



TEMENOS AG
(incorporated in Switzerland with limited liability)

CHF 175,000,000
1.875% Bonds due 2023

This prospectus (the **Prospectus**) relates to the offering (the **Offering**) of 1.875% bonds in the aggregate principal amount of Swiss francs (**CHF**) 175,000,000 due 2023 (the **Bonds**, and each a **Bond**) of TEMENOS 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 (**SIX**).

Issuer:	TEMENOS 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% of the aggregate principal amount of the Bonds (before commissions)
Placement Price:	According to demand
Payment Date:	30 November 2018
Maturity Date:	30 November 2023
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:	1.875% per annum (calculated on a 30/360 basis), payable annually in arrears on 30 November each year, for the first time on 30 November 2019. 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 (<i>Wertrechte</i>) 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 with effect from 28 November 2018. Application will be made for the Bonds to be listed on the SIX Swiss Exchange. The last day of trading is expected to be 28 November 2023.
Selling Restrictions:	United States of America and United States Persons, United Kingdom, European Economic Area, Italy 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 1.875% bonds due 2023	44 659 562	CH0446595628	190918203

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 8 to 18.

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 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 (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of this Prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Bonds which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically (“*sistematicamente*”) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

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, 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 Finastra. 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

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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 and 2" may increase the reputational risk to the Group

The Group's "Tier 1 and 2" client list, which includes clients such as Nordea, Standard Chartered Bank, Bank of Ireland, ABN Amro, Santander Group, Credit Suisse, J.P. Morgan and others, 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 and 2" clients increases the reputational exposure of the Group in the event of a product defect or customer complaint in relation to a Tier 1 or Tier 2 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.

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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.

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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. 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.

In delivering its SaaS services, Group is highly dependent on availability and security of underlying infrastructure provided by various suppliers including Microsoft Azure. 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

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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

More than 3,000 financial institutions in over 150 countries currently use the Group's systems. 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;

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- 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.

RISK FACTORS

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.

RISK FACTORS

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 action. 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

RISK FACTORS

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 28 November 2018

TEMENOS AG

SECTION 1: GENERAL INFORMATION

Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer, passed on 16 October 2018, and a Bond Purchase Agreement dated 28 November 2018 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 174,062,750, 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.

Document Incorporated by Reference

The 2017 Annual Report, containing the annual financial statements of the Issuer and the consolidated financial statements of the Group (including the audit reports issued in respect thereof), shall be deemed to be incorporated in, and to form part of, this Prospectus.

Representatives

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

Documents Available

Copies of this Prospectus and the document incorporated by reference 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 <https://www.temenos.com/en/about-temenos/investor-relations/listed-bond/>.

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) 30 November 2018 (the **Closing Date**) until (and including) the Maturity Date (as defined below) at the rate of 1.875 per cent. of their Aggregate Principal Amount per annum, payable annually in arrears on 30 November of each year (the **Interest Payment Date**), for the first time on 30 November 2019. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

SECTION 2: TERMS OF THE BONDS

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 30 November 2023 (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,

SECTION 2: TERMS OF THE BONDS

- (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.

SECTION 2: TERMS OF THE BONDS

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*) from interest payments, 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

SECTION 2: TERMS OF THE BONDS

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 20,000,000 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 20,000,000 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.

SECTION 2: TERMS OF THE BONDS

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/en/home/publications/official-notices.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.

SECTION 2: TERMS OF THE BONDS

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 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, Eggli rain 15, 8832 Wilen, Switzerland.

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.

SECTION 2: TERMS OF THE BONDS

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.

Relevant Debt means any present or 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, Pfingstweidstrasse 110, P.O. Box, 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 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. The Issuer is now registered in the Commercial Register of Geneva (Reg. No. CHE-109.066.419) since 2006 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 16 October 2018.

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 99–100 and 162–164 of the 2017 Annual Report incorporated by reference herein.

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 15 May 2018, 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 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 62 additional offices in 41 countries throughout the world. Its systems are currently installed at more than 3,000 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 scale, control costs, manage risks and to address their digital needs.

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 Nordea, Bank of Ireland, Standard Chartered Bank, ABN Amro, BANESCO, Julius Baer, SinoPac, Swissquote and Open Bank, the digital bank of Santander Group.

SECTION 3: INFORMATION ON THE ISSUER

The ordinary shares of TEMENOS 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
- Peter Spenser, Non-executive and Independent Director

Members of the Executive Committee

- David Arnott, Chief Executive Officer
- Max Chuard, Chief Financial Officer and Chief Operating Officer
- André Loustau, Chief Technology Officer
- Mark Winterburn, Chief Product Officer
- Jean-Michel Hilsenkopf, Chief Revenue Officer

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 registered ordinary capital amounted to CHF 355,221,335, consisting of 71,044,267 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.

SECTION 3: INFORMATION ON THE ISSUER

Authorised and conditional capital

Authorised capital

Article 3^{ter} 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 10 May 2019.

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 34,028,285.00, through the issuance of a maximum of 6,805,657 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

SECTION 3: INFORMATION ON THE ISSUER

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.

Shares

All equity securities of TEMENOS 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 27 November 2018, the Issuer held 1,824,900 of its own Shares.

Convertible bonds and options outstanding

The Issuer has no outstanding convertible bonds. For information on the Issuer's outstanding options and bonds, please see page 176 of the Annual Report 2017 of the Issuer incorporated by reference herein.

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 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.

In 2016, for the business year 2015, a dividend of CHF 0.45 per share was paid.

In 2017, for the business year 2016, a dividend of CHF 0.55 per share was paid.

In 2018, for the business year 2017, a dividend of CHF 0.65 per share was paid.

Developments since 30 June 2018 / Recent Developments

For information on recent developments, please refer to the Temenos AG third quarter 2018 press release included herein as Annex B.

Material Change

Other than as described in this Prospectus, since 30 June 2018, 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 the Bonds. 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 (as well as potential issue discount or repayment premium) 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 4 November 2015, the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on 17 December 2014 by the Swiss Federal Council and repealed on 24 June 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of a Bond for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Bond is not an individual resident in Switzerland. Neither the Issuer, any paying agent nor any other person, as applicable, would pursuant to the Terms of the Bonds 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 neither subject to Swiss issue stamp tax (*Emissionsabgabe*) nor Swiss securities transfer stamp tax (*Umsatzabgabe*). 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.

Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the European Union (EU) on the international automatic exchange of information (AEOI) in tax matters. The agreement applies to all 28 EU member states and Gibraltar

SECTION 4: TAXATION

and certain other jurisdictions. Also, Switzerland has entered into the multilateral competent authority agreement on the automatic exchange of financial account information (**MCAA**), and based on the MCAA, a number of bilateral AEOI agreements with other countries.

Based on such agreements and the implementing laws of Switzerland, Switzerland commenced collecting, or will commence collecting, data in respect of financial assets held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland, including, as the case may be, Bonds, for the benefit of individuals resident in a EU member state or other treaty state from 2017 or a later date, and began exchanging, or will begin exchanging, the data from 2018 or a later date, in each case depending on the date of effectiveness of the relevant agreement. Switzerland has signed and intends to sign further AEOI agreements with further countries. An up-to-date list of the AEOI agreements of Switzerland in effect or signed and becoming effective, including the dates of commencement of data collection and data exchange, can be found on the website of the State Secretariat for International Financial Matters SIF (<https://www.sif.admin.ch/sif/de/home/themen/internationale-steuerpolitik/automatischer-informationsaustausch.html>).

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities.

Temenos AG Interim Report 2018



TEMENOS
the banking software company

DIGITAL TO THE CORE

o Temenos AG
Interim Report 2018

WELCOME TO TEMENOS

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OUR VISION

To provide financial institutions, of any size, anywhere in the world, the software to thrive in the digital banking age

We do this by building, delivering and supporting the world's best packaged, upgradeable and open banking software

41

of the top 50
banks in the world
run Temenos

500m

end customers
rely on Temenos
software

150⁺

countries with
Temenos clients

3,000⁺

financial
institutions use
Temenos software

HIGHLIGHTS OF H1 2018

TOTAL SOFTWARE LICENSING

+30%

H1 2018  USD 153.3m
H1 2017  USD 118.2m

MAINTENANCE

+13%

H1 2018  USD 149.1m
H1 2017  USD 131.7m

TOTAL REVENUE

+18%

H1 2018  USD 375.9m
H1 2017  USD 317.4m

EBIT MARGIN

25.0%

H1 2018  25.0%
H1 2017  23.7%

EARNINGS PER SHARE

+32%

H1 2018  USD 1.04
H1 2017  USD 0.79

LTM CASH CONVERSION

116%

H1 2018  USD 332m
H1 2017  USD 277m

H1 2018 non-IFRS (IAS 18) financial highlights

- > Total software licensing growth of 30%.
- > Maintenance growth of 13%.
- > Total Group revenue growth of 18%.
- > EBIT margin of 25.0%, up 1.3 percentage points.
- > EPS of USD 1.04, up 32%.
- > Cash flow of USD 113 million, up 40%.
- > LTM cash conversion of 116%, with DSOs down to 114 days.
- > Dividend of CHF 0.65 per share, totalling USD 46 million, paid to shareholders.

