

## Notes to the unconsolidated financial statements 31 December 2019

### 1. Legal status and principal activities

Temenos 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.

Temenos AG is the ultimate holding company of the Group and is not otherwise engaged in trading, financing or investing activities, except as the holder of all the issued and outstanding shares of the subsidiaries described in note 2.

The financial statements of Temenos AG comply with the requirements of the Swiss Accounting Legislation (Title 32 of the Swiss Code of Obligations (SCO)). For comparability reasons, certain amounts relating to the previous financial year have been reclassified in order to correspond to the presentation for the current year.

### Valuation principles

Assets are valued at no more than their acquisition cost.

Investments in subsidiaries are valued individually except when they are combined due to their similarity in terms of activities and geographical location.

Treasury shares are valued at historical acquisition value without subsequent valuation adjustment. Gains and losses from disposals of treasury shares are recorded directly in capital reserves.

Liabilities are valued at nominal value.

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement, except unrealized gains that are deferred on balance sheet as per the Swiss Code of Obligations.

### 2. List of direct subsidiaries

The following are the direct subsidiaries of the Company, which are wholly owned unless otherwise indicated (percentage of voting rights).

	Voting rights
Temenos Holdings Limited, British Virgin Islands (holding company) 40,105 shares of a nominal value of USD 1 each.	100%
Temenos Headquarters SA, Switzerland (holding and licensing company) 1,000 shares of a nominal value of CHF 100 each.	100%
Temenos Investments BV, Netherlands (holding company) 180 shares of a nominal value of EUR 100 each.	100%
Temenos Egypt LLC, Egypt (operating company) 2 shares of a nominal value of EGP 100 each.	50%
Temenos Luxembourg SA, Luxembourg (operating company) 47,250 shares of a nominal value of EUR 25 each.	100%
Temenos Finance Luxembourg SARL, Luxembourg (financing company) 37,500 shares of a nominal value of EUR 1 each.	100%
Temenos UK Limited, United Kingdom (holding and operating company) 10,994,218 shares of a nominal value of GBP 0.20 each.	100%
Temenos USA Inc., USA (operating company) 100 shares of a nominal value of USD 0.01 each.	100%
Temenos Panama SA, Panama (dormant company) 100 shares of a nominal value of USD 100 each.	100%



## Notes to the unconsolidated financial statements 31 December 2019 continued

### 3. Share capital

As at 31 December 2019, the issued share capital amounts to CHF 363,787,330 and is composed of 72,757,466 shares with a nominal value of CHF 5.

The shares issued by the Company during the year are set out below:

	2019		2018	
	Quantity	Value in CHF	Quantity	Value in CHF
Total number of Temenos AG shares issued, as at 1 January	71,044,267	355,221,335	70,849,924	354,249,620
Shares issued and allotted under Employee Share Option Schemes	1,713,199	8,565,995	194,343	971,715
Total number of Temenos AG shares issued, as at 31 December	72,757,466	363,787,330	71,044,267	355,221,335

Temenos AG also has conditional and authorized capital, comprising:

	2019
Authorized shares that may be issued in the context of acquisition or for the purpose of expanding the scope of shareholders in connection with the quotation of shares on national and foreign stock exchange (available to the Board until 15 May 2021)	7,100,000
Conditional shares that may be issued on the exercise of employee share options	5,092,458
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

The holdings of more than 3% of the voting rights of all registered shares, as at December 31, 2019 are as follows:

Martin and Rosmarie Ebner	10.83%
The Capital Group Companies, Inc.	10.00%
BlackRock, Inc.	4.94%
T. Rowe Price Associates, Inc.	4.91%
Baillie Gifford & Co	4.14%
Amundi Asset Management	3.97%

