

**Report to the Board of Directors of Temenos AG
on the February 15, 2024 Hindenburg Research Allegations**

Introduction

On February 15, 2024, Hindenburg Research published allegations about accounting matters, products, and client relationships at Temenos AG (“Temenos” or the “Company”). In response, Temenos’ Board of Directors formed a special committee of independent directors (the “Special Committee”) to examine these allegations.¹ The Special Committee retained Schellenberg Wittmer Ltd and Sullivan & Cromwell LLP as counsel, and forensic accountants from Alvarez & Marsal Switzerland LLC, to conduct an independent examination. This report summarizes our findings.

These findings are based on our review of over 300,000 documents (including electronic communications from 25 custodians, accounting records, and other Company files), review of Company systems and databases, and interviews of 17 current and former Temenos employees, including senior management.² We identified relevant materials from over two terabytes of electronic data (equivalent to over 100 million pages), including emails, Microsoft Teams communications, OneDrive documents, and cellphone device data. We also conducted in-person visits to three Temenos offices. In total, over 150 attorneys and forensic accounting professionals have spent over 22,000 hours examining Hindenburg’s allegations.

We made many requests to Temenos for documents and accounting and financial information in the course of our examination. The Company agreed to all of our requests and

¹ The Special Committee consisted of Thibault de Tersant (Chairman), Xavier Cauchois, Dorothee Deuring, and Debbie Forster.

² Interviews were conducted outside the presence of any other Temenos personnel. Interviewees answered every question we asked them, and no one declined to address a subject or question.

devoted substantial time and internal resources to complying with them. Temenos and its employees cooperated fully in our examination.

At the outset, we note that Hindenburg is not an independent or unbiased party. It admitted that it held a short position in Temenos stock at the time it published its allegations and thus stands to profit from the stock's decline. Hindenburg's allegations rely extensively on unnamed sources. It is not clear what questions these sources were asked, whether or to what extent they had direct knowledge of the subjects referenced, what else they said, and when the interviews took place.

We have shared the results of our examination with the Company's external auditor, PwC.

Summary of Findings

As detailed below, we have determined that Hindenburg made a series of inaccurate and misleading allegations about Temenos and its accounting, products, and client relationships. In addition, Hindenburg presented purported "facts" about Temenos in a distorted manner or out of context.

Specifically, we have found the following:

1. We found no evidence supporting Hindenburg's allegation that Temenos "regularly backdated" sales contracts, or that its legal team issued Powers of Attorney ("PoAs") to allow employees to backdate contracts.

2. Temenos entered into a strategic partnership with Mbanq in order to expand in the growing U.S. banking-as-a-service ("BaaS") market. The Company accounted for its transactions with Mbanq in accordance with International Financial Reporting Standards ("IFRS") and did not engage in "revenue roundtripping," as alleged by Hindenburg.

3. Based on our review of the majority of Temenos' partner deals involving sales of software to partners from 2019 to 2023 (including all of the largest deals), we did not identify any "sham" partner deals, as alleged by Hindenburg.

4. Temenos capitalized research and development costs ("R&D") in accordance with IFRS and its own policies. The Company's change to its useful economic life policy in 2023 was made in accordance with IFRS, was reviewed by Temenos' Audit Committee before approval, and was consistent with the useful economic lives disclosed by other software companies.

5. We found no evidence supporting Hindenburg’s allegation that Temenos had a practice of renewing licenses early at deep discounts in a manner that compromised long-term deal value.

6. Temenos’ number of “days sales outstanding” (“DSO”) increased primarily because of the Company’s transition to a subscription model beginning in the first quarter of 2022, not because of “aggressive revenue recognition policies,” as Hindenburg alleges.

7. We did not find evidence supporting Hindenburg’s allegation that Temenos’ level of accrued expenses is a “financing tactic to boost its reported free cash flow.” When calculated on the basis of its operating costs, Temenos’ accrued expense ratio is comparable to that of other software companies.

8. We found no evidence supporting Hindenburg’s allegation that Temenos has abandoned Infinity, or that Infinity was a “huge destruction in value.”