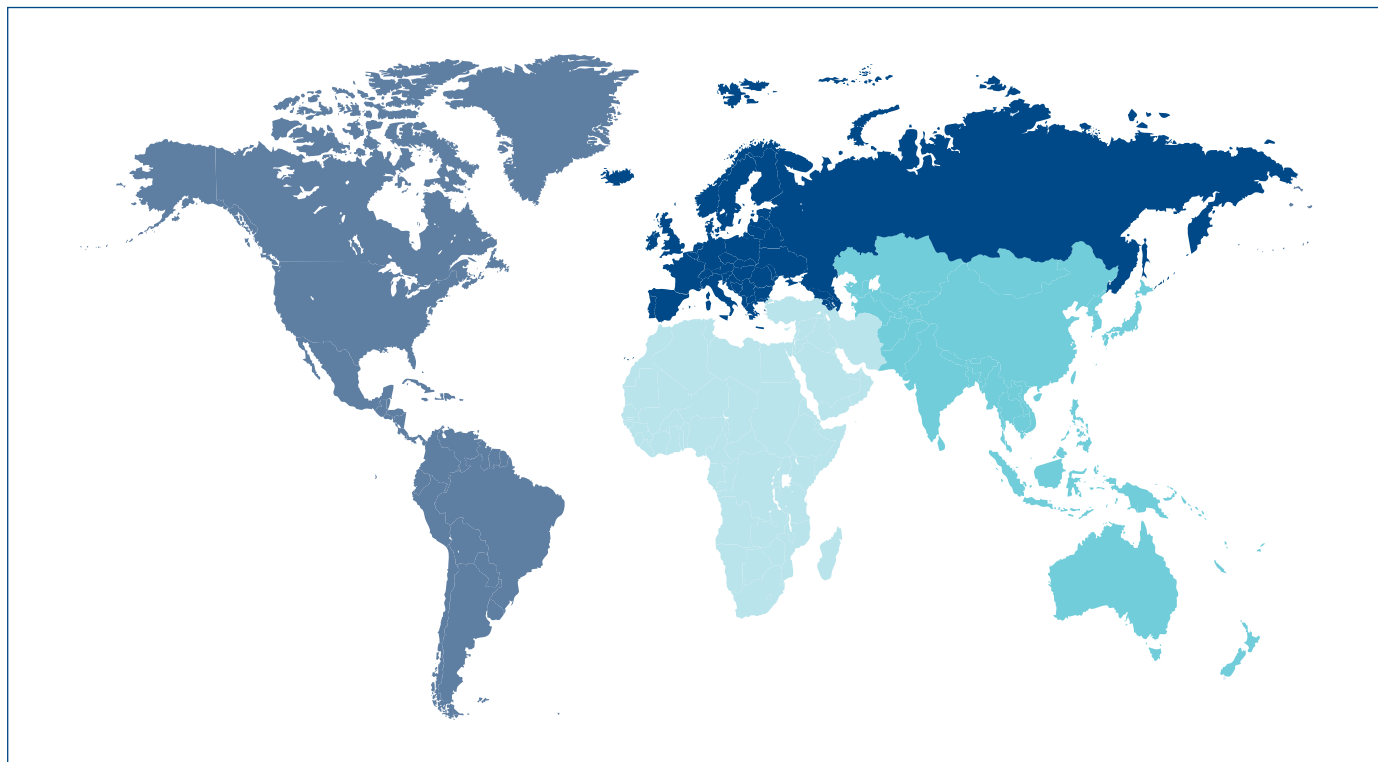
H1 2018 operational highlights

- > Strong performance across all KPIs in H1 2018, driven by high levels of client activity and excellent sales execution.
- > Digital, regulatory and competitive pressures on banks continue to intensify, with open banking and payments a key focus.
- > Temenos' leadership position reconfirmed – pulling ahead in a winner-takes-all market.
- > Significant increase in cloud and SaaS signings, with strong growth expected in 2019.

- > 49 implementation go-lives in the first half of 2018.
- > Strong start to Q3, committed spend from tier 1 and 2 banks giving confidence in 2018 guidance, with structural drivers and strong pipeline provide confidence for medium term.

TECHNOLOGY DRIVING INNOVATION

OUR MARKET OPPORTUNITY



H1 2018 TOTAL REVENUE



● Europe	49%
● Asia Pacific	17%
● Americas	17%
● Middle East and Africa	17%

H1 2018 TOTAL SOFTWARE LICENSING REVENUE



● Europe	50%
● Asia Pacific	17%
● Americas	17%
● Middle East and Africa	16%

GLOBAL REACH



Europe

23

offices in the region



Asia Pacific

17

offices in the region



Americas

15

offices in the region



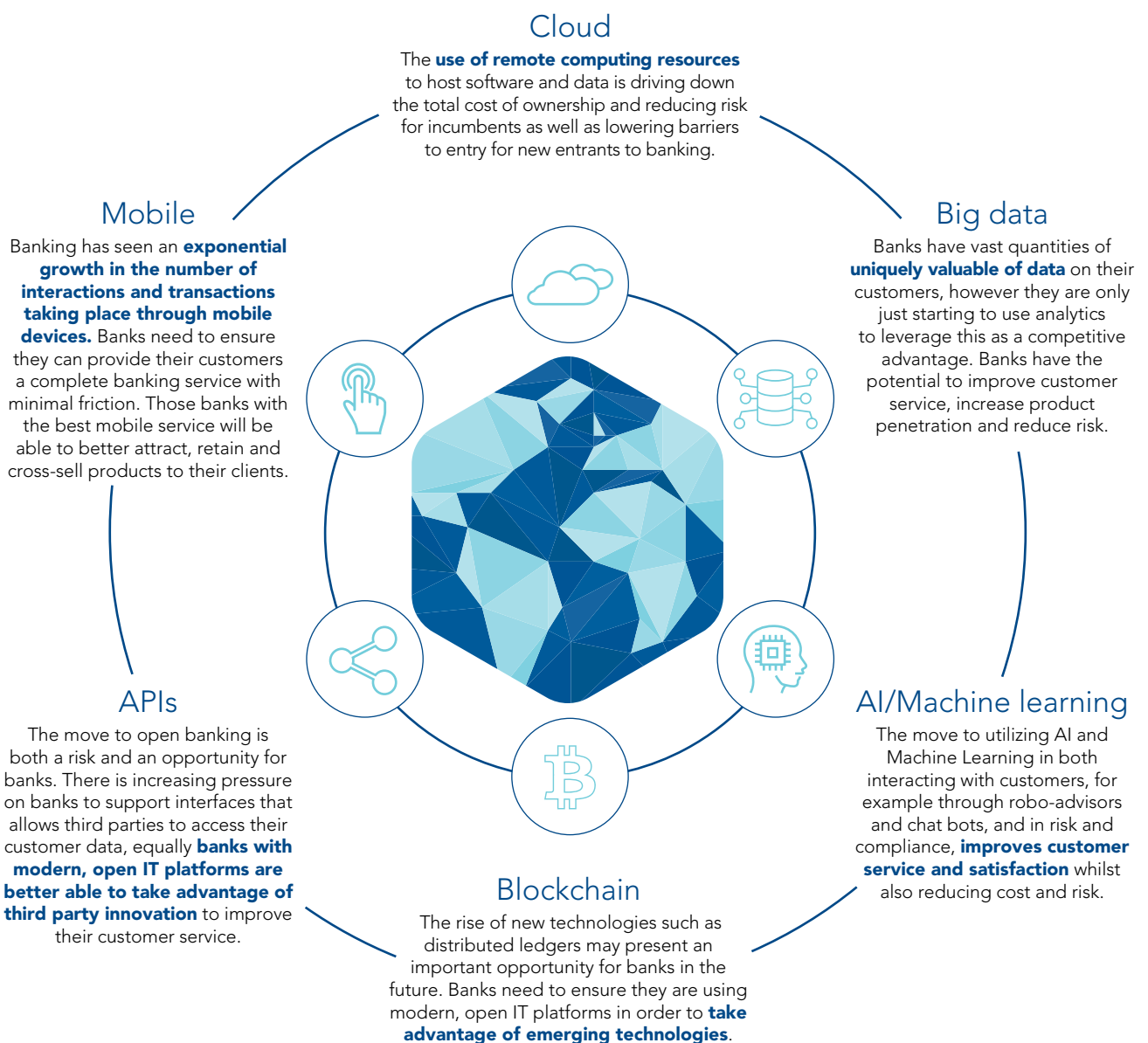
Middle East and Africa

8

offices in the region

KEY TECHNOLOGY TRENDS

A number of technology trends are driving change across the banking landscape and influencing the approach banks take to their IT renovation



WHAT MAKES TEMENOS UNIQUE

OUR INVESTMENT CASE



A MARKET LEADER

INDUSTRY RECOGNITION

Leader

Recognized as a
Leader in global
banking platforms²

Gartner¹

- > Recognized as a Leader for 9th consecutive time in 'Magic Quadrant for Global Retail Core Banking.'

Forrester²

- > Leader in Forrester Wave for Global Digital Banking platforms, 2018.
- > Leader in Forrester Wave for Digital Banking Engagement platforms, 2017.
- > Classed "Global Power Seller" for new business for 12th consecutive year and "Top Global Player" for new and existing business deals for 6th consecutive year.

Ovum³

- > "Market Leader" in core banking and "Market Leader" in digital banking platforms.
- > "Market Challenger" in Anti-Financial Crime solutions.

6yrs

Ranked best selling
core banking system⁴

12yrs

Classed "Global
Power Seller" for
new business²

IBS Intelligence⁴

- > Best selling core banking system for the last 6 years and top two positions for the past 19 consecutive years.
- > Best selling digital banking and channels system.
- > Best selling risk and compliance system.

Celent⁵

- > Awarded '2018 XCelent Awards' for client service and client base in wealth front office.
- > Awarded '2016 XCelent Award' for advanced technology in digital channels.
- > Awarded '2017 XCelent Award' for breadth of functionality in wealth core banking.

9

consecutive times

Recognized as
a Leader nine
consecutive times¹

in Gartner Magic Quadrant for Global
Retail Core Banking.

International Data Corporation⁶

- > Recognized as a Leader in global core banking, European mobile banking and wealth management front and middle office.

Banking Technology Awards⁷

- > T24 Core Banking awarded 'Editor's Choice Award.'
- > 'Readers' Choice Award' for "Best emerging/innovative technology product" for Temenos MarketPlace.

FS Tech Awards⁸

- > "Technology Provider of the Year 2017."
- > "Payments Innovation of the Year 2018" for first cloud-based combined Payments Hub and Core Banking.

¹ The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Quarterly Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

