Everyone's Banking Platform

Interim Report and Accounts 2023

temenos

We're on a journey towards the future of banking

3,000 firms in over 150 countries across the globe rely on Temenos to process transactions. We work with clients of all sizes, from those with 500 accounts to our largest client with 150 million accounts. Our clients are also supported by over 200 Partners.

Our passion for making banking better drives us to be the banking platform for all kinds of players in the industry – for large and small banks, for non-banks and fintechs, for Partners and developers, for everyone.

Our strategy to be Everyone's Banking Platform:

- **Continued SaaS acceleration**
- **North America focus**
- **Increasing penetration in large banks**
- **Partner first approach**

→ Read more on pages 4 and 5

Highlights of H1-23

Non-IFRS

Annual Recurring Revenue (USDm)

666.8

H1-22: 581.9m (+15%)

SaaS revenue (USDm)

97.5

H1-22: 75.6m (+29%)

Total software licensing (USDm)

194.1

H1-22: 184.5m (+5%)

Maintenance (USDm)

206.8

H1-22: 199.5m (+4%)

Total revenue (USDm)

465.5

H1-22: 458.8m (+1%)

EBIT (USDm)

151.9

H1-22: 137.6 (+10%)

EBIT margin (%)

32.6

H1-22: 30.0% (+3%)

Earnings per share (USD)

1.56

H1-22: 1.45 (+8%)

LTM operating cash conversion

108%

H1-22: 116%

Free cash flow (USDm)

101.3

H1-22: 82.2m (+23%)

Dividend per share (CHF)

1.10

H1-22: 1.00 CHF (+10%)

- Strong demand for subscription and SaaS driving ARR growth of 15% in H1-23
- Sales environment remained stable in H1-23
- Pipeline developed positively; large deals progressing well
- Subscription transition continuing to progress and delivering value uplift for both new clients and renewals; expected to be substantially complete by end of FY-23
- SaaS ACV in H1-23 driven by both incremental consumption and new logos
- Strong US performance with signings of Regions, a top 30 US regional bank for core banking, Convera, the largest non-bank global B2B payments provider for payments, and a top 20 US regional bank for core banking in its UK commercial banking operations
- Solid performance in Europe with good pipeline development
- 18 new client wins in H1-23, across SaaS and subscription
- Services continued trend of profitability; good cost control across the business
- Strong free cash flow growth of 23% in H1-23

Contents

Overview

Financial Statements

AT A GLANCE

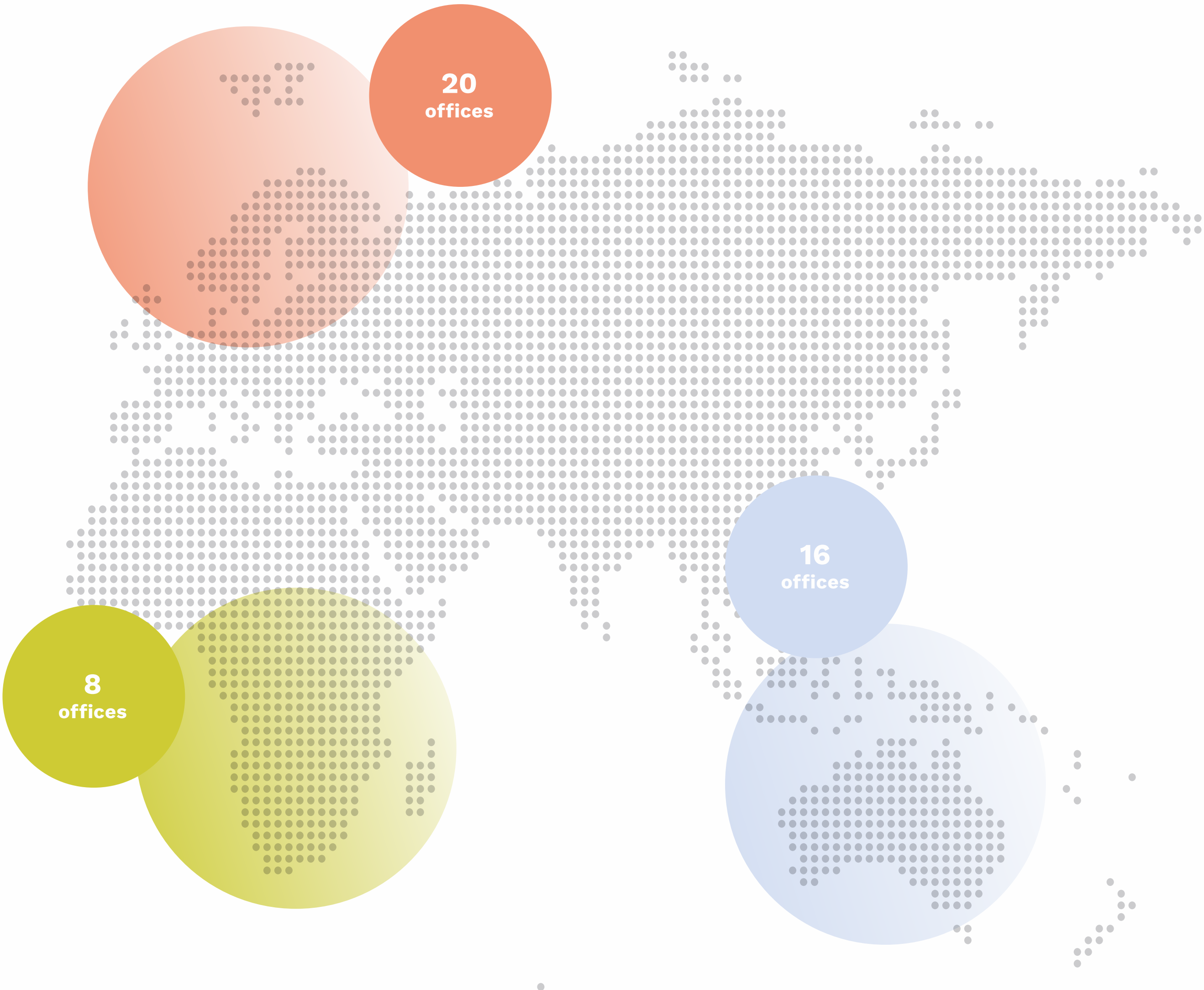
Our global footprint

The Americas

Revenue	Total software licensing revenue
29%	43%

Europe

Revenue	Total software licensing revenue
29%	20%



Middle East & Africa

Revenue

25%

Total software licensing revenue

23%

Asia Pacific

Revenue

17%

Total software licensing revenue

14%

OUR STRATEGY

Key strategic initiatives to drive growth

Continued SaaS acceleration

Our SaaS business has grown at a 35% CAGR between 2019 and 2022, with a continued improvement in gross margins. Future profitable SaaS growth will be driven by:

- the platform's market-leading scalability and security. We have enabled a market leader in embedded lending to scale significantly with ~150 million accounts over a period of three years, with ~378 million API calls during their Black Friday 2022 promotion – a success story that other banks and challengers want to replicate;
- platform advancements in self-service capabilities. The Temenos Extensibility Framework enables Partners and clients to seamlessly build on top of our functionality and eases integration and future upgrades;
- significantly lower carbon emissions on the Temenos Banking Cloud, with a calculator to help banks quantify their carbon footprint;
- continued increase in demand for SaaS within traditional banks across tier, coupled with a proactive campaign to migrate suitable clients from the installed base to SaaS; and
- continued improvements in SaaS operations, especially around further automation and quality enhancements, in parallel to fast accelerating volumes will further boost the margin.