9. We found that Hindenburg’s allegations raising questions about Temenos’ client relationships inaccurately characterize the status of specific client relationships and do not take into account the Company’s overall client base. Historically, Temenos has experienced a low churn rate.

10. We found that Hindenburg’s allegations about management sales and the Company’s stock buybacks are premised on incorrect data and do not account for Swiss disclosure requirements and other controls over stock buybacks. The Company’s stock buybacks in 2017, 2018, 2019, and 2021 were administered by independent broker-dealers and were properly disclosed in compliance with Swiss regulations.

I. Backdating

We did not identify evidence supporting Hindenburg’s allegation that Temenos “regularly backdated” sales contracts, or that its legal team issued PoAs to enable employees to backdate contracts, to shift earnings to earlier quarters. Between 2019 and 2023, Temenos entered into approximately 4,000 sales contracts. We reviewed all 34 PoAs issued for the purpose of executing specific sales contracts in that period. We also reviewed all contracts associated with those PoAs, as well as electronic communications, evidence of software delivery, receipt of the executed

contracts, and other evidence. We did not identify any instance of backdating through the use of PoAs.

To identify potential instances of backdating, we also reviewed electronic communications between 2019 and 2023 for any reference to backdating. Based on our review of electronic communications, we identified seven instances during that period in which a Temenos client executed a contract up to a few days after the end of a quarter and included a signature date as of the quarter-end (or did not date the contract) following a request by Temenos sales personnel. The last of these instances occurred in 2022. Out of those seven contracts, Temenos recognized revenue in the prior quarter for four contracts. This recording of revenue did not impact the Company's full-year results and was immaterial to its quarter-end results. We found no evidence that Temenos backdated its own signature on sales contracts. We also found no evidence supporting Hindenburg's allegation that Temenos' present or former CEO or legal teams were aware of backdating of sales contracts.

We separately identified limited instances in which the potential for backdating of a client signature was discussed in electronic communications among sales personnel, but where backdating did not occur or Temenos did not enter into the contract.

Over the past several years, Temenos has increased its use of DocuSign for sales contracts.³ In 2023, for example, Temenos itself signed more than 90% of its sales contracts using DocuSign, and more than 60% of its clients signed via DocuSign. Temenos plans to take additional measures to enhance its procedures with respect to contract signatures.

II. Mbanq

Based on our review of electronic communications, company documents, and interviews, we found that Temenos properly accounted for its transactions with Mbanq in accordance with IFRS, and did not engage in "revenue roundtripping," as alleged by Hindenburg. The Company's

³ DocuSign is an electronic contract-signing platform that electronically records the time and date a contract is signed. In certain countries and regions in which Temenos clients are located, DocuSign is either not widely used or not considered valid proof of an enforceable contract.

Audit Committee reviewed the accounting of these transactions, and its audited consolidated financial statements for year-end 2021 and 2022 included the required disclosures.

Temenos' investment in Mbanq was motivated by its desire to form a strategic partnership and to expand in the growing U.S. BaaS market. In early 2021, Temenos identified a group of U.S.-based BaaS providers, including Mbanq, as potential partners. The Company also learned that one of its competitors was interested in partnering with Mbanq.

In June 2021 and September 2022, with the approval of its Board of Directors, Temenos made minority investments in Mbanq totaling \$59.9 million. Both investments were made in the form of convertible notes, and the first investment was structured in two tranches, made in June 2021 and June 2022. Temenos publicly announced its strategic partnership with Mbanq in October 2021, and an expansion of its partnership in December 2022. Mbanq acquired software licenses from Temenos at the time of these investments. These licenses were for Mbanq's own use, not for resale, as Hindenburg alleges. To date, Temenos has recognized license and maintenance revenue from Mbanq totaling \$13.3 million.

III. Other Partner Deals

As reported publicly, Temenos has a range of partnerships, including for the development and implementation of its software and other commercial matters. Certain of Temenos' partner deals involve the sale of software, and associated rights, to a partner to enable the partner to offer products or services to end users. We reviewed electronic communications, documents, and accounting records, and interviewed witnesses, regarding the majority of such partner deals from 2019 to 2023 (including all of the largest deals), and we did not identify any "sham" partner deals.