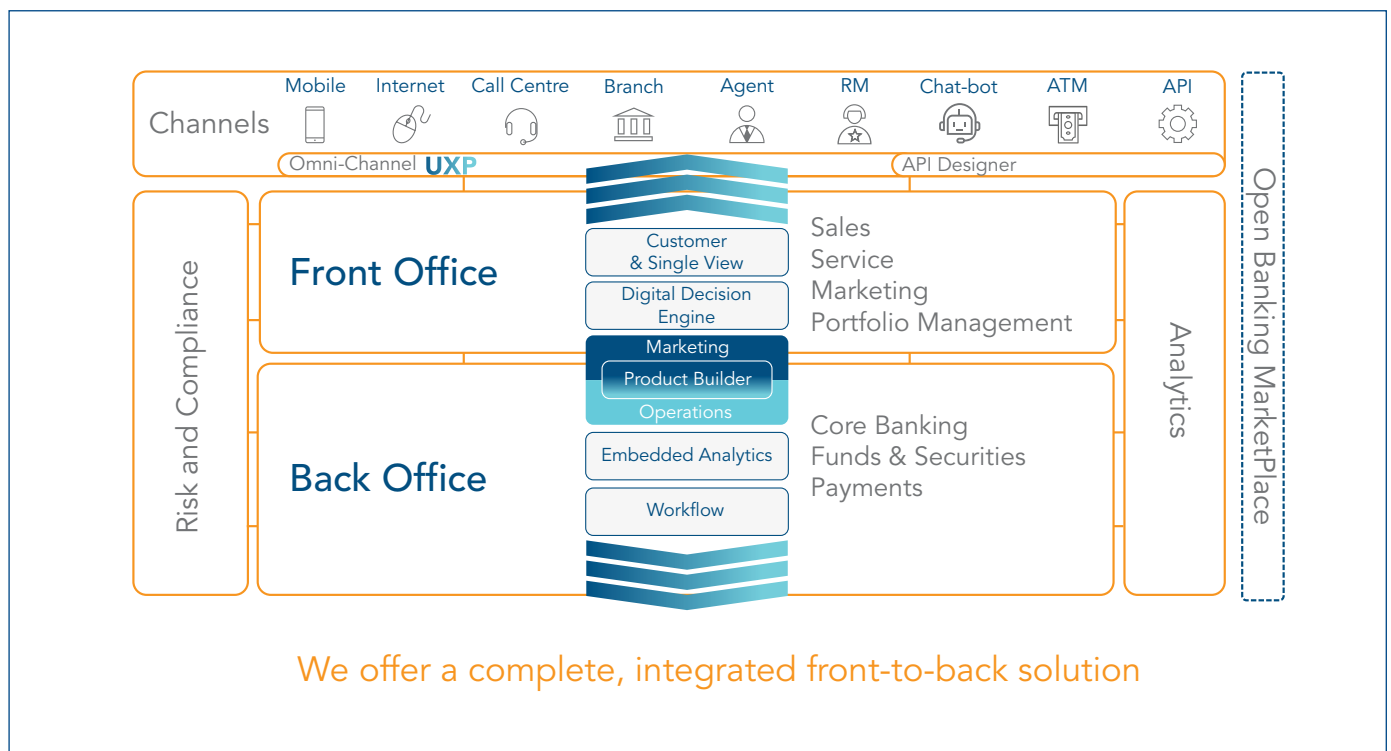
SOLUTIONS FOR THE DIGITAL AGE

OUR SOLUTIONS



INNOVATIVE SOFTWARE

Temenos' software is the world's most comprehensive, integrated and fully upgradeable solution for banks embracing digitalization and open banking.



OUR SOFTWARE

A complete and integrated software platform for banks.

Temenos builds and supports the world's leading software platform for banking. Our software covers the full range of activities of banks and similar financial institutions from front-to-back and across all types of bank and banking activity. The same software is pre-packaged into a series of Suites adapted for the retail, wealth and corporate banking verticals. Suites are also available for the more specialist areas of banking including Islamic and microfinance. In this way our industry-leading levels of investment in our software benefit all our clients in all types of banks.

Our clients can take a complete solution based on our platform or alternatively implement specific modules to address specific issues or requirements. This approach lends itself well to larger banks who wish to conduct a lower risk, phased migration to our platform; an approach called progressive renovation.

We strive to ensure that all of our modules are market-leading in their own right and able to compete with 'best of breed' competitors. At the same time we invest in full integration of our modules so banks who choose to implement a full Temenos solution gain significant additional benefit.

We invest heavily in our software platform to ensure that it remains fully up to date regarding banking practice, regulation and technology. Our clients are able to benefit from this investment because of our disciplined packaged approach where all our software is fully upgradeable.

OVERVIEW OF IFRS VS NON-IFRS

USDm, except EPS	Non-IFRS (under IAS 18 basis)			IFRS			
	H1 2018 (IAS 18)	H1 2017 (IAS 18)	Change	H1 2018 (IFRS 15)	H1 2018 (IAS 18)	H1 2017 (IAS 18)	Change (IAS 18)
Software licensing	117.8	89.4	32%	137.6	117.8	89.4	32%
SaaS and subscription	35.6	28.7	24%	15.6	35.5	28.0	27%
Total software licensing	153.3	118.2	30%	153.2	153.2	117.5	30%
Maintenance	149.1	131.7	13%	153.6	149.1	131.8	13%
Services	73.5	67.6	9%	72.1	73.5	67.6	9%
Total revenues	375.9	317.4	18%	378.9	375.8	316.8	19%
EBIT	94.1	75.3	25%	72.7	67.6	53.4	27%
EBIT margin	25.0%	23.7%	1%	19.2pts	18.0%	16.9%	1% pts
EPS (USD)	1.04	0.79	32%	0.69	0.63	0.52	21%

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 below.

NON-IFRS ADJUSTMENTS:

Impact of IFRS 15

Adjustments made resulting from elimination of impact of IFRS 15 accounting.

Contract liabilities (Deferred revenue) adjustments

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.

Amortization of acquired intangibles

Amortization 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.

RECONCILIATION FROM IFRS EBIT TO NON-IFRS EBIT

USDm	2018	2017
IFRS EBIT	72.7	53.4
IFRS 15 adjustment	(5.0)	–
Contract liabilities (Deferred revenue) write-down	0.1	0.7
Amortization of acquired intangibles	19.1	15.5
Restructuring	2.4	3.8
Acquisition-related charges	4.8	2.0
Non-IFRS EBIT	94.1	75.3

Readers are cautioned that the supplemental non-IFRS information presented 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.

IFRS FINANCIAL STATEMENTS

IFRS Financial Statements (Unaudited)

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONDENSED)

For the six months ended 30 June

Unaudited

	2018 USD 000	2017* USD 000
REVENUES		
Software licensing	137,625	89,422
SaaS & subscription	15,564	28,075
Total software licensing	153,189	117,497
Maintenance	153,556	131,766
Services	72,094	67,514
Total revenues	378,839	316,777
OPERATING EXPENSES		
Cost of sales	(105,441)	(99,436)
Sales and marketing	(69,975)	(55,452)
General and administrative	(49,463)	(39,933)
Other operating expenses	(81,291)	(68,550)
Total operating expenses	(306,170)	(263,371)
Operating profit	72,669	53,406
Finance costs – net	(13,954)	(9,701)
Profit before taxation	58,715	43,705
Taxation	(8,599)	(6,329)
Profit for the period	50,116	37,376
Attributable to:		
Equity holders of the Company	50,116	37,376
Earnings per share (in USD) (note 11):		
basic	0.72	0.53
diluted	0.69	0.52

* Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.

Notes on pages 15 to 28 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

For the six months ended 30 June

Unaudited

	2018 USD 000	2017* USD 000
Profit for the period	50,116	37,376
Other comprehensive income:		
Items that are or may be subsequently reclassified to profit or loss		
Available-for-sale financial assets	–	(18)
Cash flow hedge	3,266	(1,235)
Currency translation difference	(13,172)	20,649
Other comprehensive income for the period, net of tax	(9,906)	19,396
Total comprehensive income for the period	40,210	56,772
Attributable to:		
Equity holders of the Company	40,210	56,772

* Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.

Notes on pages 15 to 28 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONDENSED)

Unaudited

	30 June 2018 USD 000	31 December 2017* USD 000
ASSETS		
Current assets		
Cash and cash equivalents	87,959	167,855
Trade and other receivables	276,676	258,632
Other financial assets (note 9)	4,689	3,967
Total current assets	369,324	430,454
Non-current assets		
Property, plant and equipment (note 12)	16,776	16,385
Intangible assets (note 12)	765,134	795,961
Trade and other receivables	12,777	10,379
Other financial assets (note 9)	235	161
Deferred tax asset	22,013	21,943
Total non-current assets	816,935	844,829
Total assets	1,186,259	1,275,283
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables	139,761	124,652
Other financial liabilities (note 9)	4,489	3,184
Contract liabilities (Deferred revenue)	225,151	232,489
Income taxes payable	38,715	41,042
Borrowings (note 13)	102,567	5,885
Provisions for other liabilities and charges	1,443	3,085
Total current liabilities	512,126	410,337
Non-current liabilities		
Trade and other payables	–	–
Other financial liabilities (note 9)	25,438	27,752
Income tax liabilities	–	–
Borrowings (note 13)	401,924	434,299
Provisions for other liabilities and charges	264	238
Deferred tax liabilities	13,344	15,408
Retirement benefit obligations	8,365	7,736
Total non-current liabilities	449,335	485,433
Total liabilities	961,461	895,770
Shareholders' equity		
Share capital	233,217	232,192
Treasury shares	(230,453)	(197,750)
Share premium and other reserves	(299,645)	(186,287)
Other equity	(103,247)	(93,341)
Retained earnings	624,926	624,699
Total equity	224,798	379,513
Total liabilities and equity	1,186,259	1,275,283

* Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.

Notes on pages 15 to 28 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

For the six months ended 30 June

Unaudited

	2018 USD 000	2017* USD 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	58,715	43,705
Adjustments:		
Depreciation, amortization and impairment of financial assets	47,039	42,311
Cost of share options	16,385	9,386
Foreign exchange (gain)/loss on non-operating activities	(1,744)	3,788
Interest expenses, net	5,256	6,377
Net loss/(gain) from financial instruments	1,852	(1,746)
Other finance costs	8,794	1,921
Other non-cash item	70	(1,567)
Changes in:		
Trade and other receivables	(28,793)	(2,588)
Trade and other payables, provisions and retirement benefit obligations	12,015	(6,320)
Contract liabilities (Deferred revenue)	(6,663)	(14,612)
Cash generated from operations	112,926	80,655
Income taxes paid	(10,457)	(5,500)
Net cash generated from operating activities	102,469	75,155
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net of disposals	(3,869)	(2,782)
Purchase of intangible assets, net of disposals	(1,653)	(2,810)
Capitalized development costs (note 12)	(25,750)	(23,062)
Acquisitions of subsidiaries, net of cash acquired	–	(51,818)
Settlement of financial instruments	870	2,006
Interest received	738	1,063
Net cash used in investing activities	(29,664)	(77,403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid (note 15)	(46,134)	(39,506)
Acquisition of treasury shares	(161,151)	(38,127)
Proceeds from borrowings (note 13)	75,000	–
Repayments of borrowings (note 13)	(41)	(10,206)
Proceeds from issuance of bond	–	148,781
Interest payments	(11,037)	(7,750)
Payment of other financing costs	(7,992)	(1,516)
Net cash (used in)/generated from financing activities	(151,355)	51,676
Effect of exchange rate changes	(1,346)	9,143
Net (decrease)/increase in cash and cash equivalents in the period	(79,896)	58,571
Cash and cash equivalents at the beginning of the period	167,855	194,340
Cash and cash equivalents at the end of the period	87,959	252,911

* Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.