North America focus

Temenos has ~1,500 clients in North America, which continues to grow as our North America strategy pays off. The region's share of our total software licensing grew further this year and is expected to reach 45-50% in the mid-term. Our strategy in the region will continue to:

- target top tier banks for digital transformation, both for domestic and overseas entities. In 2022, we signed with a global tier 1 headquartered in the region for their international Wealth platform and in Q1-23 we signed Regions, a top 30 US bank, for Saas core banking modernization;
- target top tier banks and credit unions with targeted Infinity offering (originations, customer journeys and collections);
- maintain leadership in challenger banking segment where we signed with the banking arm of a large retailer and a newly established ethical challenger in 2022;
- leverage our client base and geographic reach to enable international banks operating in the US, such as an Indonesian bank who signed with us in 2022; and
- build on our partnership with Mbanq to penetrate the US BaaS market, specifically targeting tier 3–4 banks looking to launch BaaS and brands and fintechs launching embedded finance offerings.

Increasing penetration in large banks

Increasing our penetration in larger banks – the tier 1s and 2s – remains a key focus for us as we see increased spending from these banks on third party software driven by (1) competition from non-incumbents, (2) the BaaS opportunity and (3) growing demand to leverage the benefits of public cloud.

In 2022 large banks contributed ~43% of our total software licensing (non-IFRS), an increase of ~7 ppts from the previous year. Our growth in large banks will be driven by:

- progress in composable platform. 35 independently deployable and upgradeable banking capabilities with another 30 in progress, to support progressive renovation;
- cloud-native – platform enhancements include:
  - enabling our clients to benefit from the latest innovations from hyperscalers without lock-in (cloud agnostic);
  - embedded and continuous DevOps which lowers time-to-market; and
  - elasticity, reliability and enhanced security across regions;
- doubling down on Wealth and Corporate Banking (large bank corporate lending), leveraging continued wins and platform investments;
- market leadership in bank-owned challenger segment, which positions us to capture future opportunities in digital entities of large banks; and
- global presence and localization with 45+ country models; a key differentiator for multi-geography harmonization. Our Partner-driven localization strategy will further accelerate it.

Partner-first approach

Our Partner-first model is at the heart of our strategy. Not only do Partners help us scale across the value chain, but also improve win rates in competitive deals. Our key Partner plays include:

- Sales Partners for localization – accelerating partnerships for country model or segment specific solutions, following the model established with our NDC Tech partnership;
- resellers – set up resellers for specific territories;
- Delivery Partners – continuous review of Partner coverage and capabilities allows us to keep enhancing our network. We drive Partner certification programs by solution to help our clients and Partners make the most of our platform; and
- Temenos Exchange – more rigorous selection process ensures the best complementary solution providers join our platform. We onboarded 23 new Exchange Partners in 2022, with ~80 new solutions planned for onboarding in 2023. We also plan to increase the number of pre-integrated solutions.

INDUSTRY RECOGNITION

A market leader

A "Market Leader" in core banking and a "Market Leader" in digital banking platforms.[3]

Gartner[1]

- Recognized as a Leader for the 12th time in the 2022 Gartner® "Magic Quadrant for Global Retail Core Banking."

Forrester[2]

- Leader in Forrester Wave for Digital Banking Processing Platforms for Corporate Banking, Q3-22, and Leader in Forrester Wave for Digital Banking Processing Platforms for Retail Banking, Q3-22.
- Leader in Forrester Wave for Digital Banking Engagement Platforms, Q3-21, and Leader in Forrester Wave for Digital Banking Engagement Hubs, Q3-21.
- Classed as "Global Power Seller" for new business for the 16th consecutive year and "Top Global Player" for new and existing business deals for 10th consecutive year plus 2nd year as "Top Global Cross-Seller" (new category) in Forrester Global Banking Platform Deals Survey 2022.
- Leader in Forrester Wave for Low-Code Development Platforms for AD&D Professionals, Q1-19.

Omdia (formerly known as Ovum)[3]

- "Market Leader" in cloud-based core banking.
- "Market Leader" in core banking and "Market Leader" in digital banking platforms.
- "Market Challenger" in Anti-Financial Crime Solutions.

IBS Intelligence[4]

- Ranked best-selling core banking system for the 18th time and top 2 positions for the past 22 consecutive years.
- Ranked best-selling digital banking and channels system.
- Ranked best-selling payments system.

Celent[5]

- Temenos' client, Varo Bank, received the Model Bank of the Year Award at the 2021 Celent Model Bank Awards.
- Temenos' client, EQ Bank, received the Celent Model Bank 2020 Award for Banking in the Cloud.

IDC (International Data Corporation)[6]

- Recognized as a "Leader" with Temenos Infinity in the IDC MarketScape for North America Digital Banking Customer Experience Platforms 2022.
- Winner of "Agility & Efficiency" category of IDC Real Results Awards 2021 for Temenos and client, Comerica. Temenos also recognized as joint overall winner of IDC Real Results 2021.
- Recognized as a "Leader" for Worldwide Integrated Payment Platforms.
- Recognized as a "Leader" for Know Your Customer (KYC) Solutions in Financial Services and as a "Major Player" for Anti-Money Laundering (AML) Solutions in Financial Services. Recognized as a Leader in global core banking, European mobile banking and wealth management front and middle office.

Aperture: The Market Map for Wealth Management Software 2021

- The only vendor recognized as a Leader and a Transformer (the two highest categories) for WealthTech.

FStech Awards 2022

- Awarded "Technology Provider of the Year" for 2022.

Aite Group[8]

- Recognized as "Best in Class" (the highest ranking) for Wealth Management-focused Core Banking Systems.
- Recognized as "Best in Class" (the highest ranking) for US Digital Banking Solutions of Core Providers.
- Recognized as "Best in Class" (the highest ranking) for Investment & Fund Accounting Systems.

→ Find sources on page 28

12 times

Recognized as a Leader 12 times[1] in Gartner Magic Quadrant for Global Retail Core Banking

16 years

Classed "Global Power Seller" for new business[2]