Over the course of 2019 to 2023, Temenos refined its approach to identifying strategic partnership opportunities. In 2023, with the approval of its Audit Committee, Temenos designed and implemented a "partner deal framework" that standardizes processes and requirements for the approval of strategic partner deals.

The Hindenburg allegations specifically refer to DXC. We found that Temenos believed at the inception of its partnership with DXC in December 2020 that the partnership would lead to significant use of Temenos' software at U.S. banks by positioning Temenos' software as a strategic replacement option for existing legacy mainframe systems, including at some of the country's

largest banks. The Company's partnership with DXC was the result of months of strategic discussions and more than a month of contract negotiations in which both parties were represented by counsel. Temenos and DXC continued to work together into 2022 to advance the complex project, but the partnership's goal was not met, including because of the parties' shifting business strategies and priorities. Today, DXC (through its affiliate Luxoft) continues to work with Temenos and is one of the Company's important implementation partners.

IV. Capitalization of Research & Development Costs

We found no evidence to support Hindenburg's allegation that Temenos incorrectly capitalized client-specific development costs to inflate its earnings or excessively capitalized development expenses. In reaching this conclusion, we reviewed Temenos' methodology for the capitalization of development costs, including through interviews and review of relevant policies, electronic communications, client contracts, and underlying time sheets supporting capitalization.

Based on our review, we determined that Temenos has capitalized development costs in accordance with IFRS. We found no evidence that Temenos did not properly account for client-specific development costs. To the extent that Temenos capitalized development costs that related (but were not specific) to individual clients, those costs were properly capitalized because they contributed to the value of Temenos' intellectual property and were included in main releases of the Company's software. In addition, Temenos' overall capitalization rate⁴ has decreased each year between 2021 and 2023.

Hindenburg misstates the amount of Temenos' reported expenses in India by taking into account only one of the Company's two subsidiaries in that country. Temenos has three key development centers in India. In addition, as disclosed in its 2022 Annual Report, Temenos conducts software development at more than 15 global locations outside of India.

V. Amortization Reassessment

We found no evidence to support Hindenburg's allegation that Temenos manipulated its financial results through amortization policy changes. Temenos' change to its useful economic

⁴ Overall capitalization rate refers to the Company's internally generated capital development as a percentage of revenue.

life (“UEL”) policy in 2023 was supported by relevant evidence, consistent with the annual reassessment requirements of IFRS, and reviewed by Temenos’ Audit Committee before approval. The Company’s UEL of internally generated software assets was extended to seven years for four products, was extended to five years for five products, and remained unchanged for ten products. Temenos’ UEL policy is consistent with and in many instances lower than that of other software companies.

Hindenburg’s assumed calculation of Temenos’ EBIT margin does not reflect the Company’s actual results. The net positive impact of capitalization and amortization on the Company’s EBIT was \$22.9 million in 2022 and is \$18.1 million in 2023 because changes in amortization were offset by lower capitalization.

VI. License Renewals

We did not identify evidence supporting Hindenburg’s allegation of a practice within Temenos of renewing licenses early at deep discounts that compromised long-term deal value. Through our review of electronic communications and interviews, we identified commercial reasons for the early renewal of contracts consistent with Temenos’ long-term commercial objectives. Temenos provides software that is critical for its banking clients, which often plan negotiation and renewal of their contracts long before the contracts expire. In addition, based on our review of a sample of the contracts renewed in 2022 or 2023 where the renewal occurred more than two years prior to the scheduled expiration of the contract, we found that early renewals overall resulted in an increase in annualized revenue from license, maintenance and subscriptions of 13.7%.

VII. Days Sales Outstanding (DSO)

Consistent with Temenos’ disclosures,⁵ we found that the Company’s shift to a subscription-based license model has been the main driver of the recent increase in its DSO, which reflects the average number of days it takes the Company to collect payment from its clients. We

⁵ See Temenos 2022 and 2023 Annual Reports and the announcement of its third quarter 2023 results.

have confirmed that an increase in DSO from a growing subscription-based license revenue was expected, disclosed and consistent with IFRS 15.