Notes on pages 15 to 28 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONDENSED)

Unaudited

	Share capital USD 000	Treasury shares USD 000	Share premium and other reserves USD 000	Other equity USD 000	Retained earnings USD 000	Total USD 000
Balance at 1 January 2017*	226,058	(66,487)	(154,249)	(131,168)	524,985	399,139
Profit for the period	–	–	–	–	37,376	37,376
Other comprehensive income for the period, net of tax	–	–	–	19,396	–	19,396
Total comprehensive income for the period	–	–	–	19,396	37,376	56,772
Dividend paid	–	–	–	–	(39,506)	(39,506)
Cost of share options	–	–	9,386	–	–	9,386
Exercise of share options	6,134	50,184	(56,318)	–	–	–
Costs associated with equity transactions	–	–	(146)	–	–	(146)
Acquisition of treasury shares	–	(38,127)	–	–	–	(38,127)
	6,134	12,057	(47,078)	19,396	(2,130)	(11,621)
Balance at 30 June 2017	232,192	(54,430)	(201,327)	(111,772)	522,855	387,518
Balance at 1 January 2018	232,192	(197,750)	(186,287)	(93,341)	624,699	379,513
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	(3,755)	(3,755)
Adjusted balance at 1 January 2018	232,192	(197,750)	(186,287)	(93,341)	620,944	375,758
Profit for the period	–	–	–	–	50,116	50,116
Other comprehensive income for the period, net of tax	–	–	–	(9,906)	–	(9,906)
Total comprehensive income for the period	–	–	–	(9,906)	50,116	40,210
Dividend paid (note 15)	–	–	–	–	(46,134)	(46,134)
Cost of share options	–	–	16,385	–	–	16,385
Exercise of share options	1,025	128,448	(129,473)	–	–	–
Costs associated with equity transactions	–	–	(270)	–	–	(270)
Acquisition of treasury shares	–	(161,151)	–	–	–	(161,151)
	1,025	(32,703)	(113,358)	(9,906)	3,982	(150,960)
Balance at 30 June 2018	233,217	(230,453)	(299,645)	(103,247)	624,926	224,798

* Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.

Notes on pages 15 to 28 are an integral part of these interim consolidated financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

Unaudited

1. GENERAL INFORMATION

Temenos AG formerly named as '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 AG have been publicly traded on the SIX Swiss Exchange. The registered office is located at 2 Rue de L'Ecole-de-Chimie, 1205 Geneva, Switzerland.

Further to approval by the shareholders at the annual general meeting held on 15 May 2018, the Company's name was changed from 'Temenos Group AG' to 'Temenos AG'.

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.

2. BASIS OF PREPARATION

This condensed interim financial information for the six month ended 30 June 2018 has been prepared in accordance with IAS 34 'Interim financial reporting' and is unaudited. The consolidated interim financial report should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017 which have been prepared in accordance with the International Financial Reporting Standards ('IFRS').

3. ACCOUNTING POLICIES

The accounting policies are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2017, except for the changes described in paragraph 'Changes in accounting policies' related to the adoption of new standards IFRS 9 'Financial instruments' and IFRS 15 'Revenue from Contracts with Customers' and for specific requirements applicable to interim financial reporting which is as follows:

Taxation

Income tax is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The tax charge for the period ended 30 June 2018 consisted of tax on profits, withholding tax and deferred tax movements.

New Standards, amendments and interpretations relevant to the Group's operation and adopted by the Group as at 1 January 2018

Unless otherwise specified, the following standards, amendments and interpretations published and adopted by Group are not expected to have any significant impact on the Group's financial statements.

IFRS 9 'Financial instruments'

As of 1 January 2018, the Group has adopted IFRS 9 'Financial Instruments'. This new standard replaces the 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 introduces new rules for hedge accounting. The Group has applied this new standard retrospectively with the use of the expedient so that prior periods do not need to be restated and the effect of the initial application was recognized as an adjustment to the opening retained earnings. For hedge accounting, the Group applied this standard prospectively.

The adoption of the new standard had no effect on the Group's policies related to the classification and measurement of the Group's financial instruments.

The Group has elected to adopt the new standard for hedge accounting. As the hedging relationships that were existing at the initial application met the requirements according to IFRS 9, the adoption of the standard had no effect in the Group's financial statements.

The effect of introduction of the expected credit loss impairment model on opening retained earnings was not significant, since the Group's historical default rate due to credit risk was rather limited in light of its customer profile. Under IFRS 9, trade receivables and contract assets are credit impaired when there is objective evidence that Group will not be able to collect due to financial difficulty of the debtor. Any other factors for non-collection are treated as variable consideration covered by IFRS 15.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

Unaudited

3. ACCOUNTING POLICIES CONTINUED

IFRS 15 'Revenue from Contracts with Customers'

As of 1 January 2018, IFRS 15 'Revenue from Contracts with a Customer' has come in to effect. The new standard has replaced IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. It establishes principles for recognizing, measuring and reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under IFRS 15, revenue from contracts with customers is recognized based on a five-steps model and the transaction price is allocated to each distinct performance obligation on the basis of the relative stand-alone selling prices. Revenue is no longer recognized upon the transfer of risks and rewards but when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. The standard also provides guidance on the treatment of any costs to obtain and/or fulfill a contract that may be recognized as assets.

The Group has adopted IFRS 15 Revenue from Contracts with Customers effective 1 January 2018 applying the modified retrospective application, and chose to apply IFRS 15 on all contracts that were not completed at date of initial application. The Group also elected the practical expedient to apply the contract modifications guidance to contract modification that occurred at the date of initial application.

The transition effect into the new revenue recognition standard was accounted for by recognizing the cumulative effect of initially applying the standard as an opening balance sheet adjustment to equity at 1 January 2018 without any adjustment to prior year comparative information. The cumulative effect of policy change was a reduction of equity of \$3.8 million.

The following are the main areas which has an impact on application of IFRS 15:

- Subscription software contracts were recognized rateably over the life of the contract under IAS 18. Following adoption of IFRS 15, the Group separate out the revenue due under licensing performance obligations and the revenue due under maintenance service obligations. The revenue due under licensing performance obligations is now recognized at the point when the control of the software is transferred to the client. The revenue due under maintenance service obligations is now recognized rateably over the life of the contract. In effect, the total amount of revenue from subscription contracts has not changed, only the pattern of recognition of revenue over the term of contract has been modified.
- With the change in subscription software contracts, financing has become a factor in a small number of contracts where the financing component is considered significant to the value of that contract. Under IFRS 15 if some of the consideration for a performance obligation is due greater than 1 year from the point the performance obligation was satisfied, then financing is to be assessed. If the financing is a significant component then the total transaction price is discounted and the difference is recorded as an interest expense.
- Non-generic development fees were previously recognized on a percentage of completion basis. Under IFRS 15, licensed development revenue is recognized upon delivery of the software, with any costs incurred to fulfill the contract to be deferred until the relevant revenue is recognized. This results in some deferral of development revenue recognition and associated cost.
- Under IFRS 15 standard optional additional copies of the software, renewals and additional modules or products might give rise to a material right. In these cases a performance obligation for the material right is identified and consideration allocated, based on standalone selling price, is assigned to the performance obligation. The transaction price allocation to the material right is then recognized as revenue once the option is exercised or lapsed. Under our current accounting policies, such option do not have an impact on the amount or pattern of revenue recognized.
- Under IAS 18, the Group would consider all amounts in a contract that are contractually fixed when making the initial revenue recognition assessment. IFRS 15 requires the assessment of potential variable consideration from the outset, which could include such items as right of refund, credits, price concessions, performance bonuses and penalties. This results in deferral of revenue previously recognized.

The following tables summarize the impact of adopting IFRS 15 on the Group's Consolidated statement of profit and loss for six month ended 30 June 2018 and statement of financial position for interim period ending 30 June for each of the lines affected.

Impact on the Group's consolidated statement of profit and loss for six month ended 30 June 2018

	As reported USD 000	Impact of IFRS 15 USD 000	Amounts without adoption of IFRS 15 USD 000
Software licensing	137,625	(19,877)	117,748
SAAS & Subscription	15,564	19,926	35,490
Total Software licensing	153,189	49	153,238
Maintenance	153,556	(4,490)	149,066
Services	72,094	1,427	73,521
Total Revenues	378,839	(3,014)	375,825
Operating expenses	(306,170)	(2,014)	(308,184)
Operating profit	72,669	(5,028)	67,641
Finance cost – net	(13,954)	–	(13,954)
Profit before taxation	58,715	(5,028)	53,687
Taxation	(8,599)	737	(7,862)
Profit for the period	50,116	(4,291)	45,825

Impact on Group's consolidation statement of financial position ending 30 June 2018

	As reported USD 000	Impact of IFRS 15 USD 000	Amounts without adoption of IFRS 15 USD 000
Current assets			
Trade and other receivables	276,676	4,354	281,030
Current liabilities			
Contract Liabilities (Deferred revenue)	225,151	5,786	230,937
Income tax payable	38,715	(896)	37,819
Equity			
Retained Earnings	624,926	(536)	624,390

IFRS 2 (standard) 'Share-based Payment', effective for annual periods beginning on or after 1 January 2018. This amendment provides additional guidance on the accounting for cash-settled share-based payments and adds an exception that provides equity-settled accounting where the settlement of share-based payment awards is split between equity instruments issued to the employee and a cash payment to the tax authorities. This amendment did not have any impact on the Group's financial statements since the Group's share-based payment transactions are all qualified as equity settled share-based payments. The Group has applied the amendment for the financial reporting period commencing on 1 January 2018.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (new interpretation), effective for annual periods beginning on or after 1 January 2018. This interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. This interpretation did not have any impact on the Group's financial statements since the Group already measures the derecognition of its related non-monetary asset or non-monetary liability in accordance with rules of this new interpretation. The Group has applied this interpretation for the financial reporting period commencing on 1 January 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

Unaudited

3. ACCOUNTING POLICIES CONTINUED

Updates on new Standards relevant to the Group's operation and not yet adopted by the Group
IFRS 16 (standard) 'Leases', effective for annual periods beginning on or after 1 January 2019.

The Group will adopt the standard per its effective date of 1 January 2019, using the modified retrospective approach.

The Group has identified all the leases that are currently in use and the majority of these leases are for office rentals. The Group intends to take exemptions to elect not to apply IFRS 16 requirements to short term leases and low value leases. The application of the new standard will result in an increase in non-current assets and borrowings on the Consolidated Statement of Financial Position, however the impact on net assets will not be material. On the Consolidated statement of profit or loss the Group does not anticipate a significant impact on net earnings however there will be a reallocation of its current operating lease expense between operating profit and financing expenses.

Changes in accounting policies

3.1 Revenue recognition

The Group derives revenue from following four main sources:

Software License

Software license revenues represent all fees earned from granting customers licenses to use the Group's software, either through an initial license or through the purchase of additional modules or user rights, but excludes any amounts that are related to maintenance. For software license arrangements that do not require significant modification or customization of the underlying software, revenue is recognized at the point the software is delivered, functional and control has been passed to the customer. Temenos includes software that is either sold on a term basis or perpetual basis and includes software licenses that are sold on a subscription payment basis. Software developments and customizations are included within this revenue line and are recognized when they meet the same criteria as the licensed software.

SAAS

Software as a Service (SaaS) revenue is earned through the use of Temenos software to provide a service to the customer. This includes the support and development of the software as well as the hosting infrastructure. The customer does not have the ability to take infrastructure of the software under a licensed arrangement. The hosting infrastructure in the arrangement may be Temenos' own infrastructure or that of a third party hosting infrastructure that Temenos has engaged with.

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 recognized rateably 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 over time on a percentage-of-completion basis. Time and Material contracts are recognized as utilized by the client.

