



Solutions for a  
connected world

Interim Report 2016

# Temenos: the software specialist for banking and finance

## Who we are

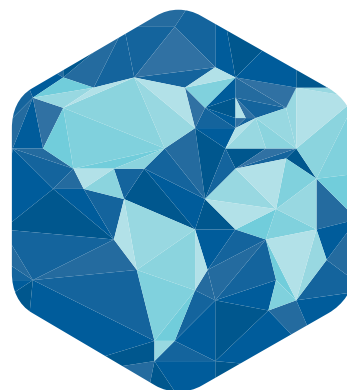
Founded in 1993, Temenos is the market-leading provider of mission critical software to financial institutions globally with more than 2,000 customers in over 150 countries worldwide. Temenos partners with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace.

## Our vision

Every financial institution to run on packaged, upgradeable software, to create a better and more inclusive world of banking and finance.

## Our mission

Build real-time, integrated and open software for the banking and finance industry.



Temenos provides mission critical software to 38 of the top 50 banking institutions in the world.

Headquartered in Geneva, Switzerland, the Company has 62 offices in 41 countries and had non-IFRS revenues of USD 559m for the year ended 31 December 2015. Temenos has been a public company listed on the SIX Swiss Exchange (TEMN) since June 2001.

Over 4,400 professionals

4,400+

Serving clients in over 150 countries

150+

Over 2,000 clients

2,000+

Processing the daily transactions of more than 500m banking customers

500m+

## Business review

Financial and operating highlights	01
Overview of IFRS vs non-IFRS	02

## IFRS Financial statements (unaudited)

Consolidated statement of profit or loss (condensed)	03
Consolidated statement of comprehensive income (condensed)	04
Consolidated statement of financial position (condensed)	05
Consolidated statement of cash flows (condensed)	06
Consolidated statement of changes in equity (condensed)	07
Notes to the consolidated interim financial statements	08



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

[www.temenos.com](http://www.temenos.com)

## Strong momentum in the first half of 2016

### H1 2016 non-IFRS financial highlights

Total software licensing growth of 34.0%

Maintenance growth of 6.9%

Growth in recurring revenues of 11.7%

Total group revenue growth of 19.6%

EBIT margin of 21.5%, up 1.2 percentage points

EPS of USD 0.62, up 14.7%

Cash flows of USD 61.6m, up 110%

LTM cash conversion of 130%, with DSOs down a record 46 days to 130 days

Dividend of CHF 0.45 per share, totalling CHF 31.5m, paid to shareholders

### H1 2016 operational highlights

Strong momentum in the first half of 2016, achieving record sales growth and continuing to gain market share

Growth driven by high levels of client activity, combined with strong sales execution across the board

Won the two largest Retail deals in the market in H1 2016 – Laurentian Bank of Canada and Banque Internationale à Luxembourg

Continued market leadership in Wealth, with Standard Chartered announcing the selection of Temenos' WealthSuite for deployment across more than 30 countries

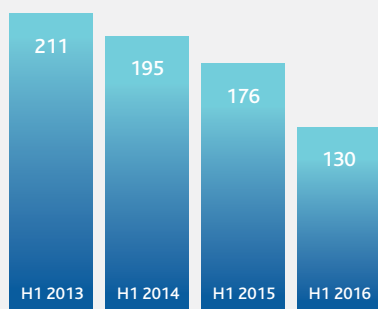
Progress on key campaigns in the US, and go-live of top 20 US bank, a key reference for future deals

Tier 1 and 2 clients contributed 47% of total software licensing H1 2016, compared to 37% in the prior year

50 implementation go-lives in the first half of 2016, up significantly from 17 in H1 2015

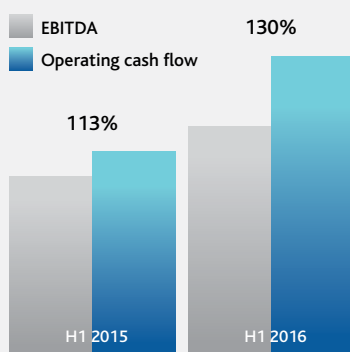
Committed spend from progressive renovation and H1 activity driving record levels of revenue visibility for the second half of 2016 and 2017