18 times

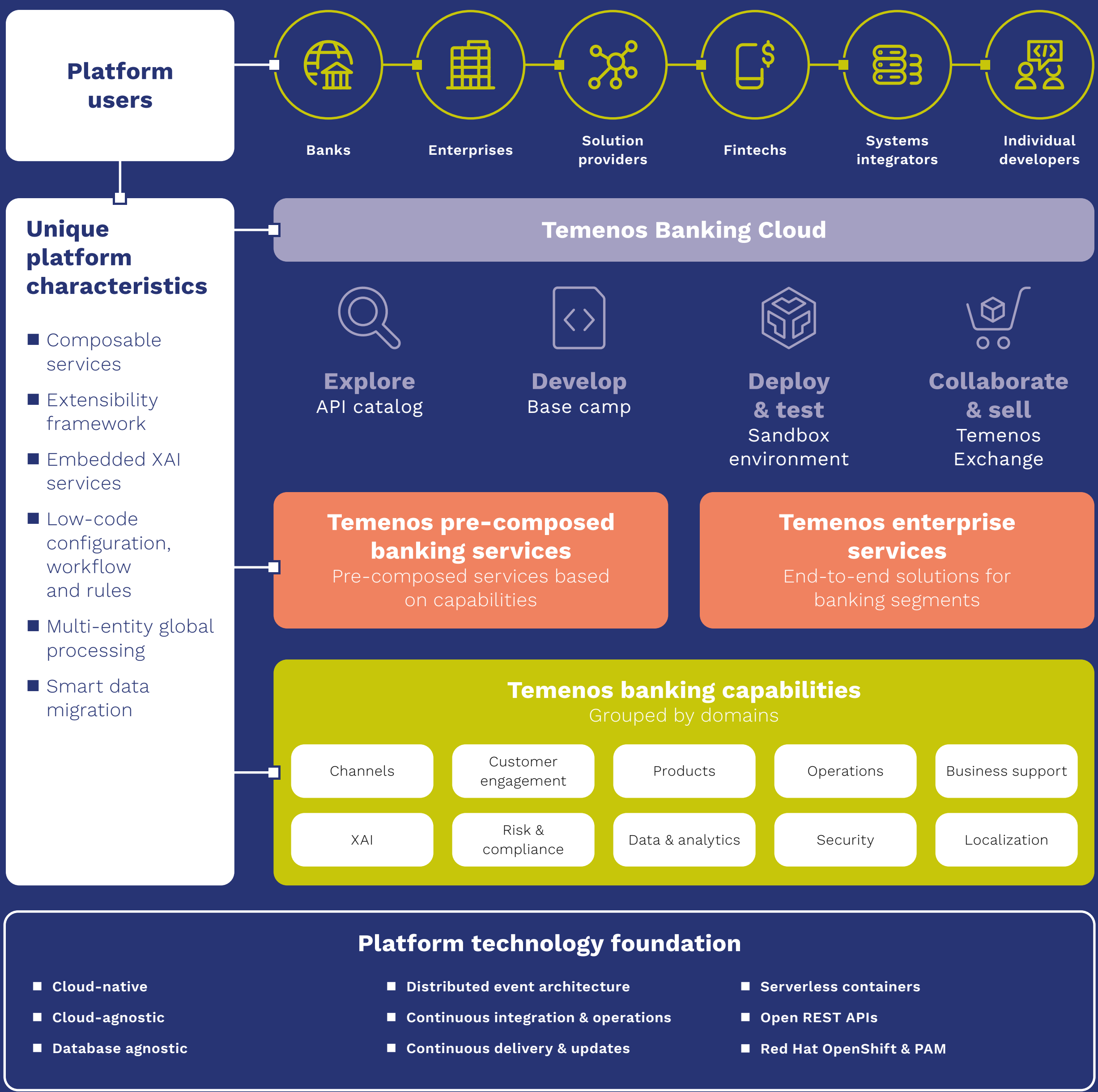
Ranked best-selling core banking system[4]

SOFTWARE AND PRODUCTS

Our solutions

Temenos banking platform

The Temenos banking platform is the delivery foundation for all Temenos solutions and products. It provides the basis for an evergreen architecture enabling customers to continuously benefit from the most recent software and to extend solutions safely, without impacting operations.



→ temenos.com/platform/our-technology/

Cloud-native and cloud-agnostic

A cloud-native and cloud-agnostic approach for real-time, non-stop banking

Temenos provides banks with an architecture designed to support digital transformation and provide the flexible experiences demanded by today's digital customers.

Elastic scalability eliminates the need to provision for peak processing volumes so that banks only pay for actual usage, yielding significant cost savings. Temenos' cloud-agnostic approach enables the highest levels of long-term resilience and redundancy without creating a dependency on a single cloud service provider. This is a key Temenos strategy and an answer to regulatory concerns.

Cloud-native

Designed for the digital banking age, our software allows faster updates, lower provisioning, lower infrastructure costs, elastic scaling, active-active resilience and security. This is built using API-first and DevOps principles and engineered to deploy in containers and microservices.

Cloud-agnostic

We are the only banking platform readily available on Ali Cloud, Amazon Web Services, Google Cloud Platform, Huawei Cloud, IBM Cloud and Microsoft Azure. With Temenos, institutions can also deliver on-premise, cloud-like deployment using Kubernetes technology and open solutions such as Red Hat OpenShift.

Distributed event-driven architecture

The foundation for truly composable banking services

Temenos' banking capabilities are defined by their message schema which ensures that they are loosely coupled through an event-driven architecture. This means that the breadth of capabilities available on Temenos' open platform can be updated independently, eliminating the problems of distributed but monolithic solutions.

By delivering Temenos' capabilities in this way, customers can upgrade with ease and rely on the agility they need to transform step by step, deliver high-speed change and significantly reduce time to market and value.

API-first

Temenos' Open APIs allow banks to integrate quickly with a wide range of internal or external systems to help drive product and service innovation.

Temenos' Open APIs enable banks to execute strategies to thrive in an age of open banking and finance. Temenos' approach enables banks to meet regulatory requirements such as PSD2, through pre-defined APIs that meet published specifications such as Berlin Group and STET. We enable banks and fintechs to innovate at speed, with a growing developer community, low-code integration resources and a complete catalog of interactive API endpoints to build innovative products and services on top of our open platform and banking capabilities.

Furthermore, banks benefit from the ability to enrich their offering to customers through the integration of new fintech technologies using Temenos Exchange.

Temenos offers an API-first architecture across its entire product range. This means that all significant product capabilities are exposed as standard, documented Open APIs and this forms part of the design and release process.

Temenos developer community

Our Open API catalog brings standardized out-of-the-box APIs to fast track innovation, supported by Temenos experts and a growing developer community with dedicated online support and resources.

Extensibility framework

The extensibility framework enables banks, Partners and solution providers to easily extend and configure solutions for their business needs, whilst protecting the reliability of Temenos software and the ability to upgrade seamlessly over time. A low-code environment and tooling enhance the developer experience and ensure consistency across the software development lifecycle.

Continuous operations

The extensibility framework embeds DevOps to enable high-impact changes to be made frequently and predictably with minimal toil. It enables continuous updates, continuous integration and delivery and unmatched resilience that comes with release validation tests provided with every capability deployed and updated on the platform.

Continuous updates are a core tenet of cloud utilization. DevOps teams delivering on continuous integration can expedite project delivery timelines through self-service and self-management environments and tools, controlling the pace with which development plans progress, from configuration to full testing.

Embedded DevOps provides banks with the ability to manage, configure and assemble Temenos software – either fully deployed and supported by Temenos Banking Cloud, or utilizing their own cloud infrastructure.

Increased stability

Temenos uniquely provides high-value release validation tests as part of every banking capability delivered on the platform, powering highly resilient updates and integrations for both Temenos capabilities and pre-integrated third party solutions on the Temenos Exchange. Banks can rely on the same continuous integration and delivery processes Temenos uses internally – running hundreds of thousands of tests daily – to optimize processes and workflows.

AI & machine learning

The most advanced next-generation Explainable AI and machine learning enables banking products.

Temenos is the first to bring transparency and explainability to AI-automated decision making in the banking industry. Our patented Explainable AI (XAI) platform and Machine Learning capabilities are delivered on the Temenos banking platform and are available with all Temenos software either through an easy-to-use interface or through APIs delivered on premise, in the cloud or as a SaaS offering.

Explainable AI (XAI)

Temenos' XAI platform addresses one of the key issues for banks using AI applications, which is that they typically operate as "black boxes" offering little if any discernible insight into how they reach their decisions. We bring cutting-edge innovation to the banking industry by providing transparency into these decisions and helping explain clearly, in plain language, to customers and regulators how AI-based decisions are made.

