,673,930 (2,134,786 shares of CHF 5 each, refer to note 3). The value of these treasury shares on the balance sheet as at 31 December 2013 was CHF 50,035,167, the corresponding reserve for treasury shares was dissolved in 2014.

Issuance costs incurred in the period from 1997 to 2010 amounting to CHF 22,279,500 were reclassified from general reserve from capital contributions to retained earnings.

5. Treasury Shares

Temenos Group AG holds directly or through a subsidiary a total of 4,270,359 shares at 31 December 2014 (2013: 4,334,421) out of which 999,565 may be used in conjunction with M&A, for resale or for allotting to members of the Temenos Employee Share Option Schemes at the time that they exercise their stock appreciation rights or options and 3,270,794 shares are intended to be cancelled subject to approval by the shareholders at the 2015 ordinary general meeting (capital reduction).

6. Contingent liabilities

Temenos Group AG is a guarantor under the Group facility agreement concluded by Temenos Finance Luxembourg S.à.r.l. as borrower, in March 2013 for a total amount of USD 350 million.

7. Borrowings

In April 2013, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.75% paid annually on 25 July. The bond will mature on 25 July 2017 at a redemption price of 100% of the principal amount.

In March 2014, the Group issued a senior unsecured bond with a nominal value of CHF 100 million and a coupon rate of 2.00% paid annually on 31 January. The bond will mature on 31 January 2019 at a redemption price of 100% of the principal amount.

8. Income from investments in subsidiaries

Temenos Group AG recognised an income from investments in subsidiaries of CHF 10 million following the decision of one of its direct subsidiaries made in December 2014 to distribute a dividend in relation to the 2014 fiscal year.

9. Proposal for the appropriation of available earnings

Based on the approved and audited financial statements for the financial year 2014, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.40 per share, for a total amount of CHF 26,247,201 (this amount may vary depending on the amount of treasury shares as of the ex-dividend date).

This distribution shall be declared out of the disposable amount of the General reserve from capital contributions as at 31 December 2014 taking the legal form of an ordinary dividend in cash. From a tax standpoint, this ordinary dividend constitutes a repayment of part of the general reserve from capital contributions.

As a result, the General reserve from capital contributions at 31 December 2014, amounting to CHF 150,653,858, will be reduced as follows:

	2014 CHF 000	2013 CHF 000
Reserves from capital contributions		
Balance before distribution	**150,654**	174,558
Repayment of General reserve from capital contributions*	**(26,247)**	(23,904)
Balance after distribution	**124,407**	150,654
Retained earnings		
Retained earnings brought forward	**161,357**	185,440
Transfer to Reserve for Treasury shares	**(69,658)**	(24,468)
Share capital reduction – dissolution of treasury shares	**(39,361)**	–
Share capital reduction – dissolution of reserve for treasury shares	**50,035**	–
Reclassification of 1997 to 2010 issuance costs	**22,280**	–
Net income	**843**	406
Retained earnings available for appropriation	**125,496**	161,378
Appropriation to legal reserves	**(42)**	(20)
Retained earnings to be carried forward	**125,454**	161,357

* 2013 comparative has been corrected from CHF 23,691,054 to CHF 23,903,918 to reflect the actual payment made in 2014. The dividend paid was CHF 0.35 per share as approved by the General Meeting. The difference is explained by the amount of treasury shares as of the ex-dividend date.

Provided that the proposal of the Board of Directors is approved, the last trading day with entitlement to receive the dividend will be 8 May 2015. The shares will be traded ex-dividend as of 11 May 2015 (Ex date). The dividend record date will be set on 12 May 2015 (Record date). The dividend will be payable as of 15 May 2015 (Payment date).

Temenos treasury shares are not entitled to dividends.

10. Risk assessment

Temenos Group AG is fully integrated into the Group-wide internal risk management framework. The risk management framework also addresses the specific risks of Temenos Group AG (refer to note 31 of the consolidated financial statements).

11. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO)

Shareholdings and Equity Incentives

Independent and non-executive directors' shares

Name	Position	**31 December 2014 Shares**	31 December 2013 Shares
S. Giacoletto-Roggio	Vice-Chairman	**15,000**	10,000
I. Cookson	Member	**15,250**	9,250
T. de Tersant	Member	**3,000**	3,000
E. Hansen	Member	**11,000**	11,000
G. Koukis	Member	**–**	55,111
A. Yip	Member	**–**	na
C. Pavlou	Former Vice-Chairman	**na**	50

11. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO) continued

Executive Directors' and Executive Committee members' Shares and Outstanding Equity Awards

As of 31 December 2014

			SARs, Options and Performance Shares						
Name	Position	Shares	Grant year[1]	Plan	Exercise price USD	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares[2]	Number of unvested Profit Shares
A. Andreades	Executive Chairman	435,779	2012	2013 scheme	15.64	–	750,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	360,000	–	–
				2015 scheme	35.45	–	345,000	–	–
D. Arnott	CEO	139,984	2008	2009 scheme	11.80	6,915	–	–	–
			2011	2012 scheme[3]	16.77	3,384	–	13,110	–
			2012	2013 scheme	15.64	–	1,050,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	480,000	–	–
				2015 scheme	35.45	–	460,000	–	–
M. Chuard	CFO	34,131	2009	2010 scheme	23.87	8,541	–	–	–
			2011	2012 scheme[3]	16.77	1,207	–	3,933	–
			2012	2013 scheme	15.64	–	680,000	–	–
			2013	2013 scheme	21.72	–	150,000	–	–
			2014	2014 scheme	34.38	–	240,000	–	–
				2015 scheme	35.45	–	230,000	–	–
A. Loustau	CTO	–	2011	2012 scheme	16.77	2,220	–	13,110	–
			2012	2013 scheme	15.64	–	450,000	–	–
			2013	2013 Profit share		–	–	–	441
			2014	2015 scheme	35.45	–	45,000	–	–
M. Winterburn	Group Product Director	–	2011	2012 scheme[3]	16.77	1,471	–	6,553	–
			2012	2013 scheme	15.64	–	450,000	–	–
			2013	2013 Profit share		–	–	–	1,705
			2014	2015 scheme	35.45	–	75,000	–	–
M. Davis	Client Director	–	2009	2010 scheme	23.87	1,214	–	–	–
			2011	2012 scheme[3]	16.77	1,471	–	2,620	–
			2012	2013 scheme	15.64	–	174,999	–	–
			2013	2013 scheme	21.72	–	100,000	–	–
			2013	2013 Profit share		–	–	–	2,046
			2014	2014 scheme	34.38	–	100,000	–	–
				2015 scheme	35.45	–	75,000	–	–

1 Two grants were issued in the year, the 2014 grant in February 2014 and the 2015 grant in November 2014.

2 The performance shares were originally granted in 2011 as part of the 2012-2014 Performance Shares award. The additional shares relate to the top up adjustment due to the dividend, which were awarded in 2013 and 2014 as per the table below, but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.

	Grant date					
Name	2011	2013	**2014**	Total granted	Forfeited	Options outstanding
D. Arnott	100,000	1,305	**1,095**	102,400	89,290	13,110
M. Chuard	50,000	654	**546**	51,200	47,267	3,933
A. Loustau	100,000	1,305	**1,095**	102,400	89,280	13,110
M. Winterburn	50,000	654	**546**	51,200	44,647	6,553
M. Davis	20,000	261	**219**	20,480	17,860	2,620

3 The targets for the 2012 scheme were not met, and only 12.8% of the SAR's vested in February 2014. The remainder was forfeited. The numbers in the table reflect the amount outstanding after forfeiture.

