Financial Statements 2017

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SIX key figures

CHF million (unless otherwise indicated)	2017	2016
Income statement		
Total operating income [1]	1,944.6	1,838.6
Total operating expenses	–1,664.0	–1,551.5
Net financial result	15.8	10.4
Earnings before interest and tax (EBIT) [1]	273.2	297.1
EBIT margin (in %)	14.0%	16.2%
Group net profit [1]	207.2	221.1
Cash flow statement		
Cash flow from operating activities	–110.3	953.2
Cash flow from investing activities	–254.2	–93.7
Cash flow from financing activities	–142.0	–157.3
Balance sheet as at 31/12		
Total assets	10,301.5	10,279.5
Total liabilities	7,625.6	7,725.1
Total equity	2,675.9	2,554.4
Return on equity (in %, average) [2]	7.9%	9.0%
Equity ratio (in %, average) [3]	80.0%	76.7%
Operating key figures		
Workforce as at 31/12 (full-time equivalents)	3,755.0	3,807.1
Workforce as at 31/12 (headcount)	3,963	4,020
Stock exchange trading volume (in CHF billion)	1,346.0	1,279.3
Deposit volume	3,315,113	3,070,889
Number of financial instruments (in millions)	27.3	23.7
Acquiring turnover	88,658.4	75,407.9
Shareholders' key figures		
Shares outstanding	18,914,041	18,914,041
Dividend per share (in CHF)	7.00	7.30
Payout ratio (in %)	66.2%	64.6%
Equity per share (in CHF)	141.48	135.05
Earnings per share (in CHF)	10.91	11.66

[1] 2016 includes CHF 26.0 million from sale of real estate. Adjusted operating income growth is +7.3%, adjusted EBIT growth +0.8%, and adjusted net profit growth +6.2%.

[2] Return on equity = Profit previous 12 months / average equity previous 12 months

[3] Equity ratio = Average equity previous 12 months / (average adjusted liabilities previous 12 months + average equity previous 12 months).
The adjustments of the liabilities include the positions "payables from clearing & settlement" and "negative replacement values from clearing & settlement".

SIX consolidated financial statements 2017

Full-year report of SIX as at 31 December 2017

SIX invests in the future and delivers solid financial performance in 2017

SIX can again look back on a successful year with strong revenue growth, in which it achieved a solid annual result in a challenging environment. Through strategic investments and acquisitions, primarily to strengthen its market position in payment transactions, and through strategic and organizational adjustments, SIX created the conditions during 2017 to ensure its long-term competitiveness. SIX generated an annual result of CHF 207.2 million (–6.2%); excluding the non-recurring effect from a property sale in the previous year, this was an increase of 6.2%.

SIX posted strong revenue growth in the 2017 financial year. Operating income rose 5.8% to CHF 1,944.6 million. This was mainly attributable to revenues from stock exchange trading and securities custody, and rising turnover in payment transactions. Sales in the financial data business were slightly below the prior-year level due to delays in the introduction of important financial market regulations. A high level of cost discipline was once again exercised in the day-to-day business. The overall 7.3% increase in costs is due primarily to investments in new services and acquisitions. The favorable performance of capital markets resulted in a higher financial result totalling CHF 15.8 million (+52.7%). Earnings before interest and tax (EBIT) declined 8.1% to CHF 273.2 million. Adjusted for the non-recurring effect from the previous year, EBIT rose 0.8%.

Targeted investments in the future and strengthening of market position

SIX made targeted investments to strengthen its market position and for future growth during 2017. It increased its competitiveness in payment transactions through the acquisition of the Frankfurt-based girocard network from VÖB-ZVD Processing GmbH and the purchase of the acquiring and terminal business of Aduno Group. Another long-term investment is the stake in the mobile payment app TWINT, which was successfully launched in April 2017. SIX is very satisfied how the TWINT app has developed. The app already had 627,000 registered users at the end of 2017, enabling mobile payment at a rapidly increasing number of points of sale. Within Securities Services, the only Swiss trade repository that meets reporting requirements on derivative transactions approved by FINMA came into operation, and the harmonization of Swiss payment transactions was continued. In Swiss Exchange and Financial Information, investments were made in services supporting banks to meet new regulatory requirements efficiently. SIX also launched trial operations at a new security operations center (SOC) to prevent cyber attacks in collaboration with IBM. As a first step the SOC will strengthen cyber security at SIX, and as a second step SIX wants to offer tailored and managed security services to other companies in the Swiss financial center.

Performance of the business areas

The result of the **Swiss Exchange** business area was influenced by considerably higher trading activity. Trading turnover rose by 5.2% to CHF 1,346.0 billion. The market share for Swiss blue-chip trading rose to 68.3% (previous year: 64.6%). As a result of the strong growth, operating income increased by 5.2% to CHF 198.2 million. The implementation of new regulatory requirements defined by European rules (MiFID II / MiFIR) and the Swiss Financial Market Infrastructure Act resulted in higher costs, leading to a 4.4% decline in EBIT to CHF 66.2 million.

In the **Securities Services** business area, assets in the securities custody business rose by 8.0% to CHF 3,315 billion. Operating income was CHF 375.4 million, an increase of 6.8% year-on-year adjusted for the non-recurring effect from a property sold in 2016. Investments in new services (trade repository, advanced settlement and tax services) led to a 7.3% rise in operating expenses and a decline in EBIT to CHF 40.3 million (adjusted –9.6%, unadjusted –42.8%).

The **Financial Information** business area again increased its profitability, posting EBIT of CHF 64.8 million (+142.9%) in the year under review. This is primarily attributed to rigorous cost discipline, a reorganization in France and growth in financial income. Operating income declined slightly by 0.6% to CHF 400.1 million. Despite sharply rising demand for tax and risk data, the potential of further regulatory services will only be exploited in 2018 due to the delayed start of key market regulations (MiFID II and PRIIPs regulation).

In **Payment Services**, operating income rose by 12.3% to CHF 993.8 million due to greater transaction volumes, and despite continued high pressure on margins. In processing for banks, the number of card transactions was up 9.2% to 3,997.9 million and revenue in acquiring increased 17.6% to CHF 88.7 billion. Operating expenses were 14.6% higher due to two strategic purchases, which put in place the requirements for the successful further development of the card business. Together with the additional expenses for the SIX stake in Twint AG, this resulted in a decline of 37.1% in EBIT to CHF 57.7 million.

Balance sheet as of 31 December 2017

As of 31 December 2017, balance sheet assets totaled CHF 10,301.5 million, an increase of CHF 22.0 million compared with 31 December 2016. The decrease in current assets (CHF –298.6 million) is mainly due to the ordinary movements in giro balances with the Swiss National Bank (SNB) (CHF –443.2 million) included in cash and cash equivalents and the movements in receivables from clearing & settlement in the Securities Services (CHF –188.0 million) and Payment Services (CHF +428.5 million) operating segments. Furthermore, the decrease is caused by the disposal groups and assets held for sale (CHF –317.9 million) due to the sale of the commercial issuing business of SIX Payment Services (Austria) GmbH. The increase in receivables from clearing & settlement in the Payment Services operating segment is mainly related to the acquisition of Aduno SA and VöB-ZVD Processing GmbH (CHF +214.4 million). In addition, the 2017 cut-off day was a Sunday, meaning this balance sheet item included additional days in 2017 compared with the balance as of 31 December 2016 and was therefore higher as a result. The increase in non-current assets (CHF +320.6 million) is mostly due to the increases in intangible assets (CHF +226.1 million) – mainly related to the acquisitions mentioned above – and in financial assets (CHF +75.4 million).

Liabilities totaled CHF 7,625.6 million as of the balance sheet date, a decrease of CHF 99.5 million. The decrease in current liabilities (CHF –97.3 million) is mainly due to the ordinary movements in payables from clearing & settlement in the Securities Services (CHF –534.2 million) and Payment Services (CHF +409.6 million) operating segments. These movements are related to the above-mentioned movements in giro balances with the Swiss National Bank (SNB) and in receivables from clearing & settlement. Non-current liabilities (CHF –2.1 million) remained stable compared with the previous year.

Equity increased by CHF 121.5 million in the reporting period to CHF 2,675.9 million. The increase is driven by the net profit for 2017 (CHF +207.2 million) and the actuarial gains on defined benefit plans net of tax (CHF +37.9 million) recognized in other comprehensive income, and is partially offset by the dividends paid (CHF –138.7 million).

Based on the good result and excellent liquidity and capital situation, an ordinary dividend of CHF 7.00 per share (previous year: CHF 7.30) will be proposed to the Annual General Meeting. This represents a total of CHF 136.7 million. The lower dividend is due to the slight decline in Group net profit.