SOFTWARE AND PRODUCTS continued

The Temenos Banking Cloud

→ temenos.com/temenos-banking-cloud/

Temenos has delivered market-leading and functionally rich SaaS and cloud banking solutions to clients in all geographies and banking sectors since 2011.

Our continued technology investment in this area led to the launch of the Temenos Banking Cloud in 2021.

In addition to maintaining our provision of a specialized SaaS delivery for all our product lines on an elastic, pay-as-you-grow basis, the Temenos Banking Cloud also offers:

- a self-service portal to enable customers to be more autonomous;
- a sandbox to rapidly explore and test Temenos solutions in a more self-guided way;
- the easy provision of Temenos solutions, which can be consumed with flexibility and fast time to market; and
- access to the Temenos Exchange, a marketplace of third party solutions which can be seamlessly incorporated into services and operations.

Banks and financial services providers can now take an extremely agile approach to innovation, exploring new ideas in the sandbox and then quickly move to prototyping and into production – safe in the knowledge that the solutions are priced elastically and can continue to be developed upon with real-world feedback. This makes innovation fast and continuous, further supported by continuous delivery, integration and updates which ensure that the latest capabilities and services are automatically delivered to customers on an ongoing basis.

Sector solutions

→ temenos.com/solutions/retail-banking/

Retail Banking

Temenos provides retail banks with agility and freedom to innovate front-to-back using the latest cloud and API technology and leveraging the broadest set of composable banking capabilities.

Every institution which provides retail facilities, whether they are a bank, a credit union, an embedded finance provider or an inclusive finance institution, focuses on driving profitability and growth through the acquisition of new customers and increasing the wallet share of existing customers. This requires a front-to-back approach, complete with AI-driven customer insights and a flexible product engine to offer customers more personalized, relevant experiences and services, embedded at the point of need.

Temenos Transact's Retail Banking capabilities include a functionally rich, flexible and agile core processing engine that enables institutions to offer personalized, customer-relevant products, while allowing for lower operational costs and increased ROE.

The Temenos Retail Banking solution helps our clients to:

- increase cross-selling with an integrated product catalog that helps to target products and new customers;
- get to market first with new products created quickly;
- create product offers and reward schemes that are personalized and flexible;
- cover all Retail Banking product areas with broad functionality;
- combine comprehensive capabilities easily to create innovative and focused products;
- use data and analytics to understand clients and businesses better and produce more relevant offers;
- leverage the capability of existing core platforms, whilst also extending the product design capabilities in the bank;
- create personalized products which bundle capabilities spread across multiple systems, including those outside of the bank;
- connect and engage with customers and deliver valuable personalized insights;
- accelerate Retail Banking growth by acquiring new customers and increasing share of wallet via digital sales;
- create frictionless, personalized and secure banking experiences to increase customer satisfaction; and
- thrive in a world of Open Banking and fintechs with digital ecosystems and open innovation.

Whether a bank is a new start-up looking for its first solution, or a large-scale, multi-country bank, the software provides a solution which will enable it to scale, onboard, reduce attrition and deliver a market-leading service to its customers.

Business Banking

→ temenos.com/solutions/business-banking/

Temenos provides banks which offer solutions for SMEs and growing businesses with flexible account and lending services to enable businesses to thrive and scale to meet their goals.

Every bank providing solutions for businesses of any size needs to easily acquire new customers and allow them to scale as their business grows. This requires a front-to-back focus for basic banking services plus the need for lending facilities, complete with high levels of AI-driven customer insight to help them manage their business better.

The Temenos Business Banking solution is an integrated banking software solution for banks offering services to businesses of all sizes across the globe.

The solution helps our clients to:

- cover all SME and Business Banking product areas with broad functionality for organizations of any size;
- combine comprehensive capabilities easily to create innovative and focused products that allow a business to grow;
- enable innovative pricing schemes for distinct propositions;
- provide omnichannel experiences to their range of customers;
- accelerate SME banking growth by acquiring new customers and increasing share of wallet via digital lending;
- scale a business from a sole trader to a larger, growing business with international operations; and
- give the business easy control over users and user rights to ensure each individual is able to perform their required role.

The solution provides a firm with insight about its business, with the Smart Banking Advisor capability offering intelligent insight into areas such as cash flow predictions that can then help it manage the business better. Using next generation AI, our solutions can empower a business owner to make the right decisions for the growth of their business.

Whether a bank is new to the SME segment, or already offering solutions, Temenos software will enable it to scale, onboard, reduce attrition and deliver a market-leading service to its business customers from sole traders to commercial clients.

Corporate Banking

→ temenos.com/solutions/corporate-banking/

The Temenos Corporate Banking solution, with its scalable, innovative technology, provides superior features for corporate banks, supporting profitability, customer acquisition and retention. Corporate and commercial banking customers can now benefit from a seamless digital solution that is equal to the leading retail banking experience.

Temenos' Corporate Banking customers benefit from increased efficiency and profitability through:

- a full, complete, single solution;
- a transparent, single view offering a 360° view of accounts;
- agile, parameter-driven platform flexibility;
- a product builder to quickly create segment customer level products;
- insight into customer profitability, loyalty, attrition risk and number of products for targeting activity;
- a massively scalable, straight-through processing solution;
- comprehensive business functionality and a modern, advanced, secure, open and modular architecture; and
- an automated, digital solution without the need for cumbersome paper-based processes.

Our solution is divided into three main areas:

Corporate lending

Temenos offers a complete solution for a bank's corporate lending needs. A comprehensive front-to-back credit solution which extends from origination to facility design and management provides for the efficient set-up of new facilities using the inbuilt pricing grid and an extensible set of standardized covenants and lending terms which can be applied at initiation or change in the credit cycle. The solution supports both bilateral and club loans and can be used to address both the Business Banking and Corporate Banking sectors.

Cash management

Temenos provides a full set of cash and liquidity management tools, ranging from traditional auto-sweeping and balance maintenance capabilities to virtual account processing. These are accessed by means of sophisticated user design tools, to make the process of creating and managing complex hierarchies easier and more efficient.

Trade finance

There is support for a wide range of trade finance instruments, enabling banks to provide a full service to their customers which trade internationally.

SOFTWARE AND PRODUCTS continued

Wealth management

→ temenos.com/solutions/wealth-management-private-banking/

An end-to-end, componentized solution empowering wealth managers, private banks and their clients with the latest technology.

With a strong client base, including some of the largest global private banks, Temenos Wealth is the de facto software solution for the private wealth management industry. It provides differentiation with superior digital and front-office capabilities, Total Cost of Ownership (TCO) reduction through core automation and cloud technology and the ability to digitally transform firms through real-time, front-to-back integration.

Temenos Wealth is an end-to-end solution covering all of a firm's needs, from self-service channels to portfolio management to back-office processing and market data management. It is unique in its breadth and depth, with digital customer experience, hyper-personalized services and highly automated processes that enable our clients to service Ultra High Net Worth Individuals and Mass Affluent clients alike. Its composable architecture, available as-a-service or on premise and the standard integration to Temenos Transact and the wider Temenos ecosystem make it the ideal solution for firms which seek to grow in a highly competitive environment, while protecting their margins.

In a sector undergoing considerable changes, Temenos Wealth helps our customers tackle the most urgent challenges with substantial benefits:

- higher engagement through an exceptional customer experience;
- growing revenue from differentiating investment services and efficient portfolio management;
- lower costs with highly automated back-office operations; and
- risk mitigation with enhanced data quality and regulatory compliance functions.

Fund administration

Offering fund administrators, asset managers, insurance companies and pension funds a complete solution to thrive in the digital age and deliver greater operational efficiency, improve control and oversight and reduce operational risk.