As of 31 December 2013

Name	Position	Shares	SARs, Options and Performance Shares Grant year	Exercise price USD	Number of vested Options/ SARs	Number of unvested SARs	Number of unvested Performance Shares
A. Andreades	Executive Chairman	929,982	2010	23.71	750,000	–	–
			2012	16.03	–	750,000	–
			2013	22.11	–	150,000	–
G. Koukis	Member	55,111	2007	15.27	74,144	–	–
			2009	24.26	6,441	–	–
D. Arnott	CEO	133,000	2008	12.19	6,915	–	–
			2011	17.16	–	26,431	101,305[1]
			2012	16.03	–	1,050,000	–
			2013	22.11	–	150,000	–
M. Chuard	CFO	30,000	2007	19.71	169,000	–	–
			2008	12.19	20,960	–	–
			2009	24.26	8,541	–	–
			2011	17.16	–	9,436	50,654[2]
			2012	16.03	–	680,000	–
			2013	22.11	–	150,000	–
A. Loustau	CTO	24,373	2007	23.22	20,000	–	–
			2007	27.50	150,000	–	–
			2007	15.27	90,606	–	–
			2008	12.19	68,021	–	–
			2009	24.26	13,593	–	–
			2011	17.16	–	17,344	101,305[1]
			2012	16.03	–	450,000	–
M. Winterburn	Group Product Director	–	2011	17.16	–	11,502	50,654[2]
			2012	16.03	–	450,000	–
M. Davis	Client Director	–	2009	24.26	1,214	–	–
			2011	17.16	–	11,502	20,261[3]
			2012	16.03	–	174,999	–
			2013	22.11	–	100,000	–

[1] 1,305 is the number of shares for these awards relating to the top up adjustment due to the dividend. These were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.
[2] 654 is the number of shares for these awards relating to the top up adjustment due to the dividend. These were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.
[3] 261 is the number of shares for these awards relating to the top up adjustment due to the dividend. These were awarded in 2013 but have the same vesting criteria as those originally granted in 2011 as part of the 2012-2014 Performance Shares award.

No options and/or shares were held on 31 December 2014 and 2013 by persons related to the members of the Board of Directors and of the Executive Committee.

Financial highlights
In millions of US dollars except earnings per share

	2014	Re-presented 2013	2012	2011	2010
Revenues	**468.7**	467.8	450.2	473.5	448.0
Operating expenses	**350.5**	374.3	401.1	475.5	374.3
Operating profit/(loss)	**118.2**	93.5	49.1	(2.0)	73.7
Profit/(loss) before taxation	**106.3**	82.4	37.7	(16.1)	61.8
Net profit/(loss) after tax	**91.6**	68.2	25.1	(28.3)	61.4
EBITDA	**167.8**	142.5	96.6	44.7	113.6
Diluted earnings per share (in USD)	**1.32**	0.98	0.36	(0.41)	0.93
Cash generated from operations	**190.3**	169.3	97.7	102.0	125.8
Current assets	**427.4**	372.4	380.8	416.7	490.7
Non-current assets	**498.5**	545.9	521.9	501.1	495.3
Total assets	**925.9**	918.3	902.7	917.8	986.0
Current liabilities (excluding deferred revenues)	**110.4**	125.5	142.0	165.5	227.1
Deferred revenues	**179.9**	171.8	156.7	142.7	156.2
Total current liabilities	**290.3**	297.3	298.7	308.2	383.3
Non-current liabilities	**293.6**	212.8	216.2	261.4	110.0
Total liabilities	**583.9**	510.1	514.9	569.6	493.3
Total equity	**342.0**	408.2	387.8	348.2	492.7
Total equity and liabilities	**925.9**	918.3	902.7	917.8	986.0

Capital structure

The registered share capital is divided into 69,888,362 shares on issue with a par value of CHF 5.

Appropriation of profits

Temenos expects to pay a dividend in 2015.

