OUTSTANDING FINANCIAL PERFORMANCE

FINANCIAL REVIEW

+23%	+16%	+18%
Total software licensing growth of 23%	Total revenue growth of 16%	Earnings per share growth of 18%

We have had a very strong performance in 2017, with total software licensing growth of 23% and total revenue growth of 16%. We delivered margin expansion of 98bps year-on-year and grew EPS by 18%. Our cash conversion of 114% for 2017 is significantly above our target of 100% of EBITDA and means we are recommending a 2017 dividend of CHF 0.65, an increase of 18% on 2016.

We have announced our guidance for 2018 which reflects our expectation of continued strong growth in the year. We are guiding for non-IFRS total software licensing growth of 13.5% to 18.5% and non-IFRS total revenue growth of between 10% and 13%. We are guiding for 2018 non-IFRS EBIT of USD 255 million to 260 million, which implies a margin of 31%. Given the acceleration we saw during 2017 and the strong start to 2018 we expect our sales momentum to continue accelerating. We have excellent revenue visibility driven by committed spend and our pipeline growth, and I am confident in achieving our 2018 guidance.

INTRODUCTION

Opening thoughts

I am delighted with our performance in 2017, which built on the very strong momentum we had generated in the previous two years. We ended the year by achieving the top end of all our guidance targets, which had already been revised upwards at the time of our Q3 results. Our ability to consistently execute on the market opportunity, combined with the strength of our business model, enabled us to deliver significant growth in revenue and profit whilst maintaining cash conversion well in excess of 100% of EBITDA. This ensured our DSOs also continued to decline to reach 119 days by year end. We closed the year with USD 168 million of cash on our balance sheet and leverage of 1.0x net debt to EBTIDA.

IFRS vs non-IFRS

To ensure that the presentation of results reflects the underlying performance of the business, Temenos publishes its key metrics on a non-IFRS basis as well as on an IFRS basis. For transparency purposes, Temenos also publishes full reconciliations between IFRS and non-IFRS measures. Full definitions of non-IFRS adjustments can be found on page 42.

Highlights

Full year highlights (non-IFRS) include:

> Total software licensing revenue growth of 23%.

> Maintenance revenue growth of 10%.

> Total revenue growth of 16%.

> Services margin of 9.7%, representing a margin expansion of 0.6 percentage points.

> EBIT of USD 223.5 million and margin of 30.3%.

> EPS of USD 2.45, an increase of 18%.

> Operating cash inflow of USD 300 million with cash conversion of 114%, significantly ahead of our guidance of 100%.

> DSOs reduced by eight days to 119 days, in line with the five to ten day annual target.

> Recommended annual dividend of CHF 0.65, an increase of 18%.

KEY FIGURES 31 DECEMBER

All financial units in millions of US dollars, except non-IFRS EBIT margin and earnings per share.

	2017	2016
Non-IFRS Revenue	736.7	635.1
Non-IFRS EBIT	223.5	186.5
Non-IFRS EBIT margin	30.3%	29.4%
Cash generated from operations	299.7	257.6
Total assets	1,275.3	1,171.5
Non-IFRS earnings per share	USD 2.45	USD 2.07

REVENUES

IFRS

Total revenues were USD 735.4 million in 2017, an increase of 16% versus 2016 on a reported basis.

Total software licensing grew 23% in the year on a reported basis, with strong double-digit growth across all geographies. We saw significant sales momentum across client tiers and segments, with a large volume of deals signed throughout the year. We continued to win all the largest deals in our markets, in particular signing with Openbank, the digital bank of Santander Group, in Q4, for a core banking replacement, as well as announcing deals with KBC and Itaú. We made very good progress in the US, announcing a deal with a US tier 1 bank for a multi-country IT renovation for part of their corporate bank.

Maintenance revenues grew 10% on a reported basis, and Services revenues grew 13% on a reported basis.

Non-IFRS

Total Non-IFRS revenue in 2017 was USD 736.7 million, an increase of 16% compared to 2016 on a reported basis, with the USD 1.3 million difference between IFRS and non-IFRS revenues due to an adjustment for a deferred revenue write-down relating to the acquisition of Rubik which closed in May 2017.

COST BASE

IFRS

Full year costs on an IFRS basis were USD 557.1 million, up from USD 484.8 million in 2016. The majority of the cost increase was driven by our continued investment in Sales and Marketing and product development which are both critical for us to continue taking market share in the future. Services costs also increased in line with revenues and lastly a portion of the cost increase was driven by the acquisition of Rubik, which contributed about USD 18 million of costs in the year.