#### 4. Share premium and capital reserves

	Share capital CHF 000	Ordinary legal reserve CHF 000	Share premium CHF 000	General reserve from capital contributions CHF 000	Reserve for treasury shares from share premium CHF 000	Reserve for treasury shares CHF 000	Retained earnings CHF 000	Treasury shares CHF 000	Total CHF 000
Balance at 1 January 2018	354,250	11,749	70,850	150,842	149,449	46,275	40,927	–	824,343
Appropriation of available earnings: – to General legal reserve	–	164	–	–	–	–	(164)	–	–
Repayment of 'General Reserve from Capital Contributions' as per 2018 Annual General Meeting (AGM) resolution	–	–	–	(45,791)	–	–	–	–	(45,791)
Share capital and share premium on creation of conditional capital	972	–	21,562	–	–	–	–	–	22,534
Reserve for treasury shares movement of the year	–	–	(21,368)	–	21,368	44,235	(44,235)	–	–
Profit of the year	–	–	–	–	–	–	204,101	–	204,101
Balance at 31 December 2018	355,221	11,913	71,044	105,051	170,817	90,510	200,630	–	1,005,187
Appropriation of available earnings: – to General legal reserve	–	10,205	–	–	–	–	(10,205)	–	–
Repayment of 'General Reserve from Capital Contributions' as per 2019 Annual General Meeting (AGM) resolution	–	–	–	(52,913)	–	–	–	–	(52,913)
Share capital and share premium on creation of conditional capital	8,566	–	267,582	–	–	–	–	–	276,148
Reserve for treasury shares movement of the year	–	–	170,817	–	(170,817)	170,026	(170,026)	–	–
Profit of the year	–	–	–	–	–	–	569,689	–	569,689
<b>Balance at 31 December 2019</b>	<b>363,787</b>	<b>22,118</b>	<b>509,443</b>	<b>52,139</b>	<b>–</b>	<b>260,536</b>	<b>590,087</b>	<b>–</b>	<b>1,798,111</b>

The reserve for treasury shares decreased to CHF 260,536,155 in line with the value of treasury shares held by Temenos AG through a subsidiary as at 31 December 2019 (2018: CHF 261,327,209).



## Notes to the unconsolidated financial statements 31 December 2019 continued

### 5. Treasury Shares, including shares held by subsidiaries (carrying value)

Temenos AG holds directly or through a subsidiary a total of 1,804,267 shares at 31 December 2019 (2018: 1,804,267) that entirely may be used in conjunction with M&A, for resale or for allotting to members of the Temenos Employee Share Option Schemes.

	2019		2018	
	Quantity	Value in CHF 000	Quantity	Value in CHF 000
<b>Temenos AG</b>				
1 January	-	-	-	-
Acquisitions	-	-	-	-
Disposals	-	-	-	-
31 December	-	-	-	-
<b>Other consolidated companies</b>				
1 January	1,804,267	261,327	1,775,516	195,725
Acquisitions	1,804,267	260,536	1,342,653	203,254
Disposals	(1,804,267)	(261,327)	(1,313,902)	(137,651)
31 December	1,804,267	260,536	1,804,267	261,327
Total balance as of 31 December	1,804,267	260,536	1,804,267	261,327

Following the restructuring of some Group entities, the totality of the treasury shares were transferred between two entities within the Group at the closing price of 11 December 2019 of CHF 144.40 for a total amount of CHF 260,536,155.

### 6. Contingent liabilities

Together with several of its subsidiaries, Temenos AG is a guarantor under the Group facility agreement concluded by Temenos Finance Luxembourg Sarl as borrower, for a maximum total amount up to USD 500 million.

### 7. Bonds issued by Temenos AG

In June 2015, the Group issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 2.00% paid annually on 17 June. The bond will mature on 17 June 2022 at a redemption price of 100% of the principal amount.

In April 2017, the Group issued a senior unsecured bond with a nominal value of CHF 150 million and a coupon rate of 1.75% paid annually on 5 April. The bond will mature on 5 April 2024 at a redemption price of 100% of the principal amount.

In November 2018, the Group issued a senior unsecured bond with a nominal value of CHF 175 million and a coupon rate of 1.875% paid annually on 30 November. The bond will mature on 30 November 2023 at a redemption price of 100% of the principal amount.