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Annual general meeting

6 May 2015

Statistics on Temenos shares

Registered shares of CHF 5 nominal	2014
Sector	Technology/Software
Market Segment	SIX Main Market
Index Member	SMIM/SPI
Swiss Security No	124 5391
ISIN No	CH0012453913
Symbol	TEMN
Number of issued shares at 31.12.2014	69,888,362
Number of registered shares at 31.12.2014	69,888,362
Market price high/low (CHF)	36.40/25.20
Market Price 31.12.2013 (CHF)	25.20
Market Price 31.12.2014 (CHF)	35.50
Market Capitalisation high/low (CHF m)*	2,622/1,815
Share capital nominal value at 31.12.2014 (CHF m)	349

* Based on the number of registered shares at the time.

Key figures per share	2014
Basic earnings per share (USD)	1.36
Diluted earnings per share (USD)	1.32
Non-IFRS earnings per share (USD)	1.44
Consolidated shareholders' equity (USD m)	342.0
Consolidated shareholders' equity per share (USD)	489.4

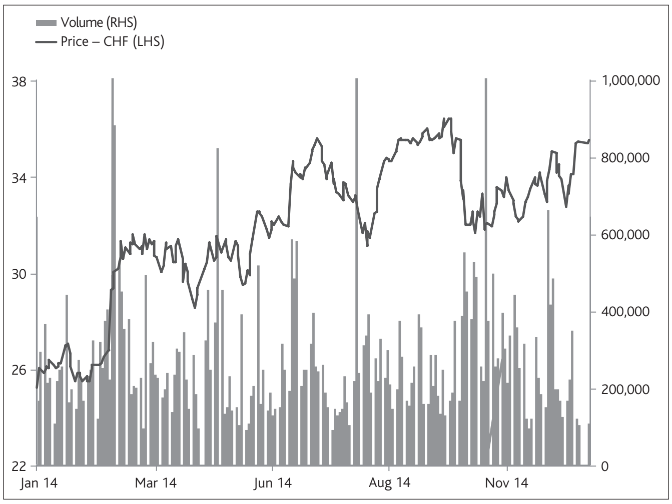
Major shareholders of Temenos Group AG* (02.03.2015)

Name	Number of shares	Percentage of the share capital
Patinex AG and BZ Bank AG (Martin and Rosemarie Ebner)	8,106,837	11.60%
Oppenheimer Funds Inc. (Massachusetts Mutual Life Insurance Company)	4,836,885	6.92%
Alken Luxembourg S.à.r.l	3,638,595	5.21%
Aviva plc	3,517,460	5.03%
UBS Fund Management (Switzerland) AG	2,176,515	3.11%
BlackRock, Inc.	2,174,244	3.11%

* By holding Temenos Group AG registered shares and on the basis of Temenos Group AG registered capital of 69,888,362 shares.

Please refer to page 58 for the status as of 31.12.2014

Development of the Temenos share price



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Temenos Group AG Q1 2015 Results

Press release

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Temenos announces Q1 2015 results and reaffirms full year guidance

GENEVA, Switzerland, 21 April 2015 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its first quarter 2015 results.

	Non-IFRS				IFRS			
USDm, except EPS	**Q1 2015**	**Q1 2014**	**Change**	**CC**	**Q1 2015**	**Q1 2014**	**Change**	**CC**
Software licencing	20.0	29.8	-33%	-30%	20.0	29.8	-33%	-30%
Software-as-a-Service	5.8	1.7	234%	235%	3.9	1.7	123%	124%
Total software licencing	**25.9**	**31.5**	**-18%**	**-15%**	**23.9**	**31.5**	**-24%**	**-21%**
Maintenance	55.6	53.8	3%	9%	55.5	53.8	3%	9%
Services	22.7	24.2	-6%	2%	22.7	24.2	-6%	1%
Total revenues	**104.3**	**109.6**	**-5%**	**0%**	**102.0**	**109.6**	**-7%**	**-2%**
EBIT	**16.4**	**19.8**	-17%	**-19%**	**4.0**	**17.3**	**-77%**	**-80%**
EBIT margin	15.8%	18.1%	-2% pts	**-4%**	4.0%	15.8%	-12% pts	
EPS (USD)	**0.18**	**0.20**	**-11%**		**0.01**	**0.17**	**-94%**	**-95%**