Consolidated income statement

CHF million	Notes *	2017	2016
Commission revenues		777.1	694.3
Transaction revenues		405.6	394.1
Service revenues		641.3	627.7
Net interest income from banking business	5	25.3	15.1
Other operating income	6	95.3	107.4
Total operating income		**1,944.6**	**1,838.6**
Personnel expenses	7, 36	–626.1	–628.4
Other operating expenses	8	–952.3	–838.8
Depreciation, amortization and impairment	21, 22	–85.6	–84.3
Total operating expenses		**–1,664.0**	**–1,551.5**
Operating profit		**280.5**	**287.1**
Share of profit of associates	31	–23.2	–0.3
Financial income	9	42.8	23.9
Financial expenses	9	–27.0	–13.6
Earnings before interest and tax (EBIT)		**273.2**	**297.1**
Interest income	10	4.0	5.1
Interest expenses	10	–6.3	–7.5
Earnings before tax (EBT)		**270.9**	**294.7**
Income tax expenses	12	–63.7	–73.6
Group net profit		**207.2**	**221.1**
of which attributable to shareholders of SIX Group Ltd		*206.4*	*220.5*
of which attributable to non-controlling interests		*0.9*	*0.5*
Earnings per share (CHF)			
Basic profit for the period attributable to shareholders of SIX Group Ltd	11	10.91	11.66
Diluted profit for the period attributable to shareholders of SIX Group Ltd		10.91	11.66

* The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF million	Notes *	2017	2016
Group net profit		**207.2**	**221.1**
Change in actuarial gains/(losses) on defined benefit plans recognized in the reporting period	36	48.2	25.6
Income taxes on changes in actuarial gains/(losses) on defined benefit plans		–10.4	–5.4
Change in actuarial gains/(losses) on defined benefit plans, net of tax		**37.9**	**20.2**
Change in fair value of equity instruments measured through other comprehensive income	17	–	37.9
Income taxes on change in fair value of equity instruments measured through other comprehensive income		–	–8.2
Change in fair value of equity instruments measured through other comprehensive income, net of tax		**–**	**29.8**
Change in fair value of fair value hedges measured through other comprehensive income	17	–	–0.8
Income taxes on change in fair value of fair value hedges measured through other comprehensive income		–	0.2
Change in fair value of fair value hedges measured through other comprehensive income, net of tax		**–**	**–0.6**
Total items that will not be reclassified to profit or loss		**37.9**	**49.4**
Translation adjustment recognized in the reporting period		13.3	–3.3
Accumulated translation adjustments reclassified to the income statement		0.0	–0.6
Currency translation adjustment		**13.3**	**–3.9**
Share of other comprehensive income of associates	31	**1.8**	**–0.2**
Total items that are or may subsequently be reclassified to profit or loss		**15.1**	**–4.0**
Total other comprehensive income, net of tax		**52.9**	**45.4**
Total comprehensive income for the period		**260.2**	**266.4**
of which attributable to shareholders of SIX Group Ltd		*259.4*	*265.7*
of which attributable to non-controlling interests		*0.8*	*0.8*

* The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes *	31/12/2017	31/12/2016
Assets			
Cash and cash equivalents	14	4,462.6	4,921.2
Trade and other receivables	15	263.4	213.6
Receivables from clearing & settlement	16	3,566.9	3,326.4
Financial assets	17, 28, 29	754.8	688.2
Inventories	19	17.4	12.0
Current income tax receivables	12	23.6	13.4
Other current assets	20	218.1	112.8
Disposal groups and assets held for sale	18	–	317.9
Current assets		**9,306.8**	**9,605.4**
Property, plant and equipment	21	277.6	255.2
Intangible assets	22	393.4	167.3
Investments in associates	31	23.5	40.8
Financial assets	17, 28, 29	260.1	184.7
Other non-current assets	20	28.0	9.3
Deferred tax assets	13	12.1	16.9
Non-current assets		**994.7**	**674.1**
Total assets		**10,301.5**	**10,279.5**
Liabilities			
Bank overdrafts	14	1.0	0.1
Trade and other payables		262.1	190.4
Payables from clearing & settlement	16	6,861.5	6,986.0
Financial liabilities	28, 29	68.9	56.7
Provisions	25	33.6	29.5
Current income tax payables	12	23.1	31.2
Other current liabilities	26	247.1	217.0
Liabilities directly associated with disposal groups held for sale	18	–	83.6
Current liabilities		**7,497.3**	**7,594.6**
Provisions	25	28.4	38.5
Other non-current liabilities	26	40.6	52.1
Deferred tax liabilities	13	59.3	39.8
Non-current liabilities		**128.3**	**130.4**
Total liabilities		**7,625.6**	**7,725.1**
Equity			
Share capital		19.5	19.5
Capital reserves		234.1	234.1
Other reserves		–36.6	–51.7
Retained earnings		2,449.0	2,342.8
Shareholders' equity	**24**	**2,666.0**	**2,544.8**
Non-controlling interests	31	9.9	9.7
Total equity		**2,675.9**	**2,554.4**
Total liabilities and equity		**10,301.5**	**10,279.5**

* The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

CHF million	Notes *	Share capital	Capital reserves	Other reserves
Balance at 1 January 2017		**19.5**	**234.1**	**–51.7**
Group net profit				
Total other comprehensive income				15.1
Total comprehensive income for the year				**15.1**
Dividends paid	23			
Distributions				
Balance at 31 December 2017		**19.5**	**234.1**	**–36.6**

CHF million	Notes *	Share capital	Capital reserves	Other reserves
Balance at 1 January 2016		**19.5**	**234.1**	**–47.7**
Group net profit				
Total other comprehensive income				–4.0
Total comprehensive income for the year				**–4.0**
Dividends paid	23			
Distributions				
Acquisition of non-controlling interests				
Changes in ownership interests in subsidiaries				
Balance at 31 December 2016		**19.5**	**234.1**	**–51.7**

* The accompanying notes are an integral part of the consolidated financial statements.

Other reserves					
Treasury shares	Translation reserves	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
–23.3	**–28.3**	**2,342.8**	**2,544.8**	**9.7**	**2,554.4**
		206.4	206.4	0.9	207.2
	15.1	37.9	53.0	–0.0	52.9
	15.1	**244.3**	**259.4**	**0.8**	**260.2**
		–138.1	–138.1	–0.6	–138.7
		–138.1	**–138.1**	**–0.6**	**–138.7**
–23.3	**–13.3**	**2,449.0**	**2,666.0**	**9.9**	**2,675.9**

Other reserves					
Treasury shares	Translation reserves	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
–23.3	**–24.3**	**2,229.8**	**2,435.7**	**9.5**	**2,445.3**
		220.5	220.5	0.5	221.1
	–4.0	49.2	45.1	0.2	45.4
	–4.0	**269.7**	**265.7**	**0.8**	**266.4**
		–156.0	–156.0	–0.6	–156.7
		–156.0	**–156.0**	**–0.6**	**–156.7**
		–0.6	–0.6	0.0	–0.6
		–0.6	**–0.6**	**0.0**	**–0.6**
–23.3	**–28.3**	**2,342.8**	**2,544.8**	**9.7**	**2,554.4**

Consolidated statement of cash flows

CHF million	Notes *	2017	2016
Group net profit (incl. non-controlling interests)		207.2	221.1
Adjustments for:			
Depreciation, amortization and impairment		85.6	84.3
Increase/(decrease) in provisions		–12.3	31.0
Increase/(decrease) in pension fund assets and liabilities		13.9	–46.4
Share of profit of associates	31	23.2	0.3
Net financial result		–81.0	–10.4
(Gain)/loss on sale of property, plant, equipment and intangible assets		2.5	–24.1
(Gain)/loss on settlement and curtailment	36	–2.7	–2.4
Income tax expense	12	63.7	73.6
Changes in:			
Inventories		–2.4	–0.9
Trade and other receivables		195.6	–82.0
Trade and other payables		–94.1	87.3
Receivables from clearing & settlement		–90.4	–676.8
Payables from clearing & settlement		–160.2	1,376.3
Current financial assets		–91.1	91.6
Current financial liabilities		2.5	–10.1
Other current assets		–101.1	–58.6
Other current liabilities		10.8	–2.2
Interest paid		–6.2	–7.2
Interest received		3.8	4.9
Income tax (paid)/received	12	–77.5	–96.2
Net cash flow from/(used in) operating activities		**–110.3**	**953.2**
Investments in subsidiaries (net of cash acquired incl. bank overdrafts)	32	–198.6	–
Investments in associates		–5.0	–24.0
Disposal of subsidiaries and associates (net of cash disposed)		45.7	–2.1
Purchase of property, plant, equipment and intangible assets		–98.2	–99.9
Sale proceeds from property, plant, equipment and intangible assets		0.3	30.8
Investments in non-current financial assets		–7.6	–6.9
Divestments of non-current financial assets		0.8	0.3
Investments in other non-current assets		–0.1	–0.1
Divestments of other non-current assets		0.0	0.4
Other financial income received		0.1	–
Dividends received		8.3	7.9
Net cash flow from/(used in) investing activities		**–254.2**	**–93.7**
Net change in other non-current liabilities		–3.2	–
Acquisition of non-controlling interests		–	–0.6
Dividends paid to shareholders of the parent company	23	–138.1	–156.0
Dividends paid to non-controlling interests	23	–0.6	–0.6
Net cash flow from/(used in) financing activities		**–142.0**	**–157.3**
Net impact of foreign exchange rate differences on cash		61.8	–9.5
Net change in cash and cash equivalents		**–444.7**	**692.9**
Balances of cash and cash equivalents			
Cash and cash equivalents at 1 January		4,906.2	4,213.4
Cash and cash equivalents at 31 December	14	4,461.6	4,906.2

* The accompanying notes are an integral part of the consolidated financial statements.