IFRS 15 requires estimates and judgments to be made and consistently applied by the Group in accounting for the revenue from contracts with customers. The areas that require estimates and judgments by the Group are detailed below:

Identification of Contract

Temenos often enters in to multiple contracts with a customer and will assess these for the need to combine if the contracts are negotiated in and around the same time, are for the same economic purpose or are dependent upon one another.

Initial/master agreements often have additional purchases, addendum or terms modified through out their term. At each point a contract is modified, Temenos assesses the contract under the standard to determine if modifications are to be treated as a modification or a separate contract.

Temenos makes an assessment initially to determine if the customer has the ability and intent to pay the consideration in the contract. Should Temenos determine the customer doesn't meet either of these criteria then Temenos doesn't believe it is in possession of a contract and revenue recognition is deferred until such a time as the customer has both the ability and intent or Temenos has been paid in full and has met all of the performance obligations.

Identifying Performance Obligations

Temenos commonly sells clearly defined separate performance obligations as identified by revenue in the revenue streams. Significant judgments arise when developments and customizations are included and Temenos must determine if these significantly alter the functionality of the software licensed initially. If Temenos concludes the developments or customizations significantly modify the software licensed the performance obligations will be bundled as one performance obligation and recognized when the combined performance obligation is delivered, functional and complete.

Temenos often grants options to purchase additional products or services in its contracts with customers. These can be additional usage rights, renewals, products, modules or premium maintenance. Temenos assess each option to determine if it provides customer a material right. If a material right has been granted Temenos will identify this as a separate performance obligation and later in the revenue accounting process, allocate the appropriate consideration to the performance obligation.

Determining the Transaction Price

Judgment is required in assessing the total consideration that will be paid in exchange for the satisfied performance obligations. This includes not only assessing the variable amounts to possibly include in the consideration but also assessing if any concessions, discounts or other variable factors may reduce the fixed fees in the contract. Temenos uses internal historical experiences as well as external factors in making the necessary estimates.

Allocating the Consideration to the Performance Obligation

Temenos applies the consideration based on a standalone selling price hierarchy. This hierarchy is based on priority being given to performance obligations that have a high level of externally observable inputs and are low variability in price, such as implementation services. Low priority in the hierarchy is given to items that have little to no external comparability and have a highly variable selling price. Finally once all other performance obligations have been valued the residual is applied to the licenses.

Temenos also use renewal rates, historical data and cost inputs to determine the standalone selling price and its position in the allocation hierarchy.

Standalone selling price of a material right factors in the judgments about the likelihood of the customer taking up the option using historical data and the nature of the material right.

Timing of revenue recognition

Temenos recognizes all licensed software (available products, development or customizations) at a point in time when the software is delivered, functional and the customer has control. Control is primarily seen as the customer can take possession of the functional software and use it within the licensed usage rights.

SaaS is recognized over time starting from the point the service is made available to the customer to access the service.

Maintenance services are recognized over the period the service is provided on a straight line basis. The standard maintenance offering is a stand ready obligation to provide technical support and unspecified updates, upgrades and enhancements on a when and if available basis. Customers simultaneously receive and consume the benefits of these support services as performed.

Professional services are recognized over time using a percentage of completion for the fixed price service offering. Temenos uses an inputs method aligned to milestones and the consideration recoverable. Time and Material contracts are recognized as utilized by the client.

Incremental Costs of Obtaining Customer Contracts

The assets recognized for the incremental costs to obtain a contract are predominantly made up of sales commissions earned by Temenos sales force in obtaining SaaS contracts. The asset is amortized over the life of the contract committed for by the customer as the commissions are driven by the commitment period.

Cost to fulfill a contract

The cost to fulfill a contract with a customer that are associated with customization developments are deferred on the balance sheet as work in progress until the development performance obligation is met, at which point the cost will be recognized in line with the revenue.

Contract balances – Assets and Receivable

The Group classifies the right to consideration in exchange for products or services transferred to a client as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional whereas a contract asset is a right to consideration that is conditional upon factors other than the passage of time.

The Group's contract assets mainly relates to unbilled amounts related to fixed price service contracts, where the right to consideration is subject to milestone completion.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

Unaudited

3. ACCOUNTING POLICIES CONTINUED

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term bank deposits and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to negligible risks of change in value.

As the Group's objective and business model are to hold this asset to collect the contractual cash flows, cash and cash equivalents are initially measured at fair value and subsequently measured at amortized costs.

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. Since this asset is primarily held with reputable major institutions with an 'investment grade' or similar rating and the period over which the Group is exposed is very short, the Group applies the low credit risk option and, therefore, the Group allocates this asset to the stage 1 of the credit loss model. Loss allowance is then measured at an amount equal to 12-month expected credit losses.

3.3 Trade receivable and contract assets

Trade receivables are recognized initially at the transaction price or at fair value if they contain a significant financing components. They are subsequently measured at amortized cost using the effective interest method as the Group's objective and business model are to hold this asset to collect the contractual cash flows. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses lifetime expected credit loss allowance for all trade receivables including trade receivables with significant financing components, and contract assets. The Group exercises judgment in determining expected credit loss allowance. In this judgment, the Group identifies historical default rate by analyzing the historical experience with credit losses, considering it to represent a reasonable approximation for future expected defaults and apply to the current receivables. The Group also takes into consideration forward looking factors, including changes in the overall economic environment or changes in regulation and if material reflects these in the expected credit loss allowance.

A credit impairment is recognized 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. Evidence of impairment includes severe financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization.

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 expense from expected credit loss allowance as well as from credit impaired debtors is recognized in profit or loss within 'Sales and marketing'. Subsequent recoveries are credited in the same account previously used to recognize the impairment charge.

Contract assets represents consideration which is conditional upon factors other than passage of time. They are initially recognized and subsequently measured as per the provision of IFRS 15.

Non-current trade receivables represent balances expected to be recovered after 12 months.

3.4 Other receivables

Other receivables include other receivables (financial assets) and other assets (non-financial assets).

Other receivables (financial assets) represent receivables raised from transactions outside the ordinary activities of the Group.

As the Group's objective and business model are to hold this type of asset to collect the contractual cash flows, they are initially measured at fair value and subsequently measured at amortized costs.

When the impact of applying the effective interest method is not significant, the gross carrying amount equals to the contractual amount or the fair value at initial recognition.

Balances to be collected after 12 months from the reporting period are presented as non-current.

The Group applies the same impairment policy that are used to measure the expected credit loss for its Trade receivables.

Other assets (non-financial assets) primarily represent prepayments, contract costs according to IFRS 15 and statutory accruals. They are reported as current assets.

3.5 Other financial assets

The Group's other financial assets include derivatives held with positive value.

Derivatives held for trading are initially and subsequently measured at fair value through profit or loss. They are reported as a current assets.

Derivatives used for hedging are initially recognized at fair value and subsequently measured according to the provisions for hedge accounting in IFRS 9. They are reported as non-current assets when they are expected to be settled more than 12 months after the reporting period.

3.6 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value and they are subsequently remeasured at fair value at each reporting date. The method of recognizing the gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the type of the hedging relationship.

Derivatives held for trading

While providing effective economic hedges under the Group's risk management policies, these derivatives are not designated as hedging instruments according to IFRS 9 and, therefore, the changes in the fair value are immediately recognized within 'Finance costs – net'. Related cash-flows are reported as cash flows from investing activities.

Derivatives held for trading are reported as a current asset or liability.

Derivatives used for hedging

Derivatives used for hedging are initially recognized at fair value and subsequently measured using the provisions for hedge accounting in IFRS 9.

For forward contracts used to hedge a forecast transaction in a cash flow hedge relationship, the Group generally designates the change in value of the whole instrument. For Cross-Currency Swaps contracts used in a cash flow hedge relationship, the Group separates the foreign currency basis spread from the instrument and exclude it from the hedging designation. Initial basis spread is recognized in the other comprehensive income and subsequently amortized over the hedging period within 'Finance costs – net'. Change in value of the basis spread is recognized in other comprehensive income.

At inception of the hedge relationship, the Group documents the hedging relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy.

The effectiveness of the hedging relationship is assessed at each interim periods using either the critical terms method when terms of the hedging instrument is identical to those of the forecast transaction or otherwise the Dollar method offset.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized 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 effective portion accumulated in the other comprehensive income is included in the initial cost of the asset or the carry amount of the liability.

Hedge accounting is discontinued when the derivative expires, or is sold or terminated, or the hedging relationship no longer meets the risk management objective, or when there is no longer an economic relationship between the hedging instrument and the hedge item. At that time, any cumulative gain or loss deferred in other comprehensive income remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognized immediately in profit or loss within 'Finance costs-net'.

Derivatives used for cash-flow hedge are classified as non-current assets or liabilities when they are expected to be settled more than twelve months after the reporting period.

The Group does not currently apply 'fair value hedge', neither 'hedge of a net investment in a foreign operation'.

4. SEASONALITY OF OPERATIONS

The Group's software licensing revenue, profit and cash collection tend to be stronger in the second half of the year and specifically the final quarter, therefore interim results are not necessarily indicative of results for the full year.

5. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

In May 2018, the Group announced the launch of a USD 250 million share buyback program, to be completed no later than 30 December 2019.

There were no material changes in respect of the Group's contingent liabilities, including litigation settlement, since the last annual reporting date.

There have been no substantive changes in the Group's exposure to financial risks and the Group has not suffered from significant adverse effect. Nature of the risks as well as the Group's policies and objectives reported in the consolidated financial statements at 31 December 2017 remain the same.

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6. ESTIMATES AND JUDGMENTS

The preparation of these consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Group's consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017. The only exceptions would be the changes due to newly applied IFRS 15 which are discussed below.

Critical judgment in applying the Group's accounting policies:

Revenue recognition

As detailed in note 3.1, the Group is required to make an assessment for each new software license contract as to whether the underlying software requires significant modification or customization by the Group in order to meet the customer's requirements. If significant modification or customization is required, then the license fee is recognized at the point in time when all developments and customizations are complete, functional and delivered to the customer. However, the majority of such modifications or customizations have not been deemed significant in current or prior periods.

Under IFRS 15, the collection of cash is addressed from the outset. If Temenos doesn't believe the customer has the ability or intent to pay the consideration promised for the performance obligations then Temenos is not in possession of a contract and revenue recognition can not commence. If there is doubt about the sum of consideration to be paid then this is addressed under variable consideration. This is addressed under step three of the revenue recognition model 'understanding the consideration in the contract'. Both of these require judgment to be applied by Temenos.

In respect of service revenue, the management exercises judgment in determining the percentage of completion, specifically with regards to the total man-days remaining to complete the implementation.

7. BUSINESS COMBINATION

The finalization of the initial accounting for prior year acquisition 'Rubik Financial Limited' has resulted in no subsequent adjustment to the initial assets acquired and liabilities assumed.