The definition of non-IFRS adjustments is below with a full reconciliation of IFRS to non-IFRS results can be found in Appendix II

** Constant currency (CC) adjusts prior year for movements in currencies*

*** Earnings before interest, tax, depreciation and amortisation (EBITDA) into cash generated from operations*

Q1 2015 financial summary

- Weak software licensing performance in Q1 2015 with total software licensing revenues down 14.7% Y-o-Y (constant currency)
- Maintenance growth of 9% Y-o-Y and 5.5% LTM (constant currency)
- Continued focus on high margin services has delivered profitability in Q1
- EBIT margin of 15.8% in Q1 2015 and 26.8% for LTM
- Strong cash conversion above target of 100%
- Continued strong cost control protects margins
- Strong start to Q2 and full year guidance reconfirmed

Q1 2015 operational highlights and outlook

- Two strategic acquisitions, Akcelerant and Multifonds, completed and integration on track
- Signing of Julius Baer key event for wealth management business
- Sole vendor at top of Forrester Global Banking Platform Deals for new-named clients and all counted deals
- #1 position in IBS league table for third consecutive year

Commenting on the results, **Temenos CEO David Arnott said**:

“The licensing revenue number in Q1 was clearly disappointing, but business fundamentals remain sound and we expect a strong rebound in Q2. License revenue in the quarter was negatively affected by a number of factors, such as the sales reorganization we initiated at the start of the year, the lack of compelling events for new business to close in Q1, and despite the strong performance from the installed base we were unable to lap the strong comparative in Q1 2014. Our win rate remains high and we expect execution to improve materially from here.

The fundamentals of the Temenos business are sound and we see market conditions gradually improving. In Q1, Temenos made two strategic acquisitions, which we are now integrating. Our services business is now back to profitability. Cost control remains tight, helping to protect margins in the quarter and underpinning strong cash conversion and further material reductions in DSOs. Demand in many areas, such as channels and analytics, is buoyant and for core banking, the largest part of our business, we see conditions improving as corroborated by recent third party analysis.

Given the strong start to Q2, expected improvement in sales execution as remedial action takes effect, solid execution in most areas of the business and strong market fundamentals, we remain confident we can deliver our full year outlook.”

Commenting on the results, **Temenos CFO Max Chuard said:**

“Despite weaker than expected licenses revenues, we have continued to grow our recurring revenue base with maintenance revenue growing at 9% at constant currencies and our SaaS revenue increasing materially through organic growth and the contribution of our recent acquisitions. We continue to focus on cash generation with DSOs once again materially down and cash conversion comfortably over our target of 100%. Our leverage has increased following the acquisition of Multifonds but with very strong anticipated cashflows, we expect to bring this back to the range of 1-1.5x EBITDA within 12 to 18 months.”

Revenue

IFRS revenue for the quarter was USD 102.0m and non-IFRS revenue was USD 104.3m, down from USD 109.6m in Q1 last year, representing an absolute decrease of 4.8% and a 0.5% increase in constant currency. Total software license revenue for the quarter was USD 25.9m, 17.9% lower than in the same period in 2014 on a reported basis and 14.7% lower adjusted for constant currencies.

EBIT

Non-IFRS EBIT was USD 16.4m in Q1, 17.1% lower than in Q1 2014, with a non-IFRS EBIT margin in Q1 of 15.8%, down 2.3% points on Q1 2014. IFRS EBIT decreased from USD 17.3m in Q1 2014 to USD 4.0m in Q1 2015 with a margin of 4%, largely due to the two acquisitions in the quarter.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.18 vs. 0.20 in Q1 2014. LTM non-IFRS EPS was USD 1.43, up 10% on the previous 12 months. IFRS EPS for the quarter was USD 0.01 per share, down from USD 0.17 per share in Q1 2014.