- Supports investment book of record (IBOR) and fund accounting (ABOR) activity with a single, global platform.
- Sophisticated, highly automated workflow to drive enhanced scalability and efficiency.
- Unique Explainable AI (XAI) enabled exception management, to reduce false positives and enable accounting team to clear exceptions more efficiently.
- Leveraging the latest cloud-native, cloud-agnostic technologies to scale with demand.

Islamic Banking

Temenos Islamic Banking is a flexible and efficient award-winning solution, delivering an outstanding Shari'ah compliant experience to customers using a combination of digital and human interaction and leveraging advanced graphical product building capabilities and modern technology to create offerings that are compliant and personalized, enabling digital transformation.

Temenos' Islamic Banking clients benefit from an outstanding experience using a combination of digital and human interaction and leveraging advanced graphical product building capabilities and modern technology, to create offerings that are compliant and personalized while reducing operational costs and risks.

- Compliant: fully compliant to Shari'ah requirements, processes and account entries.
- Comprehensive: covers all areas of banking with rich functionality across all verticals.
- Enables innovation: with faster time to market due to its flexible product builder.
- Digital: built on the best digital platform enabling banks to face digital challenges and competition.
- Scalable: up-to-date and future-proof solution for banks of all sizes.

OVERVIEW OF IFRS VS NON-IFRS

	Non-IFRS			IFRS		
USDm, except EPS	H1-23	H1-22	Change	H1-23	H1-22	Change
Subscription	69.4	41.2	**68%**	69.4	41.2	**68%**
Term license	27.2	67.7	**-60%**	27.2	67.7	**-60%**
SaaS	97.5	75.6	**29%**	97.5	75.6	**29%**
Total software licensing	**194.1**	**184.5**	**5%**	**194.1**	**184.5**	**5%**
Maintenance	206.8	199.5	**4%**	206.8	199.5	**4%**
Services	64.6	74.8	**-14%**	64.6	74.8	**-14%**
Total revenues	**465.5**	**458.8**	**1%**	**465.5**	**458.8**	**1%**
EBIT	**151.9**	**137.6**	**10%**	**98.2**	**89.2**	**10%**
EBIT margin	32.6%	30.0%	**3% pts**	21.1%	19.4%	**2% pts**
EPS (USD)	**1.56**	**1.45**	**8%**	**0.95**	**0.90**	**6%**
ARR	666.8	581.9	**15%**			

Alternative Performance Measures (APM)

The performance of the Group is assessed using a variety of alternative performance measures that are not defined under IFRS and are therefore classified as non-IFRS. The alternative performance measures used by the Group are explained as follows:

SaaS Annual Contract Value (ACV)

Annual value of incremental business taken in year. Includes new customers, up-sell/cross-sell. Only includes the recurring element of the contract and excludes variable elements.

Annual Recurring Revenue (ARR)

Annualized contract value committed at the end of the reporting period from active contracts with recurring revenue streams. Includes new customers, up-sell/cross-sell and attrition. Excludes variable elements.

Days Sales Outstanding (DSO)

Days sales outstanding is the average number of days that receivables remain outstanding. It has been calculated as the closing net trade receivables and contract assets at year end divided by total annual revenue multiplied by 365 days.

Free cash flow

Net cash flows from operating activities and cash flows from investing activities associated with capital expenditure on non-current assets (property, plant and equipment, intangible assets and capitalized development costs).

Operating cash flow conversion

Cash generated from operations divided by adjusted IFRS EBITDA (adjusted to exclude non-recurring specific items).

Leverage

Net debt divided by non-IFRS EBITDA.

EBITDA*

Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as operating profit excluding depreciation of property, plant and equipment and amortization of intangible assets.

* Reconciled with comparable IFRS measures.

OVERVIEW OF IFRS VS NON-IFRS continued

Alternative Performance Measures (APM) continued

Reconciliation from IFRS to non-IFRS – EBIT/EBITDA

USDm	H1-23	H1-22
IFRS EBIT	**98.2**	89.2
Amortization of acquired intangibles	**22.2**	23.7
Restructuring	**8.1**	3.6
Acquisition-related charges	**—**	0.7
Share-based payment	**23.3**	20.4
Non-IFRS EBIT	**151.9**	137.6
IFRS EBIT	**98.2**	89.2
Depreciation and amortization	**65.2**	71.1
IFRS EBITDA	**163.5**	160.3
Restructuring	**7.9**	3.3
Acquisition-related charges	**—**	0.7
Share-based payment	**23.3**	20.4
Non-IFRS EBITDA	**194.7**	184.7

Reconciliation from IFRS earnings to non-IFRS earnings

USDm	H1-23	H1-22
IFRS EBIT	**98.2**	89.2
Finance cost – net	**(10.7)**	(9.8)
Taxation	**(18.7)**	(15.1)
IFRS net earnings (Profit)	**68.9**	64.3
Number of shares – Diluted (000)	**72,200**	71,828
IFRS EPS (USD)	**0.95**	0.90
IFRS net earnings (Profit)	**68.9**	64.3
Amortization of acquired intangibles	**22.2**	23.7
Restructuring	**8.1**	3.6
Acquisition-related charges	**—**	0.7
Share-based payment	**23.3**	20.4
Taxation	**(9.7)**	(8.4)
Non-IFRS net earnings (Profit)	**112.8**	104.3
Number of shares – Diluted (000)	**72,200**	71,828
Non-IFRS EPS (USD)	**1.56**	1.45

DEFINITIONS

Non-IFRS adjustments

Deferred revenue write-down
Fair value adjustments (write-down) made to deferred revenue resulting from acquisitions under IFRS is adjusted back for non-IFRS.

Discontinued activities
Discontinued operations at Temenos that do not qualify as such under IFRS.

Acquisition-related charges
Relates mainly to advisory fees, integration cost and earn out credits or charges.

Amortization of acquired intangibles
Amortization charges as a result of acquired intangible assets.

Restructuring
Costs incurred in connection with a restructuring program or other organizational transformation activities planned 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.

Share-based payment charges
Adjustment made for share-based payments and social charges, applicable only to non-IFRS numbers.

Acquisition/investment related finance cost
Mainly relates to acquisition and investment related expenses and fair value changes on investments.

Taxation
Adjustments made to reflect the associated tax charge, if any, mainly on deferred revenue write-down, amortization of acquired intangibles, fair value changes on investments and share-based payments, on the basis of Temenos' expected effective tax rate.

Other definitions:

Constant currencies
Prior year results adjusted for currency movement.

Like-for-like (LFL)
Adjusted prior year for acquisitions and movements in currencies.

SaaS
Revenues generated from SaaS licenses.