8. 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, recognizes 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 to how to allocate resources. These two reporting segments are the Group's only operating segments, hence there is no segmental aggregation.

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 and subscription arrangements. The 'Services' segment represents various implementation tasks such as consulting and training.

The CODM assesses the performance of the operating segments based on the operating contribution. This measure includes the operating expenses that are directly or reasonably attributable to the reporting segments. Unallocated expenses mainly comprise of restructuring costs, termination benefits, acquisition-related costs, share-based payment expenses, offices-related expenses and any other administrative or corporate overheads that cannot be directly attributable to the operating segments. Segment revenues provided to the CODM exclude the fair value adjustment recognized on deferred income liability acquired in business combination and hence total revenues allocated to the two segments exceed the IFRS reported figures.

The table below summarizes the primary information provided to the CODM:

	Product			Services			Total		
	Half-year 2018 USD 000 IFRS 15	Half-year 2018 USD 000 IAS 18	Half-year 2017 USD 000 IAS 18	Half-year 2018 USD 000 IFRS 15	Half-year 2018 USD 000 IAS 18	Half-year 2017 USD 000 IAS 18	Half-year 2018 USD 000 IFRS 15	Half-year 2018 USD 000 IAS 18	Half-year 2017 USD 000 IAS 18
External revenues	306,851	302,410	249,900	72,094	73,521	67,515	378,945	375,931	317,415
Operating contribution	144,308	137,853	112,986	14,089	15,516	11,850	158,397	153,369	124,836

Operating segment revenue and contribution was reported to CODM on an IFRS 15 and on an IAS 18 basis as it is the first year of transition and also to assist comparison.

Intersegment transactions are recognized as part of the allocated expenses. They are based on internal cost rates that excludes any profit margin.

There have been no differences from the last annual consolidated financial statements with regards to the basis of segmentation or to the basis of measurement of segment profit or loss.

There has been no material change in the assets reported to the CODM from the amount disclosed in the consolidated financial statements for the year ended 31 December 2017.

	Half-year 2018 USD 000	Half-year 2017 USD 000
Reconciliation to the Group's consolidated interim financial statements		
Total operating profit for the reportable segments	153,369	124,836
Impact of IFRS 15 adoption	5,028	–
Fair value adjustment on acquired deferred income liability	(106)	(638)
Depreciation and amortization	(46,279)	(38,835)
Unallocated operating expenses	(39,343)	(31,957)
Finance costs – net	(13,954)	(9,701)
Profit before taxation	58,715	43,705

Geographical information

	Half-year 2018 USD 000	Half-year 2017 USD 000
Revenues from external customers by region		
REGIONS		
Europe	183,925	153,915
America	63,932	53,645
Middle East and Africa	66,221	48,188
Asia	64,761	61,029
TOTAL REVENUES	378,839	316,777

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9. 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 categorized.

- 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.

Balance at 30 June 2018

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at FVTPL				
Forward foreign exchange contracts	–	1,303	–	1,303
Derivatives used for hedging				
Forward foreign exchange contracts	–	3,621	–	3,621
Total	–	4,924	–	4,924

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Forward foreign exchange contracts	–	2,961	–	2,961
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,951	–	1,951
Cross currency swap	–	25,015	–	25,015
Total	–	29,927	–	29,927

Balance at 31 December 2017

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	–	2,464	–	2,464
Derivatives used for hedging				
Forward foreign exchange contracts	–	1,664	–	1,664
Total	–	4,128	–	4,128

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at FVTPL				
Forward foreign exchange contracts	–	1,298	–	1,298
Derivatives used for hedging				
Forward foreign exchange contracts	–	2,017	–	2,017
Cross currency swap	–	27,621	–	27,621
Total	–	30,936	–	30,936

There were no changes in the first six months of the year in the valuation techniques used for financial instruments nor transfers between level 1 and 2.

Assets and liabilities in level 2

Forward foreign exchange contracts:

Discounted cash flow method: The expected future cash flow, which represents the difference between the quoted forward exchange rate (provided by brokers) and the derivative contract price, is discounted over the contractual remaining period using a free-risk yield curve adjusted for credit risk.

Cross currency swaps:

Discounted cash flow method: The future cash flows are discounted using forward interest yield-curves attributable to each currency (including the currency basis spreads). The resulting fair value of the leg measured in foreign currency is translated using the spot exchange rate.

The Group uses 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.

The Group's policy is to recognize transfers into and out of fair value hierarchy levels at the end of the reporting period when the event or change in circumstances occurred.

10. FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

The following table provides the fair value and the carrying amount of the Group's financial instruments measured at amortized cost; excluding cash and cash equivalents, current trade and other receivables, current trade and other payables as their carrying amounts represent a reasonable approximation of their fair values.

	30 June 2018		31 December 2017	
	Carrying amount USD 000	Fair value USD 000	Carrying amount USD 000	Fair value USD 000
Financial assets				
Non-current trade and other receivables	12,777	11,856	10,379	10,057
Total	12,777	11,856	10,379	10,057
Borrowings				
Other loans	151	140	203	197
Bank borrowings	75,000	75,123	–	–
Unsecured bonds	429,340	436,972	439,981	449,149
Total	504,491	512,235	440,184	449,346

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

Unaudited

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 period.

	Half-year 2018	Half-year 2017
Profit attributable to equity holders of the Company (USD 000)	50,116	37,376
Weighted average of ordinary shares outstanding during the period (in thousands)	69,221	69,879
Basic earnings per share (USD per share)	0.72	0.53

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 interim financial statements, the Group has only one category with a potential dilutive effect: 'Share options'.

For the period ended 30 June 2018 and 30 June 2017, this category was fully dilutive.

	Half-year 2018	Half-year 2017
Profit used to determine diluted earnings per share (USD 000)	50,116	37,376
Weighted average of ordinary shares outstanding during the period (in thousands)	69,221	69,879
Adjustments for:		
– Share options (in thousands)	3,430	1,882
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	72,651	71,761
Diluted earnings per share (USD per share)	0.69	0.52

12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment USD 000	Intangible assets USD 000
Six months ended 30 June 2018		
Opening balance as at 1 January 2018	16,385	795,961
Additions	4,305	2,026
Capitalized development costs	–	25,750
Charge for the period	(3,285)	(42,994)
Foreign currency exchange differences	(629)	(15,609)
Closing net book amount as at 30 June 2018	16,776	765,134

13. BORROWINGS

	30 June 2018 USD 000	31 December 2017 USD 000
CURRENT		
Other loans	99	58
Unsecured bonds	102,468	5,827
Total current	102,568	5,885
NON-CURRENT		
Other loans	53	145
Bank borrowings	75,000	–
Unsecured bonds	326,871	434,154
Total non-current	401,923	434,299
Total borrowings	504,491	440,184

Movements in borrowings is analyzed as follows:

SIX MONTHS ENDED 30 JUNE 2018

Opening balance as at 1 January 2018 (USD 000)	440,184
Proceeds from borrowings, net proceeds	74,959
Unsecured bond-coupon payments	(8,430)
Interest expense	4,369
Foreign currency exchange differences	(6,591)
Closing net book amount as at 30 June 2018 (USD 000)	504,491

Bank facilities

The Group maintains a multicurrency revolving credit facility with a pool of eight large financial institutions. The pertinent details of the facility available to the Group are as follows:

- Total commitment of USD 500 million.
- Interest at LIBOR plus variable margin, which is calculated by reference to certain financial covenants.
- The facility is repayable on 19 February 2021.
- Commitment fees are due on the undrawn portion.

This agreement is subject to financial covenants, which have been adhered to during the reporting periods.

As at 30 June 2018, a total of USD 75 million (31 December 2017: nil) was drawn under this agreement.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

Unaudited

14. SHARE CAPITAL

As at 30 June 2018, the issued shares of Temenos AG comprised 71,044,267 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 for the period ended 30 June 2018 are summarized below:

	Number
Total number of shares issued, as at 1 January 2018	70,849,924
Treasury shares	(1,775,516)
Total number of shares outstanding, as at 1 January 2018	69,074,408
Creation of new ordinary shares out of conditional capital for share-based payment transactions	194,343
Disposal of treasury shares for share-based payment transactions	1,230,735
Acquisition of treasury shares (share buyback)	(1,083,311)
Total number of shares outstanding, as at 30 June 2018	69,416,175

As at 30 June 2018 the number of treasury shares held by the Group amounted to 1,628,092 (31 December 2017: 1,775,516).

Temenos AG also has conditional and authorized capital, comprising:

Authorized shares available until 10 May 2019	13,900,000
Conditional shares that may be issued on the exercise of share-based payment transactions	7,000,000
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

15. DIVIDEND PAYMENT

A dividend of CHF 45.8 million (CHF 0.65 per share) in respect of the financial year ended 31 December 2017 was paid during the period.

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD.

There are no reportable events that occurred after the reporting period.

SOURCES

- 1 Gartner, 'Magic Quadrant for Global Retail Core Banking', Gartner, Vittorio D'Orazio, Don Free, June 2018.
Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organisation and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.
- 2 'The Forrester Wave'™: Global Digital Banking Platforms, Q3 2018', Forrester, Jost Hoppermann, August 2018, 'The Forrester Wave'™: Digital Banking Engagement Platforms, Q3 2017', Forrester, Jost Hoppermann, July 2017 and 'True Digital Banking Drives Interest in Core Banking', Forrester, Jost Hoppermann, April 2018.
- 3 'Ovum Decision Matrix: Selecting a Core Banking System in the European Market, 2016-17', Ovum, Noora Haapajärvi, March 2016, 'Ovum Decision Matrix: Selecting a Digital Banking Platform 2017-18', Ovum, Noora Haapajärvi, December 2016 and 'Ovum Decision Matrix: Selecting an Anti-Financial Crime Solution 2017-18', Ovum, Matthew Heaslip, December 2017.
- 4 'Annual Sales League Table 2018'. IBS Intelligence, April 2018.
- 5 'Ranking the CRM Technology Vendors for Wealth Management', Celent, Ashley Globerman, May 2018, 'Ubiquitous Digital for Channel Banking: Global Digital Platforms Solutions Vendors, Multi-Product Provider Edition, 2016', Celent, Stephen Greer, June 2016 and 'European Wealth Management Technology Vendors: Evaluating Core Banking Platform Vendors', Celent, Ashley Globerman, February 2017.
- 6 IDC – 'IDC MarketScape: Worldwide Core Banking Solutions 2015 Vendor Assessment', IDC, Karen Massey, Andrei Charniauski, Michael Araneta, Jerry Silva, January 2015, 'Worldwide Wealth Management Front-and Middle-Office Solutions 2014 Vendor Assessment', IDC, Thomas Zink, January 2015 and 'IDC MarketScape: European Mobile Banking Software Solutions 2017 Vendor Assessment', IDC, Lawrence Freeborn, May 2017.
- 7 Banking Technology Awards, December 2017 and December 2016.
- 8 FSTech Awards 2018, March 2018 and FSTech Awards 2017, February 2017.
- 9 'Searching for profitability in a fast-changing world', The 10th annual Temenos survey of challenges, priorities and trends in the financial services sector.
- 10 World Retail Banking Report 2017.