Pre-tax operating cash

Operating cash was an inflow of USD 10.1m in Q1 2015 compared to USD 20.4m in Q1 2014. For LTM to March 2015, operating cash was USD 180m representing a 115% conversion of EBITDA into operating cash.

2015 guidance

The company reaffirms its outlook for the year as follows*:

- Total non-IFRS revenue growth of 18% to 23% (implying non-IFRS revenue of USD 526m to USD 548m)
- Total non-IFRS software licensing growth of 36% to 41% (implying total non-IFRS software licensing revenue of USD 192m to USD 199m) which includes software licensing growth of 13%+ (implying software licensing revenue of at least USD 152m)
- Non-IFRS EBIT margin of 28.5% (implying non-IFRS EBIT of USD 150m to USD 156m)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

*Assumes FX rates as disclosed in Q1 2015 results presentation - https://www.temenos.com/en/about-temenos/investor-relations)

Conference call

At 18.30 CET / 17.30 BST / 12.30 EST, today, 21 April 2015, David Arnott, CEO, and Max Chuard, CFO, will host a conference call to present the results and offer an update on the business outlook. Listeners can access the conference call using the following dial in numbers:

0315 800 059	(Swiss Local Call)
0800 920 016	(Swiss Free Call)
1 866 966 1396	(USA Free Call)
+44 (0) 2071 928000	(UK and International)
0800 376 7922	(UK Free Call)

Conference ID # 29021298

A transcript will be made available on the Company website 48 hours after the call. Presentation slides for the call can be accessed using the following link: http://www.temenos.com/en/about-temenos/investor-relations/results-and-presentations/.

Non-IFRS financial Information

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. In the reconciliation of IFRS to non-IFRS found in Appendix II, the Company sets forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information. The Company's non-IFRS figures exclude any deferred revenue write-down resulting from acquisitions, discontinued activities that do not qualify as such under IFRS, acquisition related charges such as advisory fees and integration costs, charges as a result of the amortisation of acquired intangibles, costs incurred in connection with a restructuring plan implemented and controlled by management, and adjustments made to reflect the associated tax charge relating to the above items.

Below are the accounting elements not included in the 2015 non-IFRS guidance:

- FY 2015 estimated deferred revenue write-down of approximately USD 23m
- FY 2015 estimated amortisation of acquired intangibles of USD 30m
- FY 2015 estimated acquisition related charges of USD 5m
- FY 2015 estimated restructuring costs of USD 8m

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 21 April 2015.

The above figures are estimates only and may deviate from expected amounts.

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About Temenos

Temenos Group AG (SIX: TEMN), headquartered in Geneva, is a market leading software provider, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 2,000 firms across the globe, including 38 of the top 50 banks, rely on Temenos to process the daily transactions of more than 500 million banking customers as well as over USD 5 trillion in assets. Temenos customers are proven to be more profitable than their peers: in the period 2008-2012, they enjoyed on average a 32% higher return on assets, a 42% higher return on equity and an 8.1 percentage point lower cost/income ratio than banks running legacy applications.