Net debt
Total borrowings (current and non-current) and cross currency swaps less cash and cash equivalents.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONDENSED)

For the six months ended 30 June
Unaudited

	2023 USD 000	2022 USD 000
Revenues		
Subscription	**69,417**	41,209
Term license	**27,174**	67,724
SaaS	**97,524**	75,583
Total software licensing	**194,115**	184,516
Maintenance	**206,833**	199,489
Services	**64,574**	74,779
Total revenues	**465,522**	458,784
Operating expenses		
Cost of sales	**(141,774)**	(157,066)
Sales and marketing	**(94,926)**	(93,388)
General and administrative	**(45,358)**	(36,282)
Other operating expenses	**(85,235)**	(82,858)
Total operating expenses	**(367,293)**	(369,594)
Operating profit	**98,229**	89,190
Finance costs – net	**(10,688)**	(9,841)
Profit before taxation	**87,541**	79,349
Taxation	**(18,651)**	(15,038)
Profit for the period	**68,890**	64,311
Attributable to:		
Equity holders of the Company	**68,890**	64,311
Earnings per share (in USD): (note 10)		
Basic	**0.96**	0.90
Diluted	**0.95**	0.90

Notes on pages 21 to 27 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (CONDENSED)

For the six months ended 30 June
Unaudited

	2023 USD 000	2022 USD 000
Profit for the period	**68,890**	64,311
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post employment benefit obligations	**–**	4,100
	–	4,100
Items that may be subsequently reclassified to profit or loss		
Cash flow hedge reserve	**91**	6,055
Cost of hedging reserve	**(14)**	(464)
Net investment hedge reserve	**5,274**	363
Currency translation differences	**(15,819)**	(4,723)
	(10,468)	1,231
Other comprehensive income for the period	**(10,468)**	5,331
Total comprehensive income for the period	**58,422**	69,642
Attributable to:		
Equity holders of the Company	**58,422**	69,642

Notes on pages 21 to 27 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONDENSED)

Unaudited

	30 June 2023 USD 000	31 December 2022 USD 000
Assets		
Current assets		
Cash and cash equivalents	**100,888**	89,923
Trade and other receivables	**292,595**	313,473
Other financial assets (note 8)	**57,777**	35,112
Total current assets	**451,260**	438,508
Non-current assets		
Property, plant and equipment (note 11)	**58,123**	63,102
Intangible assets (note 11)	**1,529,826**	1,538,750
Trade and other receivables	**122,960**	104,410
Other financial assets (note 8)	**27,523**	42,850
Deferred tax assets	**46,941**	44,195
Total non-current assets	**1,785,373**	1,793,307
Total assets	**2,236,633**	2,231,815
Liabilities and shareholders' equity		
Current liabilities		
Trade and other payables	**175,893**	171,886
Other financial liabilities (note 8)	**5,112**	8,293
Deferred revenue	**391,873**	411,060
Income taxes payable	**125,244**	121,031
Borrowings (note 12)	**378,902**	204,137
Provisions for other liabilities and charges	**1,359**	3,085
Total current liabilities	**1,078,383**	919,492
Non-current liabilities		
Other financial liabilities (note 8)	**2,125**	1,578
Deferred revenue	**10,051**	12,657
Borrowings (note 12)	**494,011**	636,666
Provisions for other liabilities and charges	**1,452**	1,168
Deferred tax liabilities	**92,797**	94,993
Retirement benefit obligations	**13,035**	12,217
Total non-current liabilities	**613,471**	759,279
Total liabilities	**1,691,854**	1,678,771
Shareholders' equity		
Share capital	**254,037**	253,466
Treasury shares	**(464,778)**	(464,778)
Share premium and other reserves	**(146,446)**	(166,637)
Other equity	**(201,909)**	(192,265)
Retained earnings	**1,103,875**	1,123,258
Total equity	**544,779**	553,044
Total liabilities and equity	**2,236,633**	2,231,815

Notes on pages 21 to 27 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

For the six months ended 30 June
Unaudited

	2023 USD 000	2022 USD 000
Cash flows from operating activities		
Profit before taxation	**87,541**	79,349
Adjustments:		
Property, plant and equipment depreciation, amortization and impairment of financial assets	**66,033**	71,100
Cost of share options	**22,234**	25,309
Foreign exchange loss/(gain) on non-operating activities	**2,291**	(3,901)
Interest expenses, net	**10,137**	7,858
Net (gain)/loss on derivatives not designated as hedging instruments	**(1,554)**	4,452
Other finance costs	**1,445**	2,485
Other non-cash items	**993**	1,149
Changes in:		
Trade and other receivables	**(3,936)**	(19,990)
Trade and other payables, provisions and retirement benefit obligations	**(1,742)**	(5,856)
Deferred revenues	**(22,778)**	(14,791)
Cash generated from operations	**160,664**	147,164
Income taxes paid	**(15,879)**	(6,257)
Net cash generated from operating activities	**144,785**	140,907
Cash flows from investing activities		
Purchase of property, plant and equipment, net of disposals	**(4,310)**	(12,994)
Purchase of intangible assets, net of disposals	**(1,241)**	(1,407)
Capitalized development costs (note 11)	**(37,907)**	(44,275)
Acquisition of long-term loan instruments	**—**	(10,000)
Purchase and settlement of financial instruments	**(1,527)**	3,372
Interest received	**829**	88
Net cash used in investing activities	**(44,156)**	(65,216)
Cash flows from financing activities		
Dividend paid (note 14)	**(88,273)**	(74,414)
Proceeds from borrowings (note 12)	**52,833**	283,851
Repayments of borrowings (note 12)	**(40,021)**	(119,518)
Repayment of bond	**—**	(180,723)
Payment of lease liabilities (note 12)	**(8,290)**	(8,380)
Interest payments	**(8,573)**	(8,765)
Settlement of financial instruments	**3,179**	2,298
Payment of other financing costs	**(1,448)**	(2,247)
Net cash used in financing activities	**(90,593)**	(107,898)
Effect of exchange rate changes	**929**	(1,378)
Net increase/(decrease) in cash and cash equivalents in the period	**10,965**	(33,585)
Cash and cash equivalents at the beginning of the period	**89,923**	139,322
Cash and cash equivalents at the end of the period	**100,888**	105,737

Notes on pages 21 to 27 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 2022	252,467	(464,778)	(218,330)	(175,387)	1,080,816	474,788
Profit for the period	—	—	—	—	64,311	64,311
Other comprehensive income for the period, net of tax	—	—	—	1,231	4,100	5,331
Total comprehensive income for the period	—	—	—	1,231	68,411	69,642
Dividend paid	—	—	—	—	(74,414)	(74,414)
Hedging gain transferred to deferred revenues	—	—	—	(2,332)	—	(2,332)
Cost of share options	—	—	25,309	—	—	25,309
Exercise of share options	377	—	(377)	—	—	—
Costs associated with equity transactions	—	—	(1)	—	—	(1)
	377	—	24,931	(1,101)	(6,003)	18,204
Balance at 30 June 2022	252,844	(464,778)	(193,399)	(176,488)	1,074,813	492,992
Balance at 1 January 2023	253,466	(464,778)	(166,637)	(192,265)	1,123,258	553,044
Profit for the period	—	—	—	—	68,890	68,890
Other comprehensive income for the period, net of tax	—	—	—	(10,468)	—	(10,468)
Total comprehensive income for the period	—	—	—	(10,468)	68,890	58,422
Dividend paid (note 14)	—	—	—	—	(88,273)	(88,273)
Hedging loss transferred to deferred revenues	—	—	—	824	—	824
Cost of share options	—	—	22,234	—	—	22,234
Exercise/cash settlement of share options	571	—	(2,036)	—	—	(1,465)
Costs associated with equity transactions	—	—	(7)	—	—	(7)
	571	—	20,191	(9,644)	(19,383)	(8,265)
Balance at 30 June 2023	**254,037**	**(464,778)**	**(146,446)**	**(201,909)**	**1,103,875**	**544,779**

Notes on pages 21 to 27 are an integral part of these interim consolidated financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2023
Unaudited

1. General information

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. The registered office is located at 2 Rue de L'Ecole-de-Chimie, 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 customer locations around the world and the implementation and running of systems in cloud environments, as well as in offering helpdesk support services to existing users of Temenos software systems. The customer base consists of mostly banking and other financial services institutions.