USDm, except EBIT margin and EPS	Non-IFRS 2017	Non-IFRS 2016	Non-IFRS Change	IFRS 2017	IFRS 2016	IFRS Change
Software licensing	248.5	205.1	21%	248.5	205.1	21%
SaaS and subscription	67.5	51.1	32%	66.2	50.1	32%
Total software licensing	316.1	256.2	23%	314.8	255.1	23%
Maintenance	274.8	250.4	10%	274.8	234.0	10%
Services	145.8	128.5	13%	145.8	250.4	13%
Total revenues	736.7	635.1	16%	735.4	634.0	16%
EBIT	223.5	186.5	20%	178.3	149.2	20%
EBIT margin	30.3%	29.4%		24.2%	17.8%	
EPS (USD, fully diluted)	2.45	2.07	18%	1.90	1.61	18%

Non-IFRS

Full year costs on a non-IFRS basis were USD 513.1 million, up from USD 448.6 million in 2016. Of the USD 44 million difference between the IFRS and non-IFRS cost base, USD 35 million is due to adjustments made for the amortization of acquired intangibles costs and USD 8.9 million due to adjustments made for restructuring costs and acquisition-related charges.

EBIT AND EARNINGS PER SHARE (EPS)

IFRS

On an IFRS basis, EBIT was USD 178.3 million compared to USD 149.2 million in 2016. The strength of our business model enables us to deliver strong growth in revenue and profit, creating significant value for our shareholders. EPS for 2017 was USD 1.90, compared to USD 1.61 in 2016.

Non-IFRS

EBIT on a non-IFRS basis was USD 223.5 million, up from USD 186.5 million in 2016, an increase of 20% on a reported basis. EPS was USD 2.45, up from USD 2.07 in 2016, an increase of 18%.

Non-IFRS EBIT margin was 30.3%, up from 29.4% in 2016, as we continued to leverage our cost base in particular across G&A and Services. Our Services operating margin was 9.7% for the year, up from 9.1% in 2016. Our strategy of working closely with Partners and focusing on the governance of our projects is enabling us to continuously improve the margin in our Services business and we expect this will continue in the coming years.

CASH FLOWS

We generated USD 300 million of operating cash in 2017, representing a cash conversion of 114% of EBITDA. We have maintained our guidance for 100%+ conversion of EBITDA into operating cash flow in 2018, as we continue to grow our recurring revenue streams and see the positive impact of tier 1 and 2 clients who contributed 59% of total software licensing revenue in the year, up from 52% in FY 2016.

FINANCIAL REVIEW continued

RECONCILIATION FROM IFRS EBIT TO NON-IFRS EBIT

USDm	2017	2016
IFRS EBIT	178.3	149.2
Deferred revenue write-down	1.3	1.1
Amortisation of acquired intangibles	35.0	31.7
Restructuring	6.9	4.5
Acquisition-related charges	2.0	–
Non-IFRS EBIT	223.5	186.5

DSOs decreased by eight days again in 2017 to reach 119 days by year end, in line with our target of reducing DSOs by five to ten days per annum which we have maintained for 2018. We continue to target DSOs to reach 100 days in the medium term.

Our free cash flow reached USD 227 million and has now grown 19% per annum for the last two years, as we continue to efficiently manage our capital expenditures.

BALANCE SHEET AND FINANCING

Temenos is highly cash generative with a strong balance sheet which enables:

> the servicing of our debt obligations;
> investment in the business, including industry leading R&D spend;
> funding for targeted acquisitions;
> the payment of an annual dividend; and
> returning additional value to shareholders through share buybacks.

We continue to actively pursue acquisition opportunities as a driver of shareholder value creation, as well as investing in the business to position ourselves for the market opportunity.

We ended 2017 with a leverage ratio of 1.0x net debt to non-IFRS EBITDA. We have put ourselves in a very strong position at the start of 2018 and have significant capacity to pursue inorganic growth opportunities in line with our M&A strategy.

DIVIDEND

We have announced a dividend of CHF 0.65 per share for 2017, representing an increase of 18%. This is subject to shareholder approval at the AGM on 15 May 2018. The shares will trade ex-dividend on 18 May 2018, and the dividend record date will be set on 22 May 2018. The dividend will be paid on 23 May 2018. As with previous years, the 2017 dividend will be paid as a distribution of capital contribution reserves and therefore be exempted from withholding tax. Temenos' policy is to distribute a sustainable to growing dividend.