Basis of preparation

1. General information

The consolidated financial statements of SIX as at and for the year ended 31 December 2017 cover SIX Group Ltd (the "Company" or the parent) and its subsidiaries (together referred to as the "Group" or "SIX"). A table of the Group subsidiaries and interests in associates is set out in note 31.

SIX Group Ltd is an unlisted public limited company domiciled in Switzerland with its registered office in Zurich, at Hardturmstrasse 201. The Company is owned by 127 national and international financial institutions.

SIX provides a comprehensive range of services in the areas of securities trading and post-trading, financial information processing and cashless payment transactions.

The Board of Directors of SIX approved the issuance of these consolidated financial statements on 14 March 2018.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements of SIX have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The reporting period covers twelve months. For all consolidated companies, the financial year corresponds to the calendar year. Unless otherwise indicated, all amounts are stated in millions of Swiss francs (CHF) and all values are rounded to the nearest hundred thousand.

The consolidated financial statements provide comparative information in respect of the previous period.

The SIX consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value, as disclosed in the accounting policies below.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method at the date of acquisition, which is the date on which SIX obtains control. SIX has control over an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee.

At the time of acquisition, all identifiable assets and liabilities that satisfy the recognition criteria are recognized at their fair values. The difference between the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed is accounted for as goodwill after taking into account any non-controlling interests and, if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree. Any negative difference, after further review, is recognized in the income statement. Directly attributable transaction costs are reported as other operating expenses.

Any contingent consideration to be transferred by SIX will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of liabilities from contingent consideration will be recognized in the income statement if those changes result from events after the acquisition date.

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition and continue to be consolidated until the date when control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, any unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Non-controlling interests arise when SIX Group Ltd directly or indirectly holds less than 100% of a subsidiary, but does control the subsidiary. Non-controlling interests in subsidiaries are reported separately within equity. Profit or loss and other comprehensive income (OCI) are attributed to the shareholders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a negative balance.

Upon loss of control, SIX ceases to recognize the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognized in the income statement. The interest retained is measured at fair value at the date when control is lost. Subsequently, it is accounted for as an investment using the equity method or as a financial asset, depending on the level of influence retained.

Investments in associates

Investments in associates are accounted for using the equity method. Associates are those entities where SIX has significant influence over the financial and operating policies but does not exercise control. Significant influence is generally assumed to exist whenever voting rights ranging between 20% and 50% are held. Under the equity method, investments in associates are initially recognized at cost at the date of acquisition. Cost comprises the share of net assets acquired and any applicable goodwill arising. In subsequent accounting periods, the carrying amount of the investment is adjusted by the share of profit or loss and other comprehensive income less the share of dividends received. Unrealized gains and losses from transactions with associates are eliminated in proportion to the interest held in the associate; unrealized losses only to the extent that there is no evidence of impairment.

Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in Swiss francs, which is also the functional currency of SIX Group Ltd. Each subsidiary prepares its own financial statements in its functional currency, i.e. in the currency of the primary economic environment in which it operates.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities in their respective functional currencies using the exchange rates prevailing at the dates of the transactions.

Exchange rate gains and losses arising between the date of a transaction and its settlement and from the translation of monetary assets and liabilities denominated in foreign currencies at closing exchange rates are recognized in the income statement within financial income or expenses.

Non-monetary items recognized at historical cost are measured at the historical exchange rates, while non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses are recorded in the income statement within financial income or expenses with the exception of those incurred on FVtOCI instruments.

The main exchange rates at the closing dates were the following:

Currency	31/12/2017	31/12/2016
EUR	1.1695	1.0741
GBP	1.3170	1.2525
USD	0.9782	1.0202
SEK	11.8694	11.2068

The main annual average exchange rates were the following:

Currency	2017	2016
EUR	1.1115	1.0903
GBP	1.2683	1.3355
USD	0.9847	0.9854
SEK	11.5339	11.5213

Foreign operations

The income statements of subsidiaries with a functional currency other than the Swiss franc are translated at the monthly average exchange rates.

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the closing exchange rate. Foreign exchange translation differences are recognized as currency translation adjustments in other comprehensive income and presented in equity under other reserves. On the loss of control of a subsidiary, the accumulated exchange rate differences previously recognized in equity are reclassified to the income statement as part of the gain or loss on disposal.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting to the Group Executive Board of SIX and the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the SIX Group CEO. Management has determined the reportable operating segments based on the reports regularly reviewed by the CODM.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, postal and bank accounts, giro and demand deposits at the Swiss National Bank, deposits held at call with banks and short-term deposits with a maximum maturity of three months from the date of initial recognition. Cash and cash equivalents are classified as current.

Cash and cash equivalents are stated at amortized cost, which normally equals the nominal value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of bank overdrafts.

Trade and other receivables

Trade and other receivables and advances are recognized initially at fair value including directly related transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost less impairment losses.

Receivables are classified as current if payment is due within one year. If not, they are presented as non-current.

Receivables and payables from clearing & settlement

Beside the receivables and payables from clearing & settlement incurred in the card business, these also comprise vostro accounts of participants for securities transactions and nostro accounts of SIX Securities Services with cash correspondent banks, sub-custodians and other central securities depositories. These vostro and nostro accounts are on sight and carried at nominal value.

Financial assets

General criteria

Financial assets are generally recognized at the trade date. Non-fulfilled transactions from the clearing business of Securities Services are recognized at the settlement date.

SIX classifies its financial assets into the following categories: a) financial assets at amortized cost, b) financial assets at fair value through profit or loss (FVtPL) and c) financial assets at fair value through other comprehensive income (FVtOCI). The classification depends on the business model of SIX for managing the financial assets, the contractual cash flow characteristics of the financial assets and whether SIX makes the election at initial recognition of equity instruments to recognize changes in fair value through other comprehensive income.

Financial assets are initially recognized at their fair value plus, for financial assets not subsequently measured at fair value through profit or loss, directly attributable transaction costs.

Financial assets at amortized cost

A financial asset is carried at amortized cost if both of the following criteria are met: a) the financial asset is held within a business model whose objective is to hold these assets in order to collect contractual cash flows, and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition such financial assets are measured at amortized cost by applying the effective interest method. Gains or losses are recognized in the income statement when the financial asset is derecognized or impaired and through the amortization process using the effective interest method. This category consists of cash deposits with a maturity of more than three months from the date of initial recognition, receivables, debt instruments and loans.

SIX does not apply the fair value option to any debt instruments.

Financial assets at fair value through profit or loss
If either of the above two criteria for financial assets at amortized cost is not met, the financial asset is classified as measured at fair value through profit or loss (FVtPL), unless SIX makes the election at initial recognition of equity instruments to recognize changes in fair value through other comprehensive income. Gains and losses arising from changes in the fair value are reported in financial income or expenses. This category consists of equity instruments, units in investment funds, derivatives, financial instruments from the settlement business of SIX and debt instruments.

Financial assets at fair value through other comprehensive income
For equity instruments that are not held for trading, SIX can make the irrevocable election on an instrument-by-instrument basis at initial recognition to recognize changes in fair value through other comprehensive income (FVtOCI) rather than profit or loss. With the exception of dividends received, the associated gains and losses are recognized in other comprehensive income and will not be reclassified to profit or loss.

Impairment of financial assets

Financial assets that are measured at amortized cost are tested at each reporting date for any objective evidence of impairment to these assets, at both an individual and collective level.

An impairment loss is recognized where there is objective evidence of impairment, such as the downgrading of the credit rating or significant financial difficulties of the obligors or issuers.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account, and the amount of the loss is recorded in the income statement. If, at a subsequent reporting date, the fair value objectively increases as a result of events occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal of impairment losses for financial assets measured at amortized cost is recognized in the income statement.

If the Group concludes that no objective evidence of impairment exists for an individually tested financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. Assets that are individually tested for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective test of impairment.

Derivatives

Derivative financial instruments
SIX uses derivative financial instruments to mitigate its exposure to foreign exchange risks arising from operational activities. Derivative financial instruments are recognized initially and subsequent to initial recognition at fair value. Gains or losses relating to changes in fair value are recognized immediately in the income statement. Apart from forward contracts from the clearing and settlement business of Securities Services, this category includes in particular foreign currency forwards and swaps.

All derivative financial instruments are included under financial assets if their fair value is positive and under financial liabilities if their fair value is negative.

Financial instruments in this category are classified as current assets if they are expected to be settled within twelve months; otherwise, they are classified as non-current.