In November 2019, the Group issued a senior unsecured bond with a nominal value of CHF 220 million and a coupon rate of 1.50% paid annually on 28 November. The bond will mature on 28 November 2025 at a redemption price of 100% of the principal amount.

	2019 CHF 000	2018 CHF 000
Bond CHF 175,000,000 – 2.000% – 17 June 2015 – 17 June 2022	174,798	174,715
Bond CHF 150,000,000 – 1.750% – 5 April 2017 – 5 April 2024	149,532	149,424
Bond CHF 175,000,000 – 1.875% – 30 November 2018 – 30 November 2023	174,246	174,058
Bond CHF 220,000,000 – 1.500% – 28 November 2019 – 28 November 2025	218,832	-
Long term interest-bearing liabilities	717,408	498,197
Bond CHF 100,000,000 – 2.000% – 31 March 2014 – 31 January 2019	-	101,900
Accrued bond interests at year end	4,426	4,121
Short term interest-bearing liabilities	4,426	106,021
Total bonds issued by Temenos AG	721,833	604,218

## 8. Income from investments in subsidiaries

Temenos AG recognized an income from investments in subsidiaries of CHF 583.8 million following the decision of two of its direct subsidiaries to distribute a dividend in relation to the 2019 fiscal year. In June 2019: CHF 100 million and in December 2019: CHF 483.8 million.

## 9. Proposal for the appropriation of available earnings

Based on the approved and audited financial statements for the financial year 2019, the Board of Directors proposes to the General Meeting to distribute an ordinary dividend in cash amounting to CHF 0.85 per share, for a total amount of CHF 60,000,000 (this amount may vary depending on the number of treasury shares and of shares created out of the conditional capital as of the ex-dividend date).

This distribution shall be declared 50% out of the retained earnings and 50% out of the disposable amount of the General reserve from capital contributions as at 31 December 2019, taking the legal form of an ordinary dividend in cash.

From a tax standpoint, this ordinary dividend distributed out of the General reserve from capital contributions constitutes a repayment of part of the General reserve from capital contributions.

As a result, the General reserve from capital contributions at 31 December 2019, amounting to CHF 52,138,779 will be reduced as follows:

	2019 CHF 000	2018 CHF 000
<b>General reserve from capital contributions</b>		
Balance before distribution	52,139	105,051
Repayment of General reserve from capital contributions*	(30,000)	(52,913)
Balance after distribution	22,139	52,139
<b>Retained earnings</b>		
Retained earnings brought forward	190,425	40,763
Transfer to Reserve for Treasury shares	(170,026)	(44,235)
Dividend distributed to shareholders	(30,000)	–
Net income	569,689	204,101
Retained earnings available for appropriation	560,087	200,630
Appropriation to legal reserves	(28,484)	(10,205)
Retained earnings to be carried forward	531,603	190,425

\* 2018 comparative has been corrected from CHF 52,000,000 to CHF 52,912,637 to reflect the actual payment made in 2019. The dividend paid was CHF 0.75 per share as approved by the General Meeting. The difference is explained by the amount of treasury shares as of the ex-dividend date.

Provided that the proposal of the Board of Directors is approved, the shares will be traded ex-dividend as of 22 May 2020 (Ex date). The dividend record date will be set on 25 May 2020 (Record date). The dividend will be payable as of 26 May 2020 (Payment date).

Temenos treasury shares are not entitled to dividends.

## 10. Number of full-time equivalent

Temenos AG does not have any employee as of 31 December 2019 and 2018 and consequently no pension liabilities.

## 11. Additional information, cash-flow statement and management report

According to article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the cash-flow statement and the management report are not presented, as Temenos AG prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

## 12. Significant events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 12 February 2020 and will be submitted to the Annual General Meeting of shareholders for approval on 20 May 2020.

On 28 January 2020, the Group entered into an agreement to increase its current financing facility by USD 160 million. The total commitment is now USD 660 million.

There were no other significant events after the balance sheet date.