VIII. Accrued Expenses

We did not find evidence supporting Hindenburg’s allegation that Temenos manipulates accrued expenses as a “financing tactic to boost its reported free cash flow.” This allegation is based on Hindenburg’s comparison of accrued expenses to the Company’s cost of sales, even though the most relevant metric for a comparison is the Company’s overall operating expenses. Based on our comparison of Temenos’ accrued expenses to its overall cost base over the past five years, Temenos’ accrued expense ratio is comparable to that of the other software companies referenced by Hindenburg. Because Temenos generates a significant portion of its license sales in the fourth quarter of each year, its accrued expenses reflect the seasonality of its business.

IX. Client Relationships

We found that Hindenburg’s allegations raising questions about Temenos’ client relationships inaccurately characterize the status of specific client relationships and do not take into account the Company’s overall client base. Historically, Temenos has experienced a low churn rate.⁶ In 2023, for example, the Company’s disclosed churn rate was 3%. In 2024, the Company reported a favorable Net Promoter Score (NPS) of +54 based on a survey of more than 900 customer contacts.

Like other companies, Temenos has had disputes arise from time to time with clients in the ordinary course of its business. Hindenburg cites 14 out of more than 950 clients running core banking products and over 600 Digital clients.⁷ We found that many of the 14 clients identified by Hindenburg continue to have active and productive relationships with the Company. In fact, two clients cited by Hindenburg recently renewed contracts with Temenos, and other clients cited by Hindenburg recently elected to acquire new products or were actively using Temenos products.

⁶ The Company’s churn rate is calculated as the annual recurring revenue reduction from loss of clients expressed as a percentage of total annual recurring revenues.

⁷ See Temenos 2023 Annual Report.

We also found no support for Hindenburg’s allegation that Temenos’ current or former CEO requested that Temenos personnel create brochures to sell non-existent products. Our review found that Temenos has a robust process for examining product proposals before they can be included on the Product Roadmap for development, including governance through the Company’s Sales Opportunity and Product Boards.

X. Infinity

Temenos Infinity, which was renamed Temenos Digital in January 2024, is a digital banking platform that offers a suite of capabilities. Temenos developed Infinity in part through its acquisitions of Avoka in December 2018 and Kony in August 2019. Our review found that Temenos encountered challenges with its integration and implementation of the products it acquired from Kony, including with respect to client projects inherited in the acquisition. These challenges were exacerbated by the global pandemic. After Temenos devoted substantial, senior-level focus, time and resources to addressing these challenges, we found that Infinity implementations improved, and Temenos continues to grow its Temenos Digital customer base.⁸

From 2020 through 2023, Temenos Digital generated approximately \$548 million in revenue, and its profitability has increased. In 2023, Temenos Digital had approximately 160 “go lives” for this suite of products. As of March 2024, more than 500 clients⁹ are live with Temenos Digital. At the FSTech 2024 Awards, Temenos Digital received the Best Customer Service & Experience Technology Award.

XI. Share Buybacks and Stock Trading

Many public companies repurchase shares for transfer to employee incentive plans. Hindenburg’s allegations concerning Temenos’ stock buybacks do not account for the disclosure

⁸ Temenos distinguishes two cash generating units (“CGU”), Product and Services, and allocates all material intangible assets including goodwill on acquisition of subsidiaries to the Product CGU (as Temenos considers that each product suite enhances its overall Product offering). Temenos’ impairment testing as of December 31, 2023 resulted in a value-in-use multiple times greater than the carrying value.

⁹ Approximately 111 of these Temenos Digital clients are live with products acquired from Kony and/or Avoka.

requirements and controls in place under the Swiss regulatory regime to prevent market manipulation, including quantitative limits on the level of daily purchases and the price of any buyback offer. Temenos conducted stock buybacks through independent broker-dealers.

Equity is a significant component of Temenos' management compensation. Over the three-year period for which data is publicly available on SIX, stock sales by Temenos' management were disclosed in conformity with applicable SIX regulations. Based on the data publicly available on SIX and records of the Company, Hindenburg overstates by more than 50% the alleged value of sales by Temenos insiders from 2013 to 2023. Sales by members of the executive committee and Board of Directors amounted to less than CHF 600 million in that period, versus \$1.1 billion (over CHF 991 million), as alleged by Hindenburg.