Temenos AG third quarter 2018 press release

Temenos announces very strong Q3 results, full year guidance raised

GENEVA, Switzerland, 17 October 2018 – Temenos AG (SIX: TEMN), the banking software company, today reports its third quarter 2018 results.

	Non-IFRS (under IAS basis)				IFRS			
	Q3-18	Q3-17	Change	CC*	Q3-18	Q3-18	Q3-17	Change
USDm, except EPS	(IAS 18)	(IAS 18)			(IFRS 15)	(IAS 18)	(IAS 18)	(IAS 18)
Software licensing	74.5	59.9	24%	25%	80.5	74.5	59.9	24%
SaaS & subscription	20.1	19.7	2%	5%	7.8	20.1	19.4	3%
Total software licensing	94.6	79.6	19%	20%	88.4	94.6	79.3	19%
Maintenance	76.8	69.9	10%	12%	78.9	76.8	69.9	10%
Services	41.6	37.1	12%	13%	40.6	41.6	37.1	12%
Total revenues	213.0	186.6	14%	16%	207.9	213.0	186.3	14%
 EBIT	 71.3	 60.6	 18%	 20%	 59.0	 62.1	 49.8	 25%
EBIT margin	33.5%	32.5%	1% pts	1%pts	28.4%	29.1%	26.7%	2% pts
 EPS (USD)	 0.80	 0.68	 18%		 0.65	 0.69	 0.55	 25%

The definition of non-IFRS adjustments is below and a full reconciliation of IFRS to non-IFRS results can be found in Appendix II

* Constant currency (c.c.) adjusts prior year for movements in currencies

Please note that non-IFRS numbers are under IAS 18 and comparable to the prior periods. IFRS numbers are under IFRS 15 and a full reconciliation is provided in the appendix.

Q3 2018 highlights

- Outstanding quarter driven by broad based demand across geographies and tiers
- 17 new customer wins including challenger banks in the US, Asia and Europe
- Very strong quarter in the US
- Broad based growth in Europe across client tiers
- Strong performance in Australia, tier 1 bank signed
- Significant increase in appetite for cloud adoption and SaaS
- 2018 guidance raised on back of sales momentum and increased revenue visibility
- Structural drivers and strong pipeline provide confidence for medium term

Q3 2018 financial summary (non-IFRS, IAS 18)

- Non-IFRS total software licensing revenues up 20% c.c.
- Non-IFRS maintenance growth of 12% c.c.
- Non-IFRS total revenue growth of 16% c.c.
- Non-IFRS EBIT up 20% c.c., LTM non-IFRS EBIT margin of 30.8%
- Non-IFRS EPS increase of 18%
- Operating cash flow up 31%, cash conversion at 116%
- DSOs down 10 days Y-o-Y to 114 days

Commenting on the results, **Temenos CEO David Arnott said:**

“We continued the momentum from the first half of the year into Q3, with a significant number of deals signed across all geographies. We have seen increased demand across all tiers, from top tier incumbent banks right through to new challenger bankers, which demonstrates our products are capable of supporting the most innovative new entrants to financial services.

In Q3 we were named as a Leader in the Forrester Wave: Global Digital Banking Platforms, which reflects our relentless investment in R&D and aggressive innovation roadmaps that make our software product the best digital banking platform in the market.

With the robust levels of activity across tiers and geographies and continued growth in our pipeline, we remain confident in our ability to deliver long term value for all of our stakeholders.”

Commenting on the results, **Temenos CFO and COO Max Chuard said:**

“Q3 was an outstanding quarter, with total software licensing growth of 20% and total revenue growth of 16%. We saw broad based demand across geographies, with a very strong quarter in the US, Australia continuing to perform very well and Europe also delivering strong growth.

Given our sales momentum and the increased revenue visibility at this point in the year, we have raised our guidance for 2018. We are now guiding for total software licensing growth of 15% to 20%, up from 13.5% to 18.5%, and total revenue growth of 12% to 14%, up from 10% to 13%.”

Revenue

IFRS (IFRS 15) revenue for the quarter was USD 207.9m.

IFRS (IAS-18) revenue were USD 213.0m, an increase of 14% vs. Q3 2017. Non-IFRS (IAS 18) revenue was USD 213.0m for the quarter, an increase of 14% vs. Q3 2017.

IFRS (IFRS 15) total software licensing revenue for the quarter was USD 88.4m.

IFRS (IAS 18) total software licensing revenue for the quarter was USD 94.6m, an increase of 19% vs. Q3 2017.

Non-IFRS (IAS 18) total software licensing revenue was USD 94.6m for the quarter, an increase of 19% vs. Q3 2017.

EBIT

IFRS (IFRS 15) EBIT was USD 59.0m for the quarter.

IFRS (IAS 18) EBIT was USD 62.1m for the quarter, an increase of 25% vs. Q3 2017. Non-IFRS (IAS 18) EBIT was USD 71.3m for the quarter, an increase of 18% vs. Q3 2017. Q3 2018 non-IFRS (IAS 18) EBIT margin was 33.5%, up 1% point vs. Q3 2017.

Earnings per share (EPS)

IFRS (IFRS 15) EPS for the quarter was USD 0.65.

IFRS (IAS 18) EPS was USD 0.69 for the quarter, an increase of 25% vs. Q3 2017. Non-IFRS (IAS 18) EPS was 0.80 for the quarter, an increase of 18% vs. Q3 2017.

Operating cash flow

IFRS (IFRS 15) operating cash was an inflow of USD 52.7m in Q3 2018 compared to USD 40.1m in Q3 2017. For LTM to September 2018, operating cash was USD 344.5m representing a conversion of 116% of IFRS (IAS 18) EBITDA into operating cash.

IFRS 15

Temenos has implemented IFRS 15 for reporting period 1st January 2018 onwards using the modified retrospective method. Under the modified retrospective method the 2017 and prior results will not be restated under IFRS 15. The reporting of the results for 2018 will be provided under IAS 18 and under IFRS 15, which will allow for comparability against 2017 and prior periods. From 2019, the reporting of results will be provided only under IFRS 15. For more information on the impact of IFRS 15, please visit the Temenos Investor Relations website:

<https://www.temenos.com/en/about-temenos/investor-relations/>

Revised 2018 guidance

Our guidance for 2018 is in constant currencies and under IAS 18. The revised guidance is as follows:

- Non-IFRS total software licensing growth at constant currencies of 15% to 20% (implying non-IFRS total software licensing revenue of USD 366m to USD 382m), up from 13.5% to 18.5%
- Non-IFRS revenue growth at constant currencies of 12% to 14% (implying non-IFRS revenue of USD 832m to USD 847m), up from 10% to 13%
- Non-IFRS EBIT at constant currencies of USD 262m to 264m, (implying non-IFRS EBIT margin of c. 31%), up from USD 255m to 260m
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2018 tax rate of 15% to 16%

Currency assumptions for 2018 guidance

In preparing the 2018 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.868;
- USD to GBP exchange rate of 0.755; and
- USD to CHF exchange rate of 0.990.

Conference call

At 18.30 CET / 17.30 GMT / 12.30 EST, today, 17 October 2018, David Arnott, CEO, and Max Chuard, CFO and COO, 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:

0800 740 377	(Swiss Free Call)
1 866 966 1396	(USA Free Call)
0800 376 7922	(UK Free Call)
+44 (0) 207 192 8000	(UK and International)

Conference ID # 7964688

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 2018 non-IFRS guidance:

- FY 2018 estimated deferred revenue write down of USD 1m
- FY 2018 estimated amortisation of acquired intangibles of USD 38m
- FY 2018 estimated restructuring costs of USD 5m
- FY 2018 estimated acquisition costs of USD 13m

Restructuring costs include realising R&D, operational and infrastructure efficiencies. Acquisition costs include the costs associated with the bid for Fidessa. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 17 October 2018. The above figures are estimates only and may deviate from expected amounts.

Investor and media contacts**Investors**

Adam Snyder
Head of Investor Relations, Temenos
Email: asnyder@temenos.com
Tel: +41 22 708 1515

Media

Haya Herbert-Burns
Teneo for Temenos
Email: haya.herbertburns@teneobluerubicon.com
Tel: +44 203 757 9257

About Temenos

Temenos 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 3,000 firms across the globe, including 41 of the top 50 banks, rely on Temenos to process the daily transactions of more than 500 million banking customers. Temenos customers are proven to be more profitable than their peers: over a seven year period, they enjoyed on average a 31% higher return on assets, a 36% higher return on equity and an 8.6 percentage point lower cost/income ratio than banks running legacy applications. For more information please visit www.temenos.com

Appendix I – Q3 2018 IFRS primary statements

TEMENOS AG

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

	Three months to 30 September 2018 (IFRS15)	Three months to 30 September 2018 (IAS 18)	Three months to 30 September 2017 (IAS 18)	Twelve months to 30 September 2018 (IAS 18)	Twelve months to 30 September 2017 (IAS 18)
Revenues					
Software licensing	80,538	74,543	59,935	291,475	228,074
SaaS & subscription	7,833	20,058	19,394	74,323	60,294
Total software licensing	88,371	94,601	79,329	365,798	288,368
Maintenance	78,859	76,837	69,943	298,988	266,837
Services	40,634	41,551	37,061	156,281	138,699
Total revenues	207,864	212,989	186,333	821,067	693,904
Operating expenses					
Sales and marketing	43,176	44,813	36,360	169,911	134,722
Services	36,139	36,139	33,428	138,658	124,791
Software development and maintenance	50,542	50,938	49,698	216,982	189,338
General and administrative	19,027	19,027	17,018	90,733	75,344
Total operating expenses	148,884	150,917	136,504	616,284	524,195
Operating profit	58,980	62,072	49,829	204,783	169,709
Other expenses					
Net interest expenses	(3,727)	(3,727)	(3,173)	(14,887)	(14,077)
Borrowing facility expenses	(470)	(470)	(420)	(6,332)	(1,680)
Foreign exchange (loss) / gain	(569)	(569)	(596)	(968)	(1,247)
Total other expenses	(4,766)	(4,766)	(4,189)	(22,187)	(17,004)
Profit before taxation	54,214	57,306	45,640	182,596	152,705
Taxation	(7,386)	(7,794)	(6,084)	(25,785)	(19,863)
Profit for the period	46,828	49,512	39,556	156,811	132,842
Earnings per share (in US\$):					
basic	0.68	0.71	0.56	2.26	1.90
diluted	0.65	0.69	0.55	2.17	1.84
non-IFRS	0.76	0.80	0.68	2.84	2.35