For more information please visit www.temenos.com

Appendix I – Q1 2015 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2015	Three months to 31 March 2014	**Twelve months to 31 March 2015**	Twelve months to 31 March 2014
Revenues				
Software licensing	**19,996**	29,779	**129,885**	143,063
Software-as-a-Service	**3,894**	1,745	**10,111**	6,567
Total software licensing	**23,890**	31,524	**139,996**	149,630
Maintenance	**55,456**	53,829	**225,025**	215,329
Services	**22,674**	24,212	**96,136**	108,794
Total revenues	**102,020**	109,565	**461,157**	473,753
Operating expenses				
Sales and marketing	**20,711**	24,482	**88,466**	97,919
Services	**23,044**	25,996	**90,190**	112,656
Software development and maintenance	**35,446**	25,689	**115,846**	99,215
General and administrative	**18,777**	16,129	**61,686**	61,388
Total operating expenses	**97,978**	92,296	**356,188**	371,178
Operating profit	**4,042**	17,269	**104,969**	102,575
Other expenses				
Net interest expenses	**(3,508)**	(2,147)	**(10,986)**	(8,512)
Borrowing facility expenses	**(515)**	(354)	**(1,703)**	(1,366)
Foreign exchange gain/(loss)	**821**	(474)	**599**	(2,008)
Total other expenses	**(3,202)**	(2,975)	**(12,090)**	(11,886)
Profit before taxation	**840**	14,294	**92,879**	90,689
Taxation	**(122)**	(2,501)	**(12,323)**	(14,362)
Profit for the period	**718**	11,793	**80,556**	76,327
Earnings per share (in US$):				
basic	**0.01**	0.17	**1.20**	1.12
diluted	**0.01**	0.17	**1.17**	1.09
non-IFRS	**0.18**	0.20	**1.43**	1.30

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All amounts are expressed in thousands of US dollars

	31 March 2015	31 December 2014	31 March 2014
Assets			
Current assets			
Cash and cash equivalents	106,405	192,610	220,289
Trade receivables	212,490	210,128	230,057
Other receivables	36,048	24,662	33,288
Total current assets	**354,943**	**427,400**	**483,634**
Non-current assets			
Property, plant and equipment	17,621	14,089	13,217
Intangible assets	723,925	437,808	473,649
Trade receivables	19,186	20,537	27,276
Other receivables	4,153	2,149	9,838
Deferred tax assets	22,158	23,865	23,312
Total non-current assets	787,043	498,448	547,292
Total assets	**1,141,986**	**925,848**	**1,030,926**
Liabilities and equity			
Current liabilities			
Trade and other payables	89,825	83,324	96,338
Deferred revenues	171,115	179,894	169,646
Income tax liabilities	10,564	14,177	11,016
Borrowings	147,163	12,860	12,558
Total current liabilities	**418,667**	**290,255**	**289,558**
Non-current liabilities			
Borrowings	365,864	279,232	303,904
Deferred tax liabilities	29,049	1,087	2,338
Income taxes payable	1,782	1,782	1,844
Trade and other payables	1,814	5,098	1,621
Retirement benefit obligations	6,409	6,356	4,070
Total non-current liabilities	**404,918**	**293,555**	**313,777**
Total liabilities	**823,585**	**583,810**	**603,335**
Shareholders' equity			
Share capital	228,357	228,357	239,798
Treasury shares	(148,464)	(152,942)	(111,512)
Share premium and capital reserves	(60,147)	(59,187)	(163)
Fair value and other reserves	(108,513)	(80,639)	(55,258)
Retained earnings	407,168	406,449	354,726
Total equity	**318,401**	**342,038**	**427,591**

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All amounts are expressed in thousands of US dollars