## Notes to the unconsolidated financial statements 31 December 2019 continued

### 13. Disclosure of compensation and participations as per article 663c of the Swiss Code of Obligations (SCO)

#### Shareholdings and equity incentives

##### Non-Executive Directors

Name	Position	31 December 2019 Shares	31 December 2018 Shares
S. Giacometto-Roggio	Vice-Chairman	9,000	9,000
I. Cookson	Member	15,500	15,500
T. de Tersant	Member	3,000	3,000
E. Hansen	Member	11,000	11,000
G. Koukis	Member	15,000	15,000
A. Yip	Member	-	-
P. Spenser	Member	-	-

##### Executive Chairman and Executive Committee members

Name	Position	Shares		Grant Year	Plan	Exercise price USD	Number of vested SARs 2019	Number of unvested SARs 2019	Number of unvested SARs 2018 <sup>1</sup>
		2019	2018						
A. Andreades	Executive Chairman	607,369	582,369	2016	2016 scheme <sup>1</sup>	43.69	393,707	-	393,707
					2016 scheme <sup>1</sup>	49.12	55,725	-	55,725
				2017	2017 scheme <sup>2</sup>	70.87	-	349,469	291,900
				2018	2018 scheme	127.00	-	155,450	155,450
				2019	2019 scheme	136.94	-	138,600	-
D. Arnott <sup>3</sup>	CEO until 28 February 2019	na	35,000	2016	2016 scheme <sup>1</sup>	43.69	na	na	523,328
					2016 scheme <sup>1</sup>	49.12	na	na	79,953
				2017	2017 scheme <sup>2</sup>	70.87	na	na	354,000
				2018	2018 scheme	127.00	na	na	188,520
M. Chuard	CEO	75,000	65,000	2016	2016 scheme <sup>1</sup>	43.69	312,543	-	312,543
					2016 scheme <sup>1</sup>	49.12	42,399	-	42,399
				2017	2017 scheme <sup>2</sup>	70.87	-	304,454	254,300
				2018	2018 scheme	127.00	-	135,430	135,430
				2019	2019 scheme	136.94	-	168,085	-
P. Spiliopoulos	CFO	-	na	2019	2019 scheme	147.43	-	70,000	na
J. Hilsenkopf <sup>4</sup>	COO	13,766	-	2018	2018 scheme	127.00	-	92,000	92,000
				2019	2019 scheme	136.94	-	98,400	-
A. Loustau	CTO	8,298	3,673	2016	2016 scheme <sup>1</sup>	43.69	54,513	-	-
				2017	2017 scheme <sup>2</sup>	70.87	-	35,198	45,000
				2018	2018 scheme	127.00	-	27,000	29,400
				2019	2019 scheme	136.94	-	37,000	27,000
M. Winterburn	CPO	3,975	3,975	2016	2016 scheme <sup>1</sup>	43.69	23,741	-	78,741
				2017	2017 scheme <sup>2</sup>	70.87	-	53,875	45,000
				2018	2018 scheme	127.00	-	37,000	37,000
				2019	2019 scheme	136.94	-	41,000	-
A. Guenoun <sup>4</sup>	CCO	-	na	2019	2019 scheme	136.94	-	37,000	na
T. Hogan	President North America	-	na	2019	2019 scheme	144.77	-	50,000	na

<sup>(1)</sup> The SARs granted under the 2016 scheme vested on 13 February 2019. The numbers above include the overachievement of 121%. 2018 has been restated to include the overachievement.

<sup>(2)</sup> The SARs granted under the 2017 scheme vested on 13 February 2020. The numbers above include the overachievement of 120%.

<sup>(3)</sup> Mr. Arnott stepped down from the Executive Committee on 28 February 2019. He did not receive any SARs in 2019 other than overachievement SARs for 2017-19 scheme since these vested during his notice period.

<sup>(4)</sup> The SARs shown above for Mr. Hilsenkopf and Mrs. Guenoun only include outstanding SARs granted since appointment to the Executive Committee.

No options and/or shares were held on 31 December 2019 and 2018 by persons related to the members of the Board of Directors or the Executive Committee.