### DSOs



Continued significant reduction in DSOs

### LTM cash conversion



Continued strong cash conversion

## H1 2016 non-IFRS highlights

TOTAL SOFTWARE LICENSING GROWTH

**+34.0%**

H1 2016 USD 99.6m  
H1 2015 USD 74.3m

MAINTENANCE REVENUE

**+6.9%**

H1 2016 USD 121.8m  
H1 2015 USD 113.9m

TOTAL GROUP REVENUE

**+19.6%**

H1 2016 USD 283.2m  
H1 2015 USD 236.7m

EBIT MARGIN

**21.5%**

H1 2016 21.5%  
H1 2015 20.3%

EARNINGS PER SHARE

**+14.7%**

H1 2016 USD 0.62  
H1 2015 USD 0.54

LTM CASH CONVERSION

**130%**

H1 2016 130%  
H1 2015 113%

## OVERVIEW OF IFRS VS NON-IFRS

USDm, except EPS	Non-IFRS			IFRS		
	H1 2016	H1 2015	Change	H1 2016	H1 2015	Change
Software licensing	74.7	56.8	31.4%	74.7	56.7	31.6%
SaaS and subscription	24.9	17.5	42.2%	24.4	10.9	124.6%
<b>Total software licensing</b>	<b>99.6</b>	<b>74.3</b>	<b>34.0%</b>	<b>99.0</b>	<b>67.6</b>	<b>46.5%</b>
Maintenance	121.8	113.9	6.9%	121.8	113.2	7.6%
Services	61.8	48.5	27.5%	61.8	48.4	27.9%
<b>Total revenues</b>	<b>283.2</b>	<b>236.7</b>	<b>19.6%</b>	<b>282.7</b>	<b>229.1</b>	<b>23.4%</b>
<b>EBIT</b>	<b>61.0</b>	<b>48.1</b>	<b>26.8%</b>	<b>41.4</b>	<b>16.6</b>	<b>149.7%</b>
EBIT margin	21.5%	20.3%		14.6%	7.2%	
<b>EPS (USD)</b>	<b>0.62</b>	<b>0.54</b>	<b>14.7%</b>	<b>0.38</b>	<b>0.11</b>	<b>243.4%</b>

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:

#### 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.

#### Amortisation of acquired intangibles

Amortisation charges as a result of acquired intangible assets.

#### Restructuring

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

#### Taxation

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

#### Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	H1 2016	H1 2015
IFRS EBIT	41.4	16.6
Deferred revenue adjustments	0.5	7.6
Amortisation of acquired intangibles	16.0	12.0
Restructuring	3.1	7.0
Acquisition-related charges	0.0	5.0
<b>Non-IFRS EBIT</b>	<b>61.0</b>	<b>48.1</b>

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 (UNAUDITED)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONDENSED)**  
**FOR THE SIX MONTHS ENDED 30 JUNE**

Unaudited

	2016 USD 000	2015 USD 000
<b>Revenues</b>		
Software licensing	74,650	56,729
SaaS & subscription	24,385	10,858
Total software licensing	99,035	67,587
Maintenance	121,795	113,198
Services	61,843	48,359
<b>Total revenues</b>	<b>282,673</b>	<b>229,144</b>
<b>Operating expenses</b>		
Cost of sales	97,677	70,782
Sales and marketing	45,937	38,610
General and administrative	38,672	40,252
Other operating expenses	59,018	62,930
<b>Total operating expenses</b>	<b>241,304</b>	<b>212,574</b>
<b>Operating profit</b>	<b>41,369</b>	<b>16,570</b>
<b>Finance costs – net</b>	<b>(10,135)</b>	<b>(7,689)</b>
<b>Profit before taxation</b>	<b>31,234</b>	<b>8,881</b>
Taxation (note 3)	(4,151)	(1,410)
<b>Profit for the period</b>	<b>27,083</b>	<b>7,471</b>
<b>Attributable to:</b>		
Equity holders of the Company	27,083	7,471
<b>Earnings per share (in USD) (note 11):</b>		
basic	0.40	0.11
diluted	0.38	0.11

Notes on pages 8 to 14 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)  
FOR THE SIX MONTHS ENDED 30 JUNE