2. Basis of preparation

This condensed interim financial information for the six months ended 30 June 2023 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 2022 which have been prepared in accordance with 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 2022, except as described below:

Taxation

Income tax is recognized based on the best estimate of the Group annual income tax rate for the full financial year, as applied to specific period profits and adjusted for specific period items as required to be consistent with IAS 34. The estimated annual income tax rate used for the year to 30 June 2023 is 21% compared to 19% for the six months ended 30 June 2022.

New amendments or interpretations effective on or after 1 January 2023 did not have a significant impact on the Group's interim consolidated financial statements or on the Group's accounting policies.

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

The Group's principal contingent liabilities arise from property rental guarantees, performance guarantees and bid bonds issued in the normal course of business. It excludes contingent consideration on acquisition. The Group is also involved in various lawsuits, claims, investigations and proceedings incidental to the normal conduct of its operations. There were no material changes in respect of the Group's contingent liabilities, including litigation settlements, 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. The Group's policies and objectives reported in the consolidated financial statements at 31 December 2022 remain the same.

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 expenses. Actual results may differ from these estimates.

Unless otherwise specified, 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 2022.

Internally generated software development costs are amortized using the straight-line method. In previous years, development costs related to architecture developments were amortized over a five-year period and development costs related to functional developments were amortized over a three-year period.

The Group's business model has shifted towards SaaS and Cloud which impacts the way software products are developed, deployed and maintained. As a result, the Group has undertaken a review of the useful economic lives of its internally generated software development assets by Product business segment.

Following this review, the Group has amended its estimate of useful economic life for certain of its capitalized development assets effective from 1 January 2023. Internally generated software development costs are now amortized on a straight-line basis over 3 to 7 years (previously 3 to 5 years) depending on Product business segment.

In the context of the recent significant movements in global interest rates, the Group has considered the impact of changes to the discount rate, represented by the Group's Weighted Average Cost of Capital adjusted for tax effect to determine the pre-tax rate as required by IFRS, on the value-in-use calculations used for goodwill impairment testing. Applying the updated discount rate to the value-in-use calculations used for the annual impairment review has no impact on the carrying value of goodwill.

Management believes that any reasonable change in the discount rate would not cause the carrying amount to exceed the recoverable amount of the Product cash-generating unit.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

For the period ended 30 June 2023
Unaudited

7. 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 representations 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 restructuring costs, termination benefits, acquisition-related costs, share-based payment expenses, office-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 liabilities acquired in business combinations, if any.

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

	Product		Services		Total	
	Half-year 2023 USD 000	Half-year 2022 USD 000	**Half-year 2023 USD 000**	Half-year 2022 USD 000	**Half-year 2023 USD 000**	Half-year 2022 USD 000
External revenues	**400,948**	384,005	**64,574**	74,779	**465,522**	458,784
Operating contribution	**181,994**	171,824	**5,600**	3,099	**187,594**	174,923

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

There have been no changes to the basis of segmentation or measurement of segment profit or loss since the last annual consolidated financial statements.

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 2022.

Reconciliation to the Group's consolidated interim financial statements

	Half-year 2023 USD 000	Half-year 2022 USD 000
Total operating profit for the reportable segments	**187,594**	174,923
Depreciation and amortization	**(65,233)**	(71,100)
Unallocated operating expenses	**(24,132)**	(14,633)
Finance costs – net	**(10,688)**	(9,841)
Profit before taxation	**87,541**	79,349

Geographical information

	Half-year 2023 USD 000	Half-year 2022 USD 000
Revenues from external customers		
Europe	**134,433**	140,370
America	**133,790**	132,965
Middle East and Africa	**115,228**	88,366
Asia Pacific	**82,071**	97,083
Total revenues	**465,522**	458,784

8. 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 2023

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at fair value through profit or loss (FVTPL)				
Foreign currency forwards	—	5,395	—	5,395
Convertible notes	—	—	53,139	53,139
Derivatives used for hedging				
Foreign currency forwards	—	2,826	—	2,826
Foreign currency options	—	904	—	904
Cross currency swaps	—	20,889	—	20,889
Interest rate swaps	—	2,147	—	2,147
Total	—	32,161	53,139	85,300

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign currency forwards	—	1,591	—	1,591
Derivatives used for hedging				
Foreign currency forwards	—	4,255	—	4,255
Foreign currency options	—	664	—	664
Interest rate swaps	—	727	—	727
Total	—	7,237	—	7,237

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

For the period ended 30 June 2023
Unaudited

8. Fair value measurement continued

Balance at 31 December 2022

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial assets at fair value through profit or loss (FVTPL)				
Foreign currency forwards	—	2,234	—	2,234
Convertible notes	—	—	51,629	51,629
Derivatives used for hedging				
Foreign currency forwards	—	1,385	—	1,385
Foreign currency options	—	1,162	—	1,162
Cross currency swaps	—	13,329	—	13,329
Interest rate swaps	—	8,223	—	8,223
Total	—	26,333	51,629	77,962

	Level 1 USD 000	Level 2 USD 000	Level 3 USD 000	Total USD 000
Financial liabilities at fair value through profit or loss (FVTPL)				
Foreign currency forwards	—	1,506	—	1,506
Derivatives used for hedging				
Foreign currency forwards	—	6,526	—	6,526
Foreign currency options	—	1,839	—	1,839
Total	—	9,871	—	9,871

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

Assets and liabilities in Level 2

Foreign currency forwards

Discounted future cash flows (based on the forward exchange rate) using observable yield curves adjusted for credit risk.

Foreign currency options

Garman-Kohlhagen model (an adaptation of the Black-Scholes model for currency option).

Cross currency swaps

Discounted future cash flows using observable yield curves (including currency basis spreads). The fair value of the leg measured in foreign currency is translated using the spot exchange rate.

Interest rate swaps

Discounted cash flow method using observable yield curves adjusted for credit risk.

There were no changes in valuation techniques during the period.

Assets and liabilities in Level 3

Convertible note

At 31 December 2022, the Group determined the fair value of these instruments assuming a scenario of conversion in the future using an independent third party valuation. The valuation adopted a discounted cash flow approach relying on unobservable input relating to the equity value of the company.

The Group has reviewed the latest financial information available for the company and its broadly consistent with the business plan assumptions/scenarios used for the valuation at 31 December 2022. Management's assessment is that there is no indication of a significant change in the fair value of the convertible notes at 30 June 2023 and expect the valuation sensitivities at 31 December 2022 to be materially unchanged.

Reconciliation from the opening balances to the closing balances:

	Convertible note USD 000
At 1 January 2023	51,629
Interest	1,510
Net change in fair value (FVTPL)	—
At 30 June 2023	**53,139**

9. Financial instruments measured at amortized cost

The following table provides the fair value and 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 and lease liabilities as exempted in IFRS 7 'Financial instruments: Disclosure'.

	30 June 2023		31 December 2022	
	Carrying amount USD 000	**Fair value USD 000**	Carrying amount USD 000	Fair value USD 000
Financial assets				
Non-current trade and other receivables	**102,653**	**91,340**	85,672	76,489
Total	**102,653**	**91,340**	85,672	76,489
Borrowings				
Other loans	**9**	**9**	31	27
Bank borrowings	**227,171**	**226,613**	210,575	209,956
Unsecured bonds	**611,436**	**601,403**	591,280	577,465
Total	**838,616**	**828,025**	801,886	787,448

10. 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 2023	Half-year 2022
Profit attributable to equity holders of the Company (USD 000)	**68,890**	64,311
Weighted average of ordinary shares outstanding during the period (in thousands)	**71,843**	71,604
Basic earnings per share (USD per share)	**0.96**	0.90

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: "Instrument granted to employee under share-based payment".