TEMENOS AG

All amounts are expressed in thousands of US dollars

	30 September 2018 (IFRS 15)	30 September 2018 (IAS18)	30 June 2018 (IAS18)	31 December 2017 (IAS 18)	30 September 2017 (IAS 18)
Assets					
Current assets					
Cash and cash equivalents	91,930	91,930	87,959	167,855	161,076
Trade receivables	247,676	255,668	250,392	233,822	228,425
Other receivables	33,629	28,695	35,327	28,777	28,348
Total current assets	373,235	376,293	373,678	430,454	417,849
Non-current assets					
Property, plant and equipment	17,040	17,040	16,776	16,385	17,297
Intangible assets	752,645	752,645	765,134	795,961	797,636
Trade receivables	8,182	8,182	8,533	6,753	8,137
Other receivables	3,268	3,268	4,479	3,787	3,958
Deferred tax assets	23,123	23,123	22,013	21,943	26,280
Total non-current assets	804,258	804,258	816,935	844,829	853,308
Total assets	1,177,493	1,180,551	1,190,613	1,275,283	1,271,157
Liabilities and equity					
Current liabilities					
Trade and other payables	127,486	127,486	145,693	130,921	118,763
Contract liabilities (Deferred Revenue)	206,586	207,984	230,937	232,489	175,553
Income tax liabilities	38,342	37,854	37,819	41,042	37,660
Borrowings	105,644	105,644	102,567	5,885	3,807
Total current liabilities	478,058	478,968	517,016	410,337	335,783
Non-current liabilities					
Borrowings	425,094	425,094	401,924	434,299	435,063
Deferred tax liabilities	12,019	12,019	13,344	15,408	15,589
Income taxes payable	-	-	-	-	1,986
Trade and other payables	22,543	22,543	25,702	27,990	26,520
Retirement benefit obligations	8,552	8,552	8,365	7,736	10,137
Total non-current liabilities	468,208	468,208	449,335	485,433	489,295
Total liabilities	946,266	947,176	966,351	895,770	825,078
Shareholders' equity					
Share capital	233,217	233,217	233,217	232,192	232,192
Treasury shares	(269,274)	(269,274)	(230,453)	(197,750)	(47,124)
Share premium and capital reserves	(292,007)	(292,007)	(299,645)	(186,287)	(201,001)
Fair value and other reserves	(112,463)	(112,463)	(103,247)	(93,341)	(100,399)
Retained earnings	671,754	673,902	624,390	624,699	562,411
Total shareholders' equity	231,227	233,375	224,262	379,513	446,079
Total equity	231,227	233,375	224,262	379,513	446,079
Total liabilities and equity	1,177,493	1,180,551	1,190,613	1,275,283	1,271,157

TEMENOS AG

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2018 (IFRS 15)	Three months to 30 September 2018 (IAS 18)	Three months to 30 September 2017 (IAS 18)	Twelve months to 30 September 2018 (IAS 18)	Twelve months to 30 September 2017 (IAS 18)
Cash flows from operating activities					
Profit before taxation	54,214	57,306	45,640	182,596	152,705
<u>Adjustments:</u>					
Depreciation and amortisation	22,932	22,932	22,667	92,716	80,127
Other non-cash and non-operating items	17,451	17,451	12,042	71,481	40,291
<u>Changes in working capital:</u>					
Trade and other receivables	(3,863)	(2,567)	(6,095)	(35,789)	(18,476)
Trade and other payables, and retirement benefit obligations	(20,156)	(20,156)	4,404	(680)	16,272
Contract liabilities (Deferred revenues)	(17,880)	(22,268)	(38,533)	34,226	6,263
<u>Cash generated from operations</u>	<u>52,698</u>	<u>52,698</u>	<u>40,125</u>	<u>344,550</u>	<u>277,182</u>
Income taxes paid	(4,679)	(4,679)	(2,724)	(18,842)	(11,357)
Net cash generated from operating activities	48,019	48,019	37,401	325,708	265,825
Cash flows from investing activities					
Purchase of property, plant and equipment	(2,261)	(2,261)	(2,363)	(6,772)	(7,079)
Purchase of intangible assets	(1,188)	(1,188)	(1,069)	(3,608)	(5,057)
Capitalised development costs	(13,006)	(13,006)	(13,396)	(52,766)	(49,092)
Acquisitions of subsidiary, net of cash acquired	-	-	-	2,038	(51,818)
Settlement of financial instruments	(2,007)	(2,007)	(2,261)	(3,158)	7,306
Interest received	546	546	470	1,486	1,581
Net cash used in investing activities	(17,916)	(17,916)	(18,619)	(62,780)	(104,159)
Cash flows from financing activities					
Dividend paid	-	-	-	(46,134)	(39,506)
Acquisition of treasury shares	(44,427)	(44,427)	-	(357,074)	(99,949)
Proceeds from borrowings	20,000	20,000	-	95,000	-
Repayments of borrowings	(30)	(30)	(1,370)	(71)	(11,492)
Proceeds from issuance of bonds	-	-	-	-	148,781
Repayment of bond	-	-	(105,401)	-	(105,401)
Interest paid	(674)	(674)	(4,354)	(11,829)	(12,109)
Payment of other financing costs	(437)	(437)	(541)	(8,975)	(2,867)
Net cash (used in) / generated from financing activities	(25,568)	(25,568)	(111,666)	(329,083)	(122,543)
Effect of exchange rate changes	(564)	(564)	1,049	(2,991)	6,117
Net increase / (decrease) in cash and cash equivalents in the period	3,971	3,971	(91,835)	(69,146)	45,240
Cash and cash equivalents at the beginning of the period	87,959	87,959	252,911	161,076	115,836
Cash and cash equivalents at the end of the period	91,930	91,930	161,076	91,930	161,076



Appendix II – reconciliation of IFRS to non-IFRS 2018 Income Statement and Balance Sheet

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 not be read in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

Table 1 – Reconciliation of IFRS (IFRS 15) to IFRS (IAS 18)

Impact of IFRS15 - Reconciliation Thousands of US Dollars	3 Months Ending 30 Sept		
	2018 IFRS (IFRS 15)	Impact of IFRS 15	2018 IFRS (IAS 18)
Software licensing	80,538	(5,995)	74,543
SaaS & subscription	7,833	12,225	20,058
Total Software Licensing	88,371	6,230	94,601
Maintenance	78,859	(2,022)	76,837
Services	40,634	917	41,551
Total Revenue	207,864	5,125	212,989
Total Operating Expenses	(148,884)	(2,033)	(150,917)
Restructuring	(122)		(122)
Amort of Acquired Intangibles	(9,101)		(9,101)
Operating Profit	58,980	3,092	62,072
Operating Margin	28%		29%
Financing Costs	(4,766)		(4,766)
Taxation	(7,386)	(408)	(7,794)
Net Earnings	46,828	2,684	49,512
EPS (USD per Share)	0.65	0.04	0.69



Table 2 – Reconciliation of IFRS (IAS 18) to non-IFRS (IAS 18)

IFRS - Non- IFRS Reconciliation (IAS 18) Thousands of US Dollars	3 Months Ending 30 September				Change	
	2018 IFRS (IAS 18)	Non-IFRS adjustments	2018 Non-IFRS (IAS 18)	2017 IFRS (IAS 18)	Non-IFRS adjustment	2017 Non-IFRS (IAS 18)
Software licensing	74,543		74,543	59,935		59,935
SaaS & subscription	20,058		20,058	19,394	296	19,690
Total Software Licensing	94,601	-	94,601	79,329	296	79,625
Maintenance	76,837		76,837	69,943		69,943
Services	41,551		41,551	37,061		37,061
Total Revenue	212,989	-	212,989	186,333	296	186,629
Total Operating Expenses	(150,917)	9,223	(141,694)	(136,504)	10,484	(126,020)
Restructuring	(122)	122	-	(904)	904	-
Amort of Acquired Intangibles	(9,101)	9,101	-	(9,580)	9,580	-
Operating Profit	62,072	9,223	71,295	49,829	10,780	60,610
Operating Margin	29%		33%	27%		32%
Financing Costs	(4,766)	-	(4,766)	(4,189)		(4,189)
Taxation	(7,794)	(1,163)	(8,957)	(6,084)	(1,313)	(7,397)
Net Earnings	49,512	8,060	57,572	39,556	9,467	49,024
EPS (USD per Share)	0.69	0.11	0.80	0.55	0.13	0.68
					2.4% pts	1.0% pts
					25%	18%
					14%	14%
					28%	21%
					25%	17%
					25%	18%

Table 3 – Reconciliation of IFRS (IFRS 15) to Non-IFRS (IFRS 15)

IFRS - Non-IFRS Reconciliation (IFRS15) Thousands of US Dollars	3 Months Ending 30 September		
	2018 IFRS (IFRS 15)	Non-IFRS adjustments	2018 Non-IFRS (IFRS 15)*
Software licensing	80,538		80,538
SaaS & subscription	7,833		7,833
Total Software Licensing	88,371	-	88,371
Maintenance	78,859		78,859
Services	40,634		40,634
Total Revenue	207,864	-	207,864
Total Operating Expenses	(148,884)	9,223	(139,661)
Restructuring	(122)	122	-
Amort of Acquired Intangibles	(9,101)	9,101	-
Operating Profit	58,980	9,223	68,203
Operating Margin	28%		33%
Financing Costs	(4,766)	0	(4,766)
Taxation	(7,386)	(1,163)	(8,549)
Net Earnings	46,828	8,060	54,888
EPS (USD per Share)	0.65	0.11	0.76

* 2018 non-IFRS (IFRS15) will constitute the basis of Non-IFRS comparatives for non-IFRS numbers from 2019 onwards

Table 4 – Reconciliation of Balance Sheet as of 30 September 2018 from IFRS 15 reported to IAS 18

In thousands of US Dollars	30 Sept 2018	30 Sept 2018	30 Sept 2018
	IFRS 15 reported	Impact of IFRS15	IAS 18
Cash and cash equivalents	91,930	-	91,930
Trade receivable	255,858	7,992	263,850
Other receivable	36,897	(4,934)	31,963
Property, plant and equipment	17,040	-	17,040
Intangible asset	752,645	-	752,645
Deferred tax asset	23,123	-	23,123
Totals assets	1,177,493	3,058	1,180,551
Trade and other payables	150,030	-	150,030
Contract Liability (Deferred revenue)	206,586	1,398	207,984
Income tax liabilities	38,342	(488)	37,854
Borrowings	530,738	-	530,738
Deferred tax liabilities	12,019	-	12,019
Retirement benefit obligations	8,552	-	8,552
Total liabilities	946,266	910	947,176
Equity	(440,526)	-	(440,526)
Retained Earnings	671,754	2,148	673,902
Total Equity	231,227	2,148	233,375
Total liabilities and equity	1,177,493	3,058	1,180,551

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