	Three months to 31 March 2015	Three months to 31 March 2014	Twelve months to 31 March 2015	Twelve months to 31 March 2014
Cash flows from operating activities				
Profit before taxation	**840**	14,294	**92,879**	90,689
Adjustments:				
Depreciation and amortisation	**15,014**	12,563	**52,036**	50,731
Other non-cash items	**6,228**	6,560	**23,204**	32,002
Changes in working capital:				
Trade and other receivables	**956**	(7,626)	**14,628**	8,701
Trade and other payables, and retirement benefit obligations	**(1,049)**	(3,475)	**(11,883)**	(6,057)
Deferred revenues	**(11,871)**	(1,963)	**9,230**	5,577
Cash generated from operations	**10,118**	20,353	**180,094**	181,643
Income taxes paid	**(4,101)**	(3,974)	**(8,572)**	(8,653)
Net cash generated from operating activities	**6,017**	16,379	**171,522**	172,990
Cash flows from investing activities				
Purchase of property, plant and equipment	**(1,720)**	(1,375)	**(6,210)**	(4,295)
Disposal of property, plant and equipment	**-**	21	**3**	22
Purchase of intangible assets	**(810)**	(1,236)	**(3,924)**	(5,432)
Disposal of intangible assets	**-**	-	**2,000**	-
Capitalised development costs	**(10,294)**	(9,677)	**(43,798)**	(41,866)
Acquisitions of subsidiary, net of cash acquired	**(297,878)**	-	**(297,878)**	(180)
Disposal of subsidiary or business, net of cash disposed	**8**	-	**51**	316
Settlement of financial instruments	**(81)**	(541)	**3,812**	(9,522)
Interest received	**16**	54	**65**	233
Net cash used in investing activities	**(310,759)**	(12,754)	**(345,879)**	(60,724)
Cash flows from financing activities				
Acquisition of treasury shares	**-**	-	**(119,948)**	(53,652)
Proceeds /(repayments) of borrowings	**225,965**	(10,000)	**227,943**	(120,040)
Proceeds from issuance of bonds	**-**	112,355	**(23)**	216,435
Interest payments	**(2,393)**	(565)	**(8,174)**	(4,068)
Dividend paid	**-**	-	**(26,633)**	(20,400)
Payment of other financing costs	**(962)**	(592)	**(2,335)**	(3,712)
Payment of finance lease liabilities	**(25)**	(51)	**(111)**	(254)
Net cash generated from financing activities	**222,585**	101,147	**70,719**	14,309
Effect of exchange rate changes	**(4,048)**	(132)	**(10,246)**	929
Net (decrease)/increase in cash and cash equivalents in the period	**(86,205)**	104,640	**(113,884)**	127,504
Cash and cash equivalents at the beginning of the period	**192,610**	115,649	**220,289**	92,785
Cash and cash equivalents at the end of the period	**106,405**	220,289	**106,405**	220,289

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Appendix II – reconciliation of IFRS to non-IFRS Q1 2015 Income Statement

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies.

To compensate for these limitations, the supplemental non-IFRS financial information should be read not in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

IFRS - Non-IFRS Reconciliation	3 Months Ending 31 March						Change	
Thousands of US Dollars	2015 IFRS	Adjustment	2015 Non-IFRS	2014 IFRS	Adjustment	2014 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	23,890	1,993	25,883	31,524		31,524	(24%)	(18%)
Maintenance	55,456	181	55,637	53,829		53,829	3%	3%
Services	22,674	76	22,750	24,212		24,212	(6%)	(6%)
Total Revenue	**102,020**	**2,250**	**104,270**	**109,565**		**109,565**	**(7%)**	**(5%)**
Total Operating Expenses	**(97,978)**	**10,144**	**(87,834)**	**(92,296)**	**2,549**	**(89,747)**	**6%**	**(2%)**
Restructuring	(6,484)	6,484	-	(602)	602	-	977%	
			-			-		
Amort of Acquired Intangibles	(3,660)	3,660	-	(1,947)	1,947	-	88%	
Operating Profit	**4,042**	**12,394**	**16,436**	**17,269**	**2,549**	**19,818**	**(77%)**	**(17%)**
Operating Margin	4%		16%	16%		18%	(75%)	(13%)
Financing Costs	(3,202)		(3,202)	(2,975)		(2,975)	8%	8%
Taxation	(122)	(980)	(1,102)	(2,501)	(323)	(2,824)	(95%)	(61%)
Net Earnings	718	11,414	12,132	11,793	3,000	14,019	(94%)	(13%)
EPS ($ per Share)	0.01	0.17	0.18	0.17	0.03	0.20	-94%	-10%

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