For the period ended 30 June 2023 and 30 June 2022, this category was fully dilutive.

	Half-year 2023	Half-year 2022
Profit used to determine diluted earnings per share (USD 000)	**68,890**	64,311
Weighted average of ordinary shares outstanding during the period (in thousands)	**71,843**	71,604
Adjustments for:		
– Share options (in thousands)	**357**	224
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	**72,200**	71,828
Diluted earnings per share (USD per share)	**0.95**	0.90

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

For the period ended 30 June 2023
Unaudited

11. Property, plant and equipment and intangible assets

Six months ended 30 June 2023	Property, plant and equipment USD 000	Intangible assets USD 000
Opening balance as at 1 January 2023	63,102	1,538,750
Additions	8,572	1,381
Retirements/Disposals	(2,237)	—
Capitalized development costs	—	37,907
Charge for the period	(11,846)	(53,387)
Foreign currency exchange differences	532	5,175
Closing net book amount as at 30 June 2023	**58,123**	**1,529,826**

As at 30 June 2023, included in property, plant and equipment is USD 34.6 million (31 December 2022: USD 38.1 million) for right-of-use assets.

12. Borrowings

	30 June 2023 USD 000	31 December 2022 USD 000
Current		
Other loans	**9**	26
Unsecured bonds	**366,896**	191,948
Lease liabilities	**11,997**	12,163
	378,902	204,137
Non-current		
Other loans	**—**	5
Bank borrowings	**227,171**	210,575
Unsecured bonds	**244,540**	399,332
Lease liabilities	**22,300**	26,754
	494,011	636,666
Total borrowings	**872,913**	840,803

Movements in borrowings is analyzed as follows:

	Six months ended 30 June 2023 USD 000
Opening balance as at 1 January 2023	**840,803**
Proceeds from bank borrowings	**52,833**
Repayments of borrowings	**(40,021)**
Unsecured bond-coupon payments	**(2,916)**
Interest expense	**5,768**
Payments of lease liabilities	**(8,290)**
Net addition to lease liability	**2,805**
Foreign currency exchange differences	**21,931**
Closing net book amount as at 30 June 2023	**872,913**

12. Borrowings continued

Bank facilities

The Group holds a multicurrency committed revolving facility of USD 660 million. The pertinent details are as follows:

- interest expense based on observable risk-free rates plus variable margin, which is calculated by reference to certain financial covenants;
- the facility terminates on 5 July 2026; and
- commitment fees are due on the undrawn portion.

As at 30 June 2023, a total of USD 227.2 million (31 December 2022: USD 210.6 million) was drawn under this agreement.

The facility is subject to financial covenants which have been adhered to during the reported periods.

13. Share capital

As at 30 June 2023, the issued shares of Temenos AG comprised 75,041,277 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 2023 are summarized below:

	Number
Total number of shares issued as at 1 January 2023	74,935,760
Treasury shares	(3,164,632)
Total number of shares outstanding as at 1 January 2023	71,771,128
Creation of new ordinary shares out of conditional capital for share-based payment transactions	105,517
Total number of shares outstanding as at 30 June 2023	71,876,645

As at 30 June 2023 the number of treasury shares held by the Group amounted to 3,164,632 (31 December 2022: 3,164,632).

Temenos AG also has conditional capital, comprising:

	Number
Conditional shares that may be issued on the exercise of share-based payment transactions	2,808,647
Conditional shares that may be issued in conjunction with financial instruments	6,607,904

14. Dividend per share

A dividend of CHF 79.1 million (CHF 1.10 per share) was paid in 2023 relating to the 2022 financial year.

15. Events occurring after the reporting period

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

SOURCES

1 Gartner, “Magic Quadrant for Global Retail Core Banking”, Vittorio D’Orazio, Don Free, February 2022. (This report was previously titled “Magic Quadrant for International Retail Core Banking” from 2009–2014. Temenos was recognized as Temenos Group from 2010–2013 and Temenos Group (T24) in 2009.)

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 organization 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. GARTNER and Magic Quadrant are registered trademarks of Gartner, Inc. and/or its affiliates in the US and internationally and are used herein with permission. All rights reserved.

2. “The Forrester Wave™: Digital Banking Processing Platforms For Retail Banking, Q3 2022”, Jost Hoppermann, August 2022 and “The Forrester Wave™: Digital Banking Processing Platforms For Corporate Banking, Q3 2022”, Jost Hoppermann, August 2022. “The Forrester Wave™: Digital Banking Engagement Platforms, Q3 2021”, Jost Hoppermann, September 2021 and “The Forrester Wave™: Digital Banking Engagement Hubs, Q3 2021”, Jost Hoppermann, September 2021. “Forrester’s Global Banking Platform Deals Survey 2022”, Forrester, Jost Hoppermann, May 2022.

3. “Omdia Universe: Cloud-based Core Banking, 2023”, Omdia (formerly Ovum), Philip Benton, September 2023; “Omdia Universe: Digital Banking Platforms, 2023”, Omdia (formerly Ovum), Philip Benton, January 2023 and “Ovum Decision Matrix: Selecting a Core Banking System in the European Market, 2016-17”, Ovum, Noora Haapajarvi, March 2016. “Ovum Decision Matrix: Selecting an Anti-Financial Crime Solution 2017-18”, Ovum, Matthew Heaslip, December 2017.

4. “Annual Sales League Table 2023”. IBS Intelligence, June 2023.

5. Celent Model Bank 2021 – Varo Bank: “Celent Model Bank of the Year 2021”, Celent, Daniel Latimore, March 2021.

Celent Model Bank 2020 Banking in the Cloud Award: “EQ Bank: EQ Bank to the Cloud!”, Celent, Craig Focardi and Stephen Greer, April 2020.

6. “IDC MarketScape: North America Digital Banking Customer Experience Platforms 2022 Vendor Assessment”, IDC, Marc DeCastro, March 2022. “IDC MarketScape: Worldwide Integrated Payment Systems 2019 Vendor Assessment”, IDC, Aaron Press, February 2020. “IDC MarketScape: Worldwide Know-Your-Customer Solutions in Financial Services 2018 Vendor Assessment”, IDC, Stephen D’Alfonso, Karen Massey, September 2018 and “IDC MarketScape: Worldwide Anti-Money Laundering Solutions in Financial Services 2018 Vendor Assessment”, IDC, Karen Massey, Stephen D’Alfonso, September 2018. “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. “Aperture: The Market Map for Wealth Management Software 2021”.

8. Aite Group, “Aite Matrix Evaluation: Wealth Management-Focused Core Banking Systems”, July 2022; Aite Group, “Aite Matrix Evaluation: Investment and Fund Accounting Systems”, April 2020; Aite Group, “Aite Matrix Evaluation: US Digital Banking Providers of Core Vendors”, September 2021.

9. ACV: Annual value of incremental business taken in-year (Bookings). Includes new customers, up-sell/cross-sell. Only includes the recurring element of the contract and excludes variable elements.

Produced by
designportfolio

Temenos Headquarters SA
Rue de L'Ecole-de-Chimie 2
CH-1205 Geneva
Switzerland
Tel: +41 22 708 1150

www.temenos.com