Unaudited

	2016 USD 000	2015 USD 000
<b>Profit for the period</b>	<b>27,083</b>	7,471
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of post employment benefit obligations	–	1
	–	1
<b>Items that are or may be subsequently reclassified to profit or loss</b>		
Available-for-sale financial assets	(31)	(21)
Cash flow hedge	(2,124)	345
Currency translation difference	(4,437)	(21,230)
	<b>(6,592)</b>	(20,906)
Other comprehensive income for the period, net of tax	<b>(6,592)</b>	(20,905)
<b>Total comprehensive income for the period</b>	<b>20,491</b>	(13,434)
Attributable to:		
Equity holders of the Company	<b>20,491</b>	(13,434)

Notes on pages 8 to 14 are an integral part of these interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONDENSED)

Unaudited

	30 June 2016 USD 000	31 December 2015 USD 000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	97,372	193,252
Trade and other receivables	235,575	245,176
Other financial assets	2,488	2,386
<b>Total current assets</b>	<b>335,435</b>	<b>440,814</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 12)	15,231	15,610
Intangible assets (note 12)	728,613	737,998
Trade and other receivables	12,814	17,135
Other financial assets	352	110
Deferred tax asset	16,676	17,307
<b>Total non-current assets</b>	<b>773,686</b>	<b>788,160</b>
<b>Total assets</b>	<b>1,109,121</b>	<b>1,228,974</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Trade and other payables	80,548	101,247
Other financial liabilities	2,269	2,034
Deferred revenues	197,109	213,197
Income taxes payable	25,756	24,683
Borrowings (note 13)	3,634	15,011
Provisions for other liabilities and charges	898	738
<b>Total current liabilities</b>	<b>310,214</b>	<b>356,910</b>
<b>Non-current liabilities</b>		
Trade and other payables	1,490	3,989
Other financial liabilities	13,715	14,030
Income tax liabilities	1,765	1,765
Borrowings (note 13)	382,160	445,441
Provisions for other liabilities and charges	255	453
Deferred tax liabilities	20,059	23,181
Retirement benefit obligations	8,552	7,908
<b>Total non-current liabilities</b>	<b>427,996</b>	<b>496,767</b>
<b>Total liabilities</b>	<b>738,210</b>	<b>853,677</b>
<b>Shareholders' equity</b>		
Share capital	225,654	210,774
Treasury shares	(4,666)	(19,686)
Share premium and capital reserves	(171,560)	(148,516)
Fair value and other reserves	(116,676)	(110,084)
Retained earnings	438,159	442,809
<b>Total equity</b>	<b>370,911</b>	<b>375,297</b>
<b>Total liabilities and equity</b>	<b>1,109,121</b>	<b>1,228,974</b>

Notes on pages 8 to 14 are an integral part of these interim consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED) FOR THE SIX MONTHS ENDED 30 JUNE

Unaudited

	2016 USD 000	2015 USD 000
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>	<b>31,234</b>	8,881
<b>Adjustments:</b>		
Depreciation, amortisation and impairment of financial assets	42,649	39,060
Impairment charge of property, plant and equipment	–	37
Cost of share options	7,073	8,371
Foreign exchange (gain)/loss on non-operating activities	(1,650)	2,268
Interest expenses, net	6,770	5,681
Net loss/(gain) from financial instruments	2,270	(2,551)
Other finance costs	1,993	2,266
<b>Changes in:</b>		
Trade and other receivables	12,804	508
Trade and other payables, provisions and retirement benefit obligations	(23,109)	(6,248)
Deferred revenues	(18,461)	(28,962)
<b>Cash generated from operations</b>	<b>61,573</b>	29,311
Income taxes paid	(3,012)	(6,186)
<b>Net cash generated from operating activities</b>	<b>58,561</b>	23,125
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment, net of disposals	(1,771)	(3,252)
Purchase of intangible assets, net of disposals	(2,461)	(2,513)
Capitalised development costs (note 12)	(22,138)	(21,507)
Acquisitions of subsidiaries, net of cash acquired	(1,581)	(297,726)
Disposal of subsidiary or business, net of cash disposed	489	7
Settlement of financial instruments	(3,612)	1,353
Interest received	38	28
<b>Net cash used in investing activities</b>	<b>(31,036)</b>	(323,610)
<b>Cash flows from financing activities</b>		
Dividend paid (note 15)	(31,733)	(28,605)
Proceeds from/(repayments of) borrowings (note 13)	(79,439)	12,623
Proceeds from issuance of bond	–	190,568
Interest payments	(8,146)	(3,998)
Payment of other financing costs	(5,189)	(1,601)
Payment of finance lease liabilities	–	(27)
<b>Net cash (used in)/generated from financing activities</b>	<b>(124,507)</b>	168,960
Effect of exchange rate changes	1,102	(1,416)
<b>Net decrease in cash and cash equivalents in the period</b>	<b>(95,880)</b>	(132,941)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>193,252</b>	192,610
<b>Cash and cash equivalents at the end of the period</b>	<b>97,372</b>	59,669