Hedging activities (fair value hedge of FVtOCI equity instruments)

SIX may decide to hedge the fair value or a portion of the fair value of FVtOCI equity instruments. In this case, the effective and ineffective portion of the changes in fair value of the derivatives that are designated and qualify as hedging instruments are recognized in other comprehensive income. The cumulative changes in fair value remain in equity and will not be reclassified to profit or loss.

Repurchase and reverse repurchase agreements, securities lending and borrowing

Repurchase agreements with securities are only entered into for the own account of SIX (principal). The securities that have been transferred are not recognized in or derecognized from the balance sheet unless the risks and rewards of ownership are also transferred.

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are generally treated as collateralized financing transactions. In reverse repurchase agreements, the cash delivered is derecognized and a corresponding receivable is recorded in the balance sheet. In repurchase agreements, the cash received is recognized in the balance sheet with a corresponding obligation to return it. Securities received in a reverse repurchase agreement are disclosed in the notes if SIX has the right to resell or repledge them.

Securities borrowing and lending transactions are, similarly to repurchase and reverse repurchase transactions, treated like collateralized financing transactions if they are covered with cash collateral and daily margin settlements. Securities borrowing and lending transactions that are not covered with cash collateral are not recognized in the balance sheet. Cash collateral received is recognized with a corresponding obligation to return it, and cash collateral delivered is derecognized with a corresponding receivable. Both are carried at nominal value. Securities received in a lending or borrowing transaction are disclosed in the notes if SIX has the right to resell or repledge them.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when substantially all the risks and rewards of ownership of the financial assets are transferred.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less the estimated costs of completion and selling expenses.

Any write-downs and reversals of write-downs of inventories and any inventory losses are recognized within operating expenses when they occur.

When inventories are sold and revenue is recognized, the carrying amount of those inventories is recognized as expenses for inventories in the income statement, except for mobile vouchers. For sales of mobile vouchers where SIX earns a commission, revenues are recognized on a net basis in accordance with IAS 18, as SIX is not the primary obligor towards its customer.

Disposal groups and non-current assets held for sale

Non-current assets are presented as held for sale if management is committed to a plan to sell an asset or disposal group, it is highly probable that the sale will be completed within one year of the date of the reclassification and the asset or disposal group is available for immediate sale in its present condition. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal, excluding finance costs and income tax expense. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Property, plant and equipment

Assets included under property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure directly attributable to the acquisition of the items. Operating lease costs such as lease payments for a property during the construction of leasehold improvements are considered directly attributable costs. Repair and maintenance costs are recognized in the income statement as incurred. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Land has an unlimited useful life and is therefore not depreciated. Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of each component.

Asset class	Estimated useful life
Land	Impairment only
Buildings (excluding land)	8–60 years
Technical infrastructure	3–30 years
Leasehold improvements	Amortized in line with the term of the property lease
IT mainframes	4 years
IT midrange	3 years
IT other hardware	3–5 years
Office equipment and furniture	3–7 years
Other fixed assets	3–5 years

Depreciation starts when the asset is available for use.

The assets' residual values, their useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are calculated as the difference between the net proceeds and the carrying amount and are recognized in the income statement.

Intangible assets

Goodwill

SIX measures goodwill at the acquisition date at cost (see also Business combinations). Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis and in addition when indicators of impairment exist. Gains and losses on the disposal of an operation include the carrying amount of goodwill relating to the operation sold.

In respect of investments in associates, the carrying amount of goodwill is included in the carrying amount of the investment and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Other intangible assets excluding goodwill

Intangible assets that are acquired by SIX and have a finite useful life are measured at cost less accumulated amortization and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset it relates to. Other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Development expenditure for self-developed software is capitalized only if it can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and SIX intends to and has sufficient resources to complete development and to use or sell the asset. Research costs are expensed as incurred.

Amortization starts if the internally developed asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. This is in general when the business acceptance test has been successfully completed.

Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful lives:

Asset class	Estimated useful life
Licenses, brands and customer relationships	5–20 years
Software	3–5 years
Other intangible assets	3–5 years

Amortization methods, useful lives and residual values are reassessed annually and adjusted if appropriate.

Impairment of non-financial assets

Goodwill and other intangible assets with an indefinite useful life, including intangible assets not yet ready for use, are not subject to amortization and are tested for impairment on an annual basis and whenever there is an indication that the asset may be impaired.

Assets classified under property, plant and equipment, including those not yet ready for use, that are subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of impairment testing, assets are tested individually or grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, CGUs). Goodwill is allocated to the CGU at which it is monitored for internal management purposes and which is not larger than an operating segment.

If the carrying amount of the assets exceeds the recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized as an impairment loss in the income statement. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

Any impairment loss on goodwill recognized in prior periods may not be reversed in subsequent periods. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities

Apart from the negative fair value of derivative financial instruments (see Derivatives), financial liabilities comprise short-term borrowings and contingent considerations. Borrowings are initially recognized at fair value including transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. Contingent considerations are measured at fair value through profit or loss.

Leases

General criteria

Leasing includes all arrangements that transfer the right to use a specified asset for a stated period of time in return for a payment or series of payments. Lease agreements that transfer substantially all the risks and rewards incidental to ownership of the leased item to SIX are classified as finance leases. All other lease agreements are classified as operating leases.

SIX is a lessee of premises, IT equipment and vehicles and a lessor of payment terminals and premises. These lease agreements are classified and recorded as operating leases.

Operating leases

SIX as lessee

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease agreement.

SIX as lessor

Operating lease equipment is carried initially at its acquisition or manufacturing cost. The leased asset is depreciated according to the depreciation policies of SIX for property, plant and equipment on a straight-line basis to its expected residual value or over the contractual term of the lease. Rental income from operating leases is recognized on a straight-line basis over the term of the lease agreement in the income statement as other operating income.

Sale and leaseback
A sale and leaseback is an arrangement where an entity sells one of its assets and leases it back. The gain or loss on the sale of the asset is recognized immediately if the transaction is concluded at fair value and the leaseback qualifies as an operating lease.

Provisions

General criteria

Provisions are recognized when SIX has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are not recognized for future operating losses.

The amount recognized as a provision is the amount which represents the best estimate required to settle the present obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Provisions are regularly reviewed and adjusted as further information develops or circumstances change.

Restructuring provisions

Restructuring provisions are recognized only when the Group has a legal or constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Asset retirement obligation

If a lease agreement requires SIX to remove any assets it has installed in the leased property (such as internal walls or partitions), the removal obligation arises immediately upon installation. In such a situation, the Group recognizes a provision for the present value of the future cost of removal at the date the assets are installed.

The costs of removal are capitalized as part of the acquisition costs of the leasehold improvements and are depreciated over their useful lives or according to the lease term, if shorter.

Contingent liabilities and assets

Contingent liabilities are not recognized, but are disclosed, unless the possibility of an outflow of economic resources is remote.

Contingent assets are not recognized, but are disclosed, where an inflow of economic benefits is probable. Where the realization of income is virtually certain, the related asset is recognized.

Equity

Ordinary shares

Ordinary shares in SIX Group Ltd are classified as share capital.

Treasury shares

Own shares held by SIX Group Ltd itself and by other entities of the Group are recognized at cost within other reserves and deducted from equity. Gains or losses on the disposal or cancellation of treasury shares are recorded in other reserves.

Operating revenues

General

When SIX acts as principal, revenue is recorded gross. However, when SIX acts only as an agent, revenue is limited to the commission or fee that it retains (net of related costs). The primary responsibility for providing services, the latitude in establishing prices and the subsequent credit risk strongly indicate that SIX acts as principal.

Commission revenues

SIX generates commission revenues from the admission of securities to trading and post-trading services (e.g. domestic and international custody service, global fund service) and the ongoing listing. SIX also receives commission from merchants in the card business and from financial institutions in the ATM business.

Fees for the ongoing listing are recognized in the accounting period in which the related service is rendered. Commission revenues generated from post-trading services are recognized as revenue when the related service is rendered. Commission fees received in the card business are calculated either as a percentage of the value of the transaction or as a fixed amount per transaction and are recorded as income at the time those transactions occur.

Transaction revenues
SIX earns transaction fees on the transactions processed for its customers. Transaction revenues are generated from trading activities on the stock exchange as well as from clearing and settlement transactions in the post-trading and payment services business.

Trading, clearing and settlement fees are recognized on the settlement day or on the day when the trade is completed (for late settlement).

Service revenues
SIX provides customers with efficient access to financial information including market information and reference data. SIX also provides support to card issuers and offers value-added services to merchants.

Revenues generated from the distribution of reference data and market information generally comprise a fixed and a variable component. The fixed component is recognized on an accrual basis over the respective service period, while the variable part is recorded at the date of each individual sale. Non-transaction-related fees charged to merchants and card issuers in Payment Services are recorded as fixed fees. These fees are recognized over the contract period.

Net interest income from banking activities
Interest income and expenses arise from the interest margin business of SIX Securities Services, which is part of the core business activities of SIX. Accordingly, net interest income from banking activities has been separated from the Group's other interest income and expenses. Net interest income from banking activities is recognized applying the effective interest method. Negative interest on financial assets from banking activities is presented within interest expenses from banking business, and the related interest earned from the recharge of negative interest is presented within interest income from banking business.

