



TEMENOS

THE BANKING SOFTWARE COMPANY



IFRS 16 Overview

12 February 2019



TEMENOS
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| Disclaimer

Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors.

In particular, the forward-looking financial information provided by the company in the conference call represent the company's estimates as of 12 February 2019. We anticipate that subsequent events and developments will cause the company's estimates to change.

However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 12 February 2019.

Temenos transition to IFRS 16 “Leases”

- IFRS 16 “Leases” primarily changes lease accounting for lessee and moves to single accounting model eliminating the distinction between finance leases and operating lease. Leases qualified under IFRS16 will be captured on the balance sheet from 1st January 2019
- Temenos will adopt IFRS 16 using the modified retrospective method effective 1 January 2019
- Temenos intends to apply IFRS16 exemption on short term leases (1 year or less) – These will be accounted as per old approach i.e. rental expense
- Most significant impact for Temenos relates to office leases
- Prior comparative periods will not be restated under IFRS 16

2018

**Reported under
previous standard**

2019

**Reported under
IFRS 16**

| IFRS 16 Financial statement changes

IFRS 16 Financial statement changes

Statement of Financial Position

	IAS 17	IFRS 16
On Balance Sheet		Lease Asset Lease Liabilities
Off Balance Sheet	Operating lease	



Asset	↑
Liabilities	↑

IFRS 16 Financial statement changes

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Asset	↑
Liabilities	↑

Income Statement

	IAS 17	IFRS 16
Operating Profit	Single Operating Lease expenses	Depreciation Expense
Finance Costs, net		Interest Cost
Profit before Tax		Effect if total expense differs from previous accounting



Operating Profit	↑
Finance Costs net	↑
Profit before Tax	↑ / ↔ / ↓
EPS	↑ / ↔ / ↓

IFRS 16 Financial statement changes

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Asset	↑
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Operating Profit	↑
Finance Costs net	↑
Profit before Tax	↑ / ↔ / ↓
EPS	↑ / ↔ / ↓

Cash Flow Statement

	IAS 17	IFRS 16
Operating Cash Flow	Single Operating Lease Cash Flow	
Investing Cash Flow		
Financing Cash Flow		Principal Portion of Lease Cash Flow Interest Portion



Operating Cash Flow	↑
Investing cash flow	↔
Financing cash flow	↓
Total cash flow*	↔

*Actual Cash outflow remains unchanged

| Impact of IFRS 16

Impact of IFRS 16

Statement of Financial Position

	IAS 17	IFRS 16
On Balance Sheet		Lease Asset Lease Liabilities
Off Balance Sheet	Operating lease	



In USDm	↑	Balance Sheet **
Right of use asset	↑	c.\$50m
Lease liabilities	↓	c.\$52m
Equity		c.\$2m

**Estimated impact on 2019 Opening Balance sheet

Impact of IFRS 16

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Off Balance Sheet	Operating lease	

In USDm	↑	Balance Sheet **
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**Estimated impact on 2019 Opening Balance sheet

Income Statement

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Operating Profit	Single Operating Lease expenses	Depreciation Expense
Finance Costs, net		Interest Cost
Profit before Tax		Effect if total expense differs from previous accounting

In USDm	↑	Income statement *
Operating Profit	↑	c.\$1m
Finance Costs	↑	c.\$1m
Profit before Tax		Inconsequential

* Estimated FY 2019 impact on active leases as at 01st Jan 2019

Impact of IFRS 16

Statement of Financial Position

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On Balance Sheet		Lease Asset Lease Liabilities
Off Balance Sheet	Operating lease	

In USDm	↑	Balance Sheet **
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**Estimated impact on 2019 Opening Balance sheet

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Cash Flow Statement

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Operating Cash Flow	Single Operating Lease Cash Flow	
Investing Cash Flow		
Financing Cash Flow		Principal Portion of Lease Cash Flow Interest Portion

In USDm	↑	Cash Flow ***
Operating Cash Flow	↑	c.\$10m
Investing cash flow	↔	No Impact
Financing cash flow	↓	c.\$10m
Total cash flow*	↔	No Impact

***Estimated FY 2019 impact on active leases as at 01st Jan 2019

Thank You

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