Notes on pages 8 to 14 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 capital reserves USD 000	Fair value and other reserves USD 000	Retained earnings USD 000	Total USD 000
<b>Balance at 1 January 2015</b>	<b>228,357</b>	<b>(152,942)</b>	<b>(59,187)</b>	<b>(80,639)</b>	<b>406,449</b>	<b>342,038</b>
Profit for the period	–	–	–	–	7,471	7,471
Other comprehensive income for the period, net of tax	–	–	–	(20,906)	1	(20,905)
Total comprehensive income for the period	–	–	–	(20,906)	7,472	(13,434)
Dividend paid	–	–	–	–	(28,605)	(28,605)
Cost of share options	–	–	8,371	–	–	8,371
Exercise of share options	–	5,767	(5,767)	–	–	–
Costs associated with equity transactions	–	–	(26)	–	–	(26)
	–	5,767	2,578	(20,906)	(21,133)	(33,694)
<b>Balance at 30 June 2015</b>	<b>228,357</b>	<b>(147,175)</b>	<b>(56,609)</b>	<b>(101,545)</b>	<b>385,316</b>	<b>308,344</b>
<b>Balance at 1 January 2016</b>	<b>210,774</b>	<b>(19,686)</b>	<b>(148,516)</b>	<b>(110,084)</b>	<b>442,809</b>	<b>375,297</b>
Profit for the period	–	–	–	–	27,083	27,083
Other comprehensive income for the period, net of tax	–	–	–	(6,592)	–	(6,592)
Total comprehensive income for the period	–	–	–	(6,592)	27,083	20,491
Dividend paid (note 15)	–	–	–	–	(31,733)	(31,733)
Cost of share options	–	–	7,073	–	–	7,073
Exercise of share options	14,880	15,020	(29,900)	–	–	–
Costs associated with equity transactions	–	–	(217)	–	–	(217)
	14,880	15,020	(23,044)	(6,592)	(4,650)	(4,386)
<b>Balance at 30 June 2016</b>	<b>225,654</b>	<b>(4,666)</b>	<b>(171,560)</b>	<b>(116,676)</b>	<b>438,159</b>	<b>370,911</b>

Notes on pages 8 to 14 are an integral part of these interim consolidated financial statements.

---

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

## Unaudited

### 1. General information

TEMENOS Group AG ("the Company") was incorporated in Glarus, Switzerland on 7 June 2001 as a stock corporation (Aktiengesellschaft). Since 26 June 2001 the shares of TEMENOS Group AG have been publicly traded on the SIX Swiss Exchange. The registered office is located at 2 Rue de l'Ecole-de-Chimie, CH-1205 Geneva, Switzerland.

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 2016 has been prepared in accordance with IAS 34 'Interim financial reporting' and are unaudited. The consolidated interim financial report should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015 which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

### 3. Accounting policies

Except as described below, the accounting policies are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015.

New or amended standards that became applicable for the financial reporting period commencing on 1 January 2016 had no significant effect on the Group's consolidated financial statements or on the Group's accounting policies.

#### Taxation

Income tax is recognised 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 2016 consisted of tax on profits, withholding tax and deferred tax movements due to the reversal of timing differences.

### 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

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 2015 remain the same.

In February 2016, the Group entered into a new refinancing arrangement to increase its financial flexibility for future growth. The pertinent details are described in note 13.

### 6. Estimates

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 2015.

### 7. Business combination

The finalisation of the initial accounting for prior year acquisitions 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, recognises the reporting segments as: "Product" and "Services". Other representation of the Group's activity such as regional information is also presented to the CODM but it is not primarily used to review the Group's performance and to make decisions as 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 recognised 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 summarises the primary information provided to the CODM:

	Product		Services		Total	
	Half-year 2016 USD 000	Half-year 2015 USD 000	Half-year 2016 USD 000	Half-year 2015 USD 000	Half-year 2016 USD 000	Half-year 2015 USD 000
External revenues	221,360	188,198	61,843	48,516	283,203	236,714
Operating contribution	96,836	73,373	7,435	6,367	104,271	79,740

Intersegment transactions are recognised 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 2015.