Employee benefits

General
SIX maintains a number of different pension plans based on the respective legislation in each country. The retirement benefit plans include both defined benefit and defined contribution plans.

Defined contribution plans
Contributions to defined contribution plans are recognized as an employee benefit expense in the period during which the related services are rendered by employees.

Defined benefit plans
The net liability or asset recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation less the fair value of plan assets. Actuarial assumptions used for calculation include the discount rate, future salary and pension increases, staff turnover and life expectancy. The calculation is performed annually by a qualified actuary using the projected unit credit method. Pension plan assets are valued annually at market values. Defined benefit costs consist of three components:
- service costs, curtailments and settlements
- net interest income or expenses
- remeasurements

Service costs include current and past service costs and are presented as personnel expenses in the income statement. The Group recognizes gains and losses on plan curtailments or settlements in the income statement when they occur.

Net interest income or expenses are calculated as the net defined benefit liability or asset at the beginning of the reporting period multiplied by the discount rate that is used to measure the defined benefit obligation. Net interest income or expenses are recognized as personnel expenses in the income statement.

Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). SIX recognizes them in other comprehensive income. Remeasurements are not recycled to the income statement.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

Other long-term employee benefits
The Group's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. Remeasurements are recognized in profit or loss in the period in which they arise. Other long-term employee benefits include in particular long-service awards (or "jubilees"). The liability is determined by applying the projected unit credit method. The actuarial assumptions used are reassessed annually.

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

Interest and dividends

Interest income and expenses
For all financial instruments measured at amortized cost, interest income and expenses are recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Negative interest on financial assets is presented within interest expenses. Negative interest on financial liabilities is presented within interest income.

Dividend income
Dividends are recognized when the right to receive payment is established and are included in financial income.

Income taxes

General
The tax expense for the period comprises current and deferred tax. Taxes are recognized in the income statement, except to the extent that the underlying transaction is recorded either in other comprehensive income or directly in equity.

Current income taxes
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities based on the taxable profit. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred taxes
Deferred tax is recognized by applying the liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:
- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit or loss
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which they can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Calculation of deferred taxes is based on the country-specific tax rates expected to apply in the accounting period in which these tax assets will be realized or tax liabilities will be settled. Deferred tax assets and liabilities are offset if they relate to the same taxable entity and tax authority and if there exists an offset entitlement for current taxes.

New standards, interpretations and amendments adopted by the Group

New amendments adopted with effect from 1 January 2017:

- Recognition of Deferred Tax Assets (Amendments to IAS 12 Income taxes)
- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRSs 2014 - 2016 Cycle

The adoption of the amendments had no impact on the consolidated financial statements of the Group as at 31 December 2017.

IFRS and interpretations that have been issued but are not yet effective

The following new and/or revised standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

Standard/interpretation	Effective date	Date planned for adoption by SIX
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	A date to be determined by the IASB	To be determined by SIX
IFRS 15 Revenue from Contracts with Customers, including the clarifications to IFRS 15 issued in April 2016	Annual periods beginning on or after 1 January 2018	Financial year 2018 [1]
IFRS 9 Financial Instruments	Annual periods beginning on or after 1 January 2018	Financial year 2018 [2]
Classification and Measurement of Share-based Payment Transactions (Amendment to IFRS 2)	Annual periods beginning on or after 1 January 2018	Financial year 2018 [3]
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment to IFRS 4)	Annual periods beginning on or after 1 January 2018	Financial year 2018 [3]
Transfers of Investment Property (Amendment to IAS 40)	Annual periods beginning on or after 1 January 2018	Financial year 2018 [3]
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018	Financial year 2018 [3]
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019	Financial year 2019 [4]
IFRIC 23 Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019	Financial year 2019 [4]
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2021	Financial year 2021 [3]
Prepayment Features with Negative Compensation (Amendment to IFRS 9)	Annual periods beginning on or after 1 January 2019	Financial year 2019 [4]
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Annual periods beginning on or after 1 January 2019	Financial year 2019 [4]
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	Annual periods beginning on or after 1 January 2019	Financial year 2019 [4]

[1] See note “IFRS 15 Revenue from Contracts with Customers” below.

[2] See note “IFRS 9 Financial Instruments” below.

[3] The adoption of the new standard and the amendment is not expected to have any impact, or at least not any significant impact, on the consolidated financial statements of SIX.

[4] The impact on the consolidated financial statements of SIX has not yet been fully assessed.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. SIX has already adopted the requirements of IFRS 9 (version 2013) regarding classification and measurement and hedge accounting, which were determined in phase 1 and phase 3 of the standard-setting process. The standard issued in 2014 introduces a new impairment model. For the first-time adoption, the Group will not restate comparative information. Instead, the cumulative effect will be recognized in equity. Starting 1 January 2018, the Group will recognize expected credit losses for the following positions:
– Cash and cash equivalents
– Trade and other receivables
– Bonds
– Receivables from clearing & settlement
– Other financial assets

The Group will apply the simplified approach for all trade and other receivables. For instruments under the general approach the Group assumes that the credit rating of a financial asset has not increased significantly since initial recognition as long as the credit rating is equivalent to investment grade. Overall, the Group expects no significant impact on its financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and amended in April 2016 and introduces new revenue recognition requirements. For the first-time adoption, the Group will not restate comparative information. Instead, the cumulative effect will be recognized in equity. The Group applies the practical expedient according to IFRS 15.B16 and recognizes revenue in the amount to which the entity has a right to invoice when the right to considerations corresponds directly with the value of the performance completed to date. Overall, the Group expects no significant impact on its financial statements, except for the accounting of incremental costs to obtain a contract. Starting 1 January 2018, the Group will capitalize sales commissions and amortize over the contract period. The cumulative effect on equity at initial recognition is CHF 8.4 million (increase in retained earnings). The expected effect on the income statement is not material.

3. Use of judgments and estimates

The application of some accounting policies requires the use of assumptions, estimates and judgments that may affect the reported assets and liabilities, income and expenses and also the disclosure of contingent assets and liabilities in the reporting period. Additionally, there is a significant risk that these estimation uncertainties could result in material adjustments to the carrying amount of assets and liabilities within the next financial year. The assumptions and estimates are continually reviewed and are based upon historical experience and other factors, including anticipated developments arising from probable future events. Actual future occurrences may differ from these assumptions and estimates.

Areas that may incorporate a greater number of uncertain assumptions, estimates and judgments are listed below.

Fair value of assets and liabilities recognized in a business combination
In the case of business combinations, assets acquired and liabilities assumed are measured at fair value at the date of acquisition. In determining the fair value of the intangible assets and property, plant and equipment acquired and liabilities assumed at the date of acquisition, and the useful lives of the intangible and tangible assets acquired, certain assumptions are made. The measurement is based upon projected cash flows and on information available at the date of acquisition (see also note 32).

Fair value of level 3 instruments
The fair value of financial instruments that are not traded in an active market is determined by using several valuation techniques. SIX uses judgment to determine the valuation methods and makes assumptions to estimate the inputs into the calculations, as the parameters for the calculation of the fair values

are not readily available in the markets. The calculations are based on information available as at the reporting date (see note 28).

If only an indicative sales price is available for announced sales transactions of unlisted equity instruments, the determination of the future cash flows requires judgment. Uncertainties such as regulatory approvals, appeals from transaction participants and restrictions to the considerations received are taken into account through deductions to the indicative sales price (see note 28).

Capitalization of development costs

SIX develops various software applications for internal and external use. Development costs for self-developed intangible assets are capitalized if the applicable criteria of IAS 38 are fulfilled. Initial capitalization of costs is based on management's judgment that the feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash flows generated from the project, the discount rates to be applied and the expected period of benefits.

All development costs are allocated to projects. Projects are broken down into three main phases. Costs incurred in the inception and transition phase are treated as non-capitalizable, whereas costs incurred in the construction phase are treated as capitalizable. Project management is generally allocated to each single project phase and is treated as capitalizable or non-capitalizable, as applicable. Development costs that do not satisfy the requirements for capitalization are expensed as incurred.

The carrying value of an intangible asset arising from development is tested for impairment annually when the asset is not yet available for use or more frequently if an indicator of impairment arises during the reporting period. See note 22 for further details on capitalized development costs.

Impairment tests of intangible assets with an indefinite useful life

The carrying amounts of intangible assets with an indefinite useful life, which includes goodwill, are tested for recoverability annually or if events or a change of circumstances indicate a possible impairment. Note 22 includes information on the key assumptions used in performing the impairment tests on goodwill. In each case, the respective budgets and financial plans provide the basis for determining the recoverable amount. The business plans contain management estimates and projections of the financial performance of the respective CGU. A reasonable discount rate is also chosen to calculate the present value of these cash flow projections. For further details refer to note 22.

Utilization of tax losses and recognition of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits. At each closing, the entity assesses the recoverability of deferred tax assets, including those recognized in previous periods. Further details on recognized deferred tax assets and unrecognized tax losses are disclosed in note 13.