LOOKING FORWARD

Guidance for 2018

Our 2018 guidance is as follows:

> Non-IFRS total software licensing growth at constant currency of 13.5% to 18.5% (implying total software licensing revenue of USD 363 million to USD 379 million);
> Non-IFRS revenue growth at constant currency of 10% to 13% (implying revenue of USD 819 million to USD 840 million);
> Non-IFRS EBIT at constant currency of USD 255 million to 260 million (implying non-IFRS EBIT margin of 31.1% – 31.0%);
> 100%+ conversion of EBITDA into operating cash flow; and
> Tax rate of 15% to 16%.

Medium term targets

We revised upwards our medium term targets at the start of 2018 to reflect the strong growth in our business and our end-market:

> Non-IFRS total software licensing growth of at least 15% CAGR;
> Non-IFRS revenue growth of 10-15% CAGR;
> Non-IFRS EBIT margin improvement of 100 to 150bps on average per annum;
> Non-IFRS EPS growth of at least 15% CAGR;
> Cash conversion of over 100% of EBITDA p.a.;
> DSOs reducing by five to ten days per annum; and
> Tax rate of 17% to 18%.

Drivers of growth in 2018 and the medium term

We held our 2018 Capital Markets Day in February, where we outlined the multiple structural growth drivers that we continue to benefit from.

We have a very large addressable market that is forecast to grow at an 8% CAGR in the medium term. Total global spend in areas that Temenos can address with its products is estimated to be USD 48 billion a year, of which USD 10 billion today is spent with third party vendors. The remaining USD 38 billion is spent in-house by banks on building and maintaining software. Banks are under sustained cost and regulatory pressure, as well as the move towards open banking. An ever increasing number of banks are responding to these pressures by shifting spend from in-house to third party vendors, to drive efficiencies and provide their customers with a truly digital service.

We continue to expand our addressable market by investing in new products, for example expanding our offering in the USD 700 million compliance software market and building a product with a tier 1 client for the USD 900 million origination market.

We continue to win all the largest deals in our markets and today have penetrated 30% of tier 1 and 2 banks globally, including 41 of the top 50 banks in the world. This means we have a massive opportunity to win more tier 1 and 2 clients, where the IT needs and addressable spend is far greater. However, even within our existing tier 1 and 2 clients, we have only captured about 4% of the total addressable spend in each institution to date. We have seen on average a 30% annual increase in spend from tier 1 and 2 clients undergoing progressive renovation

SIGNIFICANT, SUSTAINED SHAREHOLDER RETURNS

Medium term targets

At least 15%
Total software licensing (CAGR)

10-15%
Total revenue (CAGR)

100-150
p.a. EBIT (bps)

At least 15%
EPS (CAGR)

5-10
DSO reduction (days)

100%+
of EBITDA (Cash conversion)

17-18%
Tax rate

with Temenos and we expect this to continue growing as we work with these institutions to renovate their IT platforms.

Because of this we expect the contribution from tier 1 and 2 clients to continue increasing. In 2017, 59% of total software licensing came from tier 1 and 2 banks, up from 52% in 2016. This has given us the highest level of revenue visibility ever at the start of 2018.

We see significant opportunities across our installed based from cross-selling, progressive renovation and re-licensing and we expect revenues from the installed base to grow at a CAGR of 15-20% in the medium term.

Banks are increasingly interested in our SaaS and cloud offering, as demonstrated by the deal announced with Itaú, the largest bank in Latin America, in the fourth quarter of 2017. We expect our SaaS revenues to grow at a c.35% CAGR in the medium term to represent at least 15% of total software licensing revenues.

We made very good progress on our US strategy in 2017 with the signing of a US tier 1 bank in Q4 and reaching key milestones in the ongoing implementation with Commerce Bank. We expect North America to contribute 25% of total software licensing in the medium term as we continue to build our references and win more campaigns with the largest banks in this market.

CLOSING THOUGHTS

I am delighted with our financial and operating performance in 2017, coming on the back of an outstanding 2016 and 2015. We continue to be the leading vendor in our market, in particular for the world's largest banks, and have demonstrated we can consistently execute on the market opportunity to drive growth in revenue and profitability for our shareholders.

Max Chuard
Chief Financial Officer and
Chief Operating Officer

DSO

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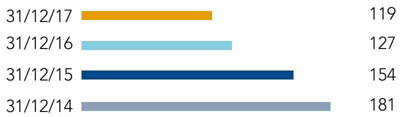

CASH CONVERSION