### Reconciliation to the Group's consolidated interim financial statements

	Half-year 2016 USD 000	Half-year 2015 USD 000
Total operating profit for the reportable segments	104,271	79,740
Fair value adjustment on acquired deferred income liability	(530)	(7,572)
Depreciation and amortisation	(38,700)	(34,780)
Unallocated operating expenses	(23,672)	(20,818)
Finance costs – net	(10,135)	(7,689)
Profit before taxation	31,234	8,881

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Unaudited

## 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 categorised.

- 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 2016

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
<b>Financial assets at FVTPL</b>				
Forward foreign exchange contracts	–	2,102	–	2,102
Equity securities	79	–	–	79
<b>Derivatives used for hedging</b>				
Forward foreign exchange contracts	–	659	–	659
<b>Total</b>	<b>79</b>	<b>2,761</b>	<b>–</b>	<b>2,840</b>

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
<b>Financial liabilities at FVTPL</b>				
Forward foreign exchange contracts	–	783	–	783
Contingent consideration	–	–	3,089	3,089
<b>Derivatives used for hedging</b>				
Forward foreign exchange contracts	–	1,689	–	1,689
Cross currency swap	–	13,512	–	13,512
<b>Total</b>	<b>–</b>	<b>15,984</b>	<b>3,089</b>	<b>19,073</b>

### Balance at 31 December 2015

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
<b>Financial assets at fair value through profit or loss</b>				
Forward foreign exchange contracts	–	1,266	–	1,266
Equity securities	110	–	–	110
<b>Derivatives used for hedging</b>				
Forward foreign exchange contracts	–	1,120	–	1,120
<b>Total</b>	<b>110</b>	<b>2,386</b>	<b>–</b>	<b>2,496</b>

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
<b>Financial liabilities at FVTPL</b>				
Forward foreign exchange contracts	–	1,332	–	1,332
Contingent consideration	–	–	4,640	4,640
<b>Derivatives used for hedging</b>				
Forward foreign exchange contracts	–	702	–	702
Cross currency swap	–	14,030	–	14,030
<b>Total</b>	<b>–</b>	<b>16,064</b>	<b>4,640</b>	<b>20,704</b>

There were no transfers between Level 1 and 2 during the period.

## Assets and liabilities in level 2

### Forward foreign exchange contracts:

Discounting cash flow method. The expected future cash flows are based on forward exchange rate (provided by brokers) and fixed forward rate, both discounted over the contractual remaining period using a free-risk yield curve adjusted for credit risk.

### Cross currency swaps:

Discounting 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.

## Assets and liabilities in level 3

### Contingent consideration:

The fair value considers the present value of the expected payments discounted at a risk-adjusted rate of 7.3%. The expected payments are determined by considering the underlined target revenue based on the most recent financial forecast approved by the management. The discount rate includes a risk premium attributable to the uncertainty of the budgeted cash flow projections.

There were no changes in valuation techniques during the period.

### Reconciliation from the opening balances to the closing balances:

	USD
Balance at 1 January 2016 (USD 000)	4,640
Settlement	(1,667)
Loss included in "Cost of sales"	57
Loss included in "Finance costs"	59
<b>Balance at 30 June 2016 (USD 000)</b>	<b>3,089</b>

All the losses above are attributable to liabilities held at 30 June 2016.

Reasonably possible changes to the significant unobservable inputs, holding the other inputs constants, would not materially affect the fair value at the reporting date.

## 10. Financial instruments measured at amortised costs

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

	30 June 2016		31 December 2015	
	Carrying amount USD 000	Fair value USD 000	Carrying amount USD 000	Fair value USD 000
<b>Financial assets</b>				
Non-current trade and other receivables	12,814	12,510	17,135	16,853
<b>Total</b>	<b>12,814</b>	<b>12,510</b>	17,135	16,853
<b>Financial liabilities</b>				
Non-current trade and other payables	–	–	1,016	991
<b>Non-current borrowings:</b>				
Other loans	5	5	13	13
Unsecured bonds	382,155	395,779	376,423	383,066
Bank borrowings	–	–	69,005	69,045
<b>Total</b>	<b>382,160</b>	<b>395,784</b>	446,457	453,115