Measurement of defined benefit obligations

Accounting for defined benefit obligations requires the application of certain actuarial assumptions (e.g. discount rate, salary trend, interest rate on retirement savings capital and life expectancy). These assumptions were used to calculate the present value of the obligation (or asset) as at 31 December 2017. Changes in actuarial assumptions can materially affect pension obligations and the expenses arising from employee benefit plans. A sensitivity analysis of the key factors is presented in note 36.

Provisions

SIX has a significant international operation and is therefore subject to various legal and regulatory regimes. Some entities of the Group are parties to legal proceedings. Provisions are raised for the expected amounts payable in respect of legal or regulatory requirements, legal claims and restructurings. The measurement of provisions and contingencies is periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. See note 25 for further details on provisions.

Performance for the year

4. Segment information

Determination of operating segments

The operating segments of SIX are determined based on the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure as well as the internal financial reporting to the chief operating decision maker (CODM). For the purpose of internal reporting, SIX is broken down into five reportable segments and "Corporate". IT-related functions are part of the Global IT segment. Business activities that support the Group as a whole do not qualify as reportable operating segments under IFRS 8. They include the activities of the management company, corporate communications, strategic development, human resources, finance & risk, legal & compliance and logistics. These activities are grouped together under Corporate. The reportable segments and Corporate offer the following products and services:

Segment	Products and services
Swiss Exchange	– Cash and securitized derivatives market for trading in equities, bonds, structured products and warrants, exchange-traded products (ETPs) and funds – Admission of securities – Distribution of raw market data and index products
Securities Services	– Clearing house and central counterparty – Securities financing solutions – Custody, settlement and administration services – Share register services (until 2016) – Electronic transactions between land registries, notaries and banks – Interbank clearing and e-bill payments
Financial Information	– Procurement, processing and distribution of reference data and market information
Payment Services	– Card acceptance and merchant services – Card issuing and services for card issuers and acquirers
Global IT	– IT-related functions including IT infrastructure, software development and IT operations
Corporate	– Corporate services such as communications, strategic development, human resources, finance & risk, legal & compliance and logistics

The internal reporting is based on the measurement methods used for the IFRS consolidated financial statements.

Performance is measured based on segment earnings before interest and tax (EBIT) as included in the internal management reports that are reviewed regularly by the CODM. Segment EBIT is used to measure performance, as management believes that such information is the most relevant for evaluating the results of the segments. Transactions between the segments are based on market prices.

CHF million	Swiss Exchange	Securities Services	Financial Infor-mation	Payment Services	Global IT	Corporate	Total segments	Elimination	Total SIX
									2017
Revenues from external customers	195.3	368.5	385.6	986.9	4.8	3.6	1,944.6	–	1,944.6
Inter-segment revenues	3.0	6.9	14.6	7.0	434.8	227.9	694.2	–694.2	–
Total operating income	**198.2**	**375.4**	**400.1**	**993.8**	**439.5**	**231.5**	**2,638.7**	**–694.2**	**1,944.6**
Total operating expenses	**–132.5**	**–335.4**	**–342.5**	**–907.5**	**–426.3**	**–214.0**	**–2,358.2**	**694.2**	**–1,664.0**
Share of profit of associates	0.4	–	–	–26.3	–	2.8	–23.2	–	–23.2
Financial income	0.1	0.6	8.4	8.7	0.0	25.3	43.1	–0.3	42.8
Financial expenses	–0.0	–0.2	–1.2	–11.0	–0.0	–14.8	–27.2	0.3	–27.0
Earnings before interest and tax (EBIT)	**66.2**	**40.3**	**64.8**	**57.7**	**13.3**	**30.9**	**273.2**	**–**	**273.2**
Interest income									4.0
Interest expenses									–6.3
Earnings before tax (EBT)									**270.9**
Income tax expenses									–63.7
Group net profit									**207.2**
Capital expenditure	0.0	9.6	1.6	13.3	76.8	0.0			101.3
Workforce (in full-time equivalents)	171.0	500.0	769.7	948.6	944.1	421.6			3,755.0

									2016
CHF million	**Swiss Exchange**	**Securities Services**	**Financial Infor-mation**	**Payment Services**	**Global IT**	**Corporate**	**Total segments**	**Elimination**	**Total SIX**
Revenues from external customers	184.6	370.9	392.7	879.5	4.1	6.7	1,838.6	–	1,838.6
Inter-segment revenues	3.9	6.5	9.9	5.6	401.2	207.5	634.6	–634.6	–
Total operating income	**188.5**	**377.4**	**402.6**	**885.0**	**405.3**	**214.2**	**2,473.1**	**–634.6**	**1,838.6**
Total operating expenses	**–119.3**	**–312.5**	**–376.9**	**–792.2**	**–396.1**	**–189.0**	**–2,186.1**	**634.6**	**–1,551.5**
Share of profit of associates	–	–	–	–3.1	–	2.7	–0.3	–	–0.3
Financial income	0.1	5.9	1.1	4.4	0.0	12.6	24.1	–0.1	23.9
Financial expenses	–0.0	–0.2	–0.1	–2.4	–0.0	–11.0	–13.7	0.1	–13.6
Earnings before interest and tax (EBIT)	**69.3**	**70.6**	**26.7**	**91.8**	**9.2**	**29.6**	**297.1**	**–**	**297.1**
Interest income									5.1
Interest expenses									–7.5
Earnings before tax (EBT)									**294.7**
Income tax expenses									–73.6
Group net profit									**221.1**
Capital expenditure	–	10.4	1.9	14.7	71.8	0.7			99.4
Workforce (in full-time equivalents)	163.3	509.8	890.8	905.4	949.9	387.9			3,807.1

In 2016, the operating income of the Securities Services operating segment included the gain of CHF 26.0 million on the sale of a property.

In 2016, the operating expenses of the Financial Information operating segment included restructuring expenses of CHF 34.4 million.

Disclosures by geographical area

SIX operates mainly in Switzerland and in some other European countries. The geographical analysis of the operating income from external customers and non-current assets is based on the location of the entity in which the transactions and assets were recorded.

Non-current assets mainly consist of property, plant and equipment, intangible assets, investments in associates and other non-current assets and exclude financial instruments and deferred tax in accordance with the provisions of IFRS 8.

	Total operating income		Non-current assets	
CHF million	**2017**	**2016**	**31/12/2017**	**31/12/2016**
Switzerland	1,268.8	1,187.2	615.0	392.2
Luxembourg	297.4	254.8	53.6	25.7
Austria	181.9	191.3	46.0	44.3
France	50.0	48.7	3.8	4.6
United Kingdom	22.6	24.4	0.5	0.6
Germany	22.2	23.0	0.1	0.2
Rest of Europe	57.7	62.0	2.1	2.7
North America	32.4	34.7	1.2	1.8
Asia/Pacific	10.0	10.6	0.2	0.3
North Africa	1.6	1.9	0.1	0.1
Total	**1,944.6**	**1,838.6**	**722.5**	**472.5**

Disclosures of major customers

SIX has a large number of customers. In 2017 and 2016, there was no major customer in any of the business segments whose revenues represented more than 10% of the Group's revenues.

5. Net interest income from banking business

CHF million	2017	2016
Interest income from banking business	55.4	41.8
Interest expenses from banking business	–30.2	–26.8
Net interest income from banking business	**25.3**	**15.1**

In 2017, interest income from banking business included recharges of negative interest to customers in the amount of CHF 32.0 million (2016: CHF 22.3 million).

In 2017, interest expenses from banking business included interest arising from negative interest rates on financial assets in the amount of CHF 26.4 million (2016: CHF 19.8 million).

6. Other operating income

CHF million	2017	2016
Revenues from sale of payment terminals and components	29.6	23.7
Rental income from payment terminals	32.0	27.4
Others	33.6	56.3
Total other operating income	**95.3**	**107.4**

"Others" includes mainly revenues earned for services provided to merchants and other customers in the Payment Services segment, member fees in the Swiss Exchange segment, and fees earned from the electronic processing of land registry and mortgage transactions in the Securities Services segment. In addition, in 2016 the position "Others" included a gain of CHF 26.0 million from the sale of a property.

7. Personnel expenses

CHF million	2017	2016
Salaries and wages	–481.4	–510.9
Social security expenses	–113.1	–86.4
Others	–31.7	–31.1
Total personnel expenses	**–626.1**	**–628.4**

Expenses recognized for defined contribution plans are included in social security expenses and amount to CHF 3.8 million (2016: CHF 3.6 million).

In 2016, the positions "Salaries and wages" and "Social security expenses" included expenses for the restructuring in France (see note 25) and the gain from the changes to the Swiss pension plan (see note 36), respectively.

8. Other operating expenses

CHF million	2017	2016
Commission and transaction-related expenses	–510.6	–438.9
Service-related expenses	–278.5	–234.1
Expenses for IT infrastructure	–41.9	–43.6
Expenses for building infrastructure	–39.5	–37.2
Professional fees	–12.6	–17.6
Travel and representation expenses	–17.1	–16.6
Marketing and advertising expenses	–18.0	–17.8
Expenses for inventories	–13.5	–13.2
Administration expenses	–3.7	–4.0
Value adjustments and losses	–5.0	–6.6
Others	–46.0	–39.0
Own work capitalized	34.2	29.7
Total operating expenses	**–952.3**	**–838.8**

Own work capitalized includes costs incurred for the development and implementation of software.

CHF million	2017	2016
Total expenses for software development	67.9	54.0
of which capitalized	*34.2*	*29.7*

In 2017, 50.4% of the costs incurred for the development and implementation of software were capitalized (2016: 54.9%). The capitalization ratio mainly depends on the nature of the costs incurred.

9. Financial income and expenses

CHF million	2017	2016
Income from financial instruments at fair value	34.4	14.1
Foreign exchange rate gains	8.3	0.1
Others	0.1	9.7
Total financial income	**42.8**	**23.9**
Expenses from financial instruments at fair value	–0.0	–7.0
Expenses from financial instruments at amortized cost	–2.0	–1.7
Foreign exchange rate losses	–14.7	–2.4
Others	–10.2	–2.4
Total financial expenses	**–27.0**	**–13.6**

In October 2017, SIX sold the commercial issuing business of SIX Payment Services (Austria) GmbH. The loss from the transaction was CHF 7.7 million, and this is included in the other financial expenses of the Payment Services operating segment.

In February 2016, SIX sold the business of the SIX Payment Services (Luxembourg) sub-group. The gain from the transaction was CHF 3.9 million, and this is included in the other financial income of the Payment Services operating segment.

In December 2016, SIX sold SIX SAG Ltd. The gain from the transaction was CHF 5.4 million, and this is included in the other financial income of the Securities Services operating segment.

In 2017, income from financial instruments at fair value included dividend income in the amount of CHF 7.4 million (2016: CHF 7.2 million). The increase compared to 2016 of CHF 20.3 million relates to fair value gains of financial instruments measured at fair value. Thereof, CHF 16.5 million relate to financial instruments of Visa Inc.

Foreign exchange rate gains and losses comprise gains and losses from financial instruments at amortized cost and financial instruments at fair value. The latter also includes the fair value changes of foreign currency derivatives. In 2017, the net foreign exchange rate gain from financial instruments at amortized cost was CHF 6.2 million (2016: net loss of CHF 3.8 million).

10. Interest income and expenses

CHF million	2017	2016
Debt instruments	3.6	3.6
Cash and cash equivalents	0.3	0.4
Others	0.1	1.0
Total interest income	**4.0**	**5.1**
Debt instruments	–0.1	–0.3
Cash and cash equivalents	–6.1	–6.9
Others	–0.1	–0.3
Total interest expenses	**–6.3**	**–7.5**

In 2017, interest income mainly consisted of income from interest received or accrued on investments in debt instruments in the amount of CHF 3.6 million (2016: CHF 3.6 million). Interest expenses from the amortization of premiums on debt instruments totaled CHF 0.1 million (2016: CHF 0.3 million).

In 2017, total interest expenses included interest charges arising from negative interest rates on financial assets in the amount of CHF 5.8 million (2016: CHF 6.9 million).

11. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders of SIX by the weighted average number of shares outstanding during the year.

	Notes	2017	2016
Net profit attributable to shareholders of SIX (in CHF million)		206.4	220.5
Weighted average number of shares outstanding	24	18,914,041	18,914,041
Basic earnings per share (in CHF)		**10.91**	**11.66**

There was no dilution of earnings per share in 2017 or 2016.

Income taxes

12. Income taxes

Income tax expenses

The major components of income tax expenses for the years ending 31 December 2017 and 31 December 2016 were:

CHF million	2017	2016
Current tax		
Current tax on profits for the year	–63.7	–57.5
Adjustments in respect of prior years	4.2	–1.1
Total current tax expenses	**–59.5**	**–58.6**
Deferred tax		
Origination and reversal of temporary differences	–9.4	0.3
Deferred tax on tax losses	5.9	–15.2
Other changes in deferred tax	–0.7	–0.0
Total deferred tax income	**–4.2**	**–15.0**
Total income tax expenses	**–63.7**	**–73.6**

Tax reconciliation

The following breakdown shows the reconciliation of the income tax expenses reflected in the financial statements and the amount calculated at the weighted average tax rate:

CHF million		2017		2016
Income from operating activities, gross of tax expense		270.9		294.7
Group's weighted average applicable tax rate/ Group's expected tax expenses	**25.0%**	**–67.8**	**24.0%**	**–70.7**
Impact of differences in tax rates and tax bases	0.9%	–2.4	0.1%	–0.3
Utilization of previously unrecognized tax losses	–2.0%	5.4	–0.5%	1.5
Deferred tax recognized for tax losses of prior years	–2.3%	6.3	–0.5%	1.5
Deferred tax not recognized for tax losses of the year	2.3%	–6.4	2.5%	–7.5
Write-down of deferred tax for tax losses of prior years	0.0%	–	2.6%	–7.5
Impact of permanent differences	4.1%	–11.1	–0.0%	0.0
Adjustments for current tax and other items	–1.2%	3.2	0.5%	–1.4
Intercompany effects	–3.4%	9.1	–3.6%	10.7
Group's effective tax rate/tax expenses	**23.5%**	**–63.7**	**25.0%**	**–73.6**

In 2017, permanent differences included in particular tax effects from the revaluation of investments in subsidiaries. They also include tax-exempt income, non-deductible expenses and the impact of specific tax regulation and participation exemptions.

The expected tax expenses at the weighted average applicable tax rate are the result of applying the domestic statutory tax rates to earnings before tax of each entity in the country in which it operates. For the Group, the change in the weighted average applicable tax rate is due to the variation in profitability by country and changes in statutory tax rates.

Current income tax receivables and payables changed as follows:

Income tax receivables

CHF million	2017	2016
Carrying amount at 1 January	**13.4**	**2.0**
Disposals due to changes in the scope of consolidation	–	–0.2
Amount recognized in income statement	1.7	5.0
Income taxes received	–2.6	–3.8
Reclassifications	10.7	10.5
Translation adjustments	0.4	–0.0
Carrying amount at 31 December	**23.6**	**13.4**

Income tax payables

CHF million	2017	2016
Carrying amount at 1 January	**31.2**	**35.4**
Business combinations	2.5	–
Disposals due to changes in the scope of consolidation	–	–0.3
Amount recognized in income statement	61.1	63.6
Amount recognized in OCI	–	–0.2
Income taxes paid	–80.1	–103.1
Reclassifications	7.7	35.9
Translation adjustments	0.7	–0.2
Carrying amount at 31 December	**23.1**	**31.2**

The estimated amounts of current income tax receivable and payable, including any amounts related to uncertain tax positions, are based on currently known facts and circumstances. SIX believes that its income tax receivable and payable are adequate for all open tax years based on the assessments made.

13. Deferred tax assets and liabilities

Deferred taxes relating to items in the balance sheet

Deferred tax assets and liabilities relate to the following items:

CHF million			31/12/2017			31/12/2016
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Trade and other receivables	0.1	8.4	–8.2	0.3	6.4	–6.2
Financial assets	–	16.4	–16.4	–	9.4	–9.4
Inventories	–	0.4	–0.4	–	0.1	–0.1
Other assets	0.0	0.8	–0.8	1.4	2.1	–0.7
Property, plant and equipment	0.1	5.1	–5.0	0.1	5.4	–5.3
Intangible assets	1.6	31.7	–30.1	1.7	18.5	–16.9
Investments in subsidiaries and associates	0.0	1.7	–1.7	0.0	–	0.0
Assets from pension fund benefits	–	3.3	–3.3	–	–	–
Trade and other payables	–	0.1	–0.1	0.0	0.1	–0.1
Provisions	7.1	5.1	2.0	10.7	7.2	3.5
Other liabilities	3.0	0.1	2.9	2.7	0.3	2.4
Pension fund liabilities	2.5	–	2.5	6.8	0.7	6.2
Tax loss carryforwards	11.4	–	11.4	3.6	–	3.6
Total deferred tax assets/liabilities	**25.8**	**73.0**	**–47.2**	**27.3**	**50.2**	**–22.9**
Offsetting	–13.8	–13.8		–10.4	–10.4	
Deferred tax assets/liabilities on the balance sheet	**12.1**	**59.3**		**16.9**	**39.8**	

Net deferred tax assets and liabilities changed as follows:

CHF million	2017	2016
At 1 January	**–22.9**	**–19.5**
Business combinations	–10.3	–
Disposals due to changes in the scope of consolidation	–	–0.5
Changes affecting the income statement	–4.2	–15.0
Changes affecting OCI	–10.4	–13.6
Reclassifications	–0.1	25.6
Translation adjustments	0.6	–0.1
At 31 December	**–47.2**	**–22.9**

Expiry dates of recognized and unrecognized unused tax loss carryforwards

The gross values of recognized and unrecognized unused tax loss carryforwards, with their expiry dates, are as follows:

CHF million	Not recognized	Recognized	31/12/2017
One year	0.0	0.4	0.4
Two years	1.8	2.3	4.1
Three years	2.9	2.6	5.5
Four years	25.2	9.2	34.4
Five years	15.1	6.0	21.1
Six years	18.6	12.0	30.6
More than six years	132.3	20.6	153.0
Total	**196.0**	**53.1**	**249.0**
Potential tax saving	48.6		48.6

CHF million	Not recognized	Recognized	31/12/2016
One year	1.9	1.1	3.0
Two years	0.0	2.4	2.5
Three years	1.8	2.3	4.1
Four years	4.8	0.7	5.5
Five years	74.9	–	74.9
Six years	23.4	–	23.4
More than six years	126.2	8.0	134.1
Total	**233.0**	**14.4**	**247.4**
Potential tax saving	57.6		57.6

No deferred tax assets have been recognized for tax loss carryforwards of CHF 196.0 million (31 December 2016: CHF 233.0 million), as it is uncertain whether the losses will be utilized in the future. The majority of unrecognized tax loss carryforwards expire after six years or have no expiry date. As at 31 December 2017, the potential tax saving from the unrecognized tax loss carryforwards was CHF 48.6 million (31 December 2016: CHF 57.6 million).