Non-current trade and other payables presented in the statement of financial position include balance related to contingent consideration from acquisition, which is measured at fair value.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

## 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 2016	Half-year 2015
Profit attributable to equity holders of the Company (USD 000)	27,083	7,471
Weighted average of ordinary shares outstanding during the period (in thousands)	68,254	65,712
Basic earnings per share (USD per share)	0.40	0.11

#### 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 2016 and 30 June 2015, this category was fully dilutive.

	Half-year 2016	Half-year 2015
Profit used to determine diluted earnings per share (USD 000)	27,083	7,471
Weighted average of ordinary shares outstanding during the period (in thousands)	68,254	65,712
Adjustments for:		
– Share options (in thousands)	3,021	1,651
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	71,275	67,363
Diluted earnings per share (USD per share)	0.38	0.11

### 12. Property, plant and equipment and intangible assets

	Property, plant and equipment USD 000	Intangible assets USD 000
<b>Six months ended 30 June 2016</b>		
Opening balance as at 1 January 2016 (USD 000)	15,610	737,998
Additions	2,564	1,375
Capitalised development costs	–	22,138
Charge for the period	(2,746)	(35,954)
Foreign currency exchange differences	(197)	3,056
<b>Closing net book amount as at 30 June 2016 (USD 000)</b>	<b>15,231</b>	<b>728,613</b>

### 13. Borrowings

	<b>30 June 2016 USD 000</b>	31 December 2015 USD 000
<b>Current</b>		
Other loans	23	42
Unsecured bonds	3,611	4,969
Bank borrowings	–	10,000
<b>Total current</b>	<b>3,634</b>	15,011
<b>Non-current</b>		
Other loans	5	13
Unsecured bonds	382,155	376,423
Bank borrowings	–	69,005
<b>Total non-current</b>	<b>382,160</b>	445,441
<b>Total borrowings</b>	<b>385,794</b>	460,452

Movements in borrowings is analysed as follows:

#### Six months ended 30 June 2016

<b>Opening balance as at 1 January 2016 (USD 000)</b>	460,452
Repayments from borrowings, net proceeds	(79,439)
Unsecured bond, coupon payment	(5,622)
Interest expense	4,409
Foreign currency exchange differences	5,994
<b>Closing net book amount as at 30 June 2016 (USD 000)</b>	<b>385,794</b>

#### Bank facilities

In February 2016, The Group replaced its term loan and revolving facility with a new multicurrency revolving facility of USD 500m. Any drawn amount of the previous agreement was repaid on termination date. The pertinent details of this new facility are as follows:

- 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 2016, a total of nil was drawn under this new agreement.

---

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

Unaudited

### 14. Share capital

As at 30 June 2016, the issued shares of Temenos Group AG comprised 69,540,495 common 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 2016 are summarised below:

	Number
Total number of shares issued, as at 1 January	66,617,568
Treasury shares	(638,157)
Total number of shares outstanding, as at 1 January	65,979,411
Shares issued on exercise of employee share options	2,922,927
Movement in treasury shares	443,250
<b>Total number of shares outstanding, as at 30 June 2016</b>	<b>69,345,588</b>

As at 30 June 2016 the number of treasury shares held by the Group amounted to 194,907 (31 December 2015: 638,157).

Temenos Group AG also has conditional and authorised capital, comprising:

Authorised shares available until 6 May 2017	13,900,000
Conditional shares that may be issued on the exercise of employee share options	4,254,855
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

### 15. Dividend payment

A dividend of CHF 31.2 million (CHF 0.45 per share) in respect of the financial year ended 31 December 2015 was paid during the period.

### 16. Events occurring after the reporting period

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




Temenos Headquarters SA  
2 Rue de L'Ecole-de-Chimie  
CH-1205 Geneva  
Switzerland  
Tel: +41 22 708 1150  
Fax: +41 22 708 1160  
[www.temenos.com](http://www.temenos.com)



---

©2016 TEMENOS HEADQUARTERS SA – all rights reserved.  
Warning: This document is protected by copyright law and international treaties. Unauthorised reproduction of this document, or any portion of it, may result in civil and criminal penalties, and will be prosecuted to the maximum extent possible under law.

---

TEMENOS is a registered trademark and  is a trademark of the TEMENOS Group. For further details on the registered TEMENOS Group trademarks – please refer to the website [www.temenos.com](http://www.temenos.com).