As at 31 December 2017, based on the above-mentioned estimates, tax loss carryforwards of CHF 53.1 million (31 December 2016: CHF 14.4 million) were recognized, resulting in deferred tax assets of CHF 11.4 million (31 December 2016: CHF 3.6 million).

Assets

14. Cash and cash equivalents

CHF million	31/12/2017	31/12/2016
Cash at bank and on hand	4,389.7	4,817.8
Short-term bank deposits	72.9	103.5
Cash and cash equivalents	**4,462.6**	**4,921.2**

Cash at bank includes giro balances with the Swiss National Bank (SNB) of CHF 3,128.3 million (31 December 2016: CHF 3,571.5 million) and giro balances with clearing houses approved by the SNB of CHF 570.0 million (31 December 2016: CHF 585.2 million).

Cash and cash equivalents include the following items for the purposes of the statement of cash flows:

CHF million	Notes	31/12/2017	31/12/2016
Cash and cash equivalents		4,462.6	4,921.2
Bank overdrafts		–1.0	–0.1
Cash and cash equivalents included in disposal groups and assets held for sale	18	–	9.7
Bank overdrafts included in liabilities associated with disposal groups held for sale	18	–	–24.6
Cash and cash equivalents in the statement of cash flows		**4,461.6**	**4,906.2**

15. Trade and other receivables

CHF million	31/12/2017	31/12/2016
Trade receivables due from banks	89.3	78.7
Trade receivables due from others	162.7	125.4
Other receivables	11.3	9.4
Total trade and other receivables	**263.4**	**213.6**

Trade and other receivables due from related parties are disclosed in note 37.

The exposure of SIX in relation to credit risk on trade and other receivables is disclosed in note 27. The maximum exposure to credit risk at the reporting date corresponds to the carrying amount.

Age structure of trade and other receivables

The due dates of trade and other receivables break down as follows:

CHF million	31/12/2017	31/12/2016
Total neither past due nor impaired	**232.1**	**196.7**
Up to 3 months past due	24.2	12.2
Between 3 and 6 months past due	2.7	3.3
More than 6 months past due	1.2	0.8
Past due but not impaired	**28.1**	**16.3**
Impaired	**8.1**	**5.3**
Total trade and other receivables, gross	**268.3**	**218.3**
Individual allowances	–4.8	–4.7
Collective allowances	–0.1	–
Total trade and other receivables, net	**263.4**	**213.6**

Changes in allowances for receivables

The table below presents the movements in allowances for trade and other receivables.

CHF million	2017	2016
Carrying amount at 1 January	**–4.7**	**–9.6**
Business combinations	–0.1	–
(Increase)/decrease in allowances	–2.4	–4.6
Receivables written off during the year as uncollectible	3.4	4.4
Reclassified as / from disposal groups and assets held for sale	–0.9	5.0
Translation differences	–0.1	0.1
Carrying amount at 31 December	**–4.9**	**–4.7**

Allowances for individual impairment of receivables are determined based on the difference between the nominal amount of the receivable and the estimated net amount recoverable.

Receivables that are not impaired individually are subject to a collective impairment based on statistical analysis from previous years. On past experience, SIX does not anticipate any significant defaults.

Past-due receivables for which no clear indication of impairment is available are checked on a regular basis by monitoring the default risk.

The creation and release of allowances for impaired receivables have been included in other operating expenses in the income statement.

16. Receivables and payables from clearing & settlement

CHF million	31/12/2017	31/12/2016
Receivables from clearing & settlement	699.4	743.2
Receivables from reverse repurchase agreements	1,406.2	1,550.1
Fed funds placements	122.3	122.4
Total receivables from clearing & settlement – Securities Services	**2,227.8**	**2,415.8**
Total receivables from clearing & settlement – Payment Services	**1,339.1**	**910.6**
Total receivables from clearing & settlement	**3,566.9**	**3,326.4**
Payables from clearing & settlement	1,869.6	2,293.7
Payables from settled suspense	353.6	180.6
Collateral	3,272.9	3,555.9
Total payables from clearing & settlement – Securities Services	**5,496.1**	**6,030.3**
Total payables from clearing & settlement – Payment Services	**1,365.4**	**955.8**
Total payables from clearing & settlement	**6,861.5**	**6,986.0**

Receivables and payables from clearing & settlement – Securities Services

Receivables and payables from clearing & settlement in the Securities Services business area result from SIX x-clear Ltd and SIX SIS Ltd acting as a central counterparty (CCP) or central securities depository (CSD) for securities trading. The CCP steps into the contracts as intermediary and represents the buyer to each seller and the seller to each buyer. To fulfill the contract, SIX SIS Ltd must settle cash and securities from one trading party to another.

The reverse repurchase and repurchase agreements are conducted under the usual terms and conditions applying to such agreements. The fair value of securities received as collateral from third parties under reverse repurchase agreements with unconditional right to sell on or repledge totaled CHF 1,410.9 million (31 December 2016: CHF 1,549.4 million). As at 31 December 2017, SIX had repledged securities received as collateral under reverse repurchase agreements of CHF 350.9 million (31 December 2016: CHF 365.9 million).

SIX SIS Ltd places cash balances in USD with third banks as fed funds placements. These placements are overnight borrowings between banks and other institutions used for liquidity management purposes.

Payables from settled suspense relate to cross-border transactions where a seller is short of securities. In such an event, SIX SIS Ltd borrows the securities required and recognizes a corresponding liability.

As at 31 December 2017, cash collateral received totaled CHF 3,272.9 million (31 December 2016: CHF 3,555.9 million). For further information about the collateral received, see note 27.

Receivables and payables from clearing & settlement – Payment Services

Receivables from clearing & settlement include receivables due from card schemes and issuers of debit and credit cards. Payables from clearing & settlement include payables due to merchants, ATM providers and card schemes.

17. Financial assets (current and non-current)

Movements of financial assets

The following table shows the movements of financial assets per category:

CHF million	Financial assets measured at FVtPL	Financial assets measured at FVtOCI	Financial assets at amortized cost	2017
Carrying amount at 1 January	**619.4**	**–**	**253.5**	**872.9**
Business combinations	–	–	0.0	0.0
Additions	188.2	–	76.7	264.9
Change in value recognized in profit and loss	26.3	–	0.6	26.9
Change in forward contracts from clearing & settlement	3.8	–	–	3.8
Disposals/matured financial assets	–87.1	–	–80.9	–168.0
Reclassified from disposal groups and assets held for sale	–	–	15.0	15.0
Translation adjustments	0.3	–	–0.9	–0.6
Carrying amount at 31 December	**750.8**	**–**	**264.0**	**1,014.9**
of which current	*692.7*	–	*62.1*	*754.8*
of which non-current	*58.2*	–	*201.9*	*260.1*

CHF million	Financial assets measured at FVtPL	Financial assets measured at FVtOCI	Financial assets at amortized cost	2016
Carrying amount at 1 January	**562.7**	**94.7**	**252.1**	**909.4**
Additions	172.2	14.8	130.2	317.2
Change in value recognized in profit and loss	0.3	–	3.7	3.9
Change in forward contracts from clearing & settlement	–9.0	–	–	–9.0
Change in value recognized in other comprehensive income	–	37.9	–	37.9
Disposals/matured financial assets	–123.0	–130.9	–119.1	–373.1
Reclassifications [1]	16.5	–16.5	–	–
Reclassified as disposal groups and assets held for sale	–	–	–13.9	–13.9
Translation adjustments	–0.2	–	0.6	0.3
Carrying amount at 31 December	**619.4**	**0.0**	**253.5**	**872.9**
of which current	*601.1*	–	*87.1*	*688.2*
of which non-current	*18.3*	–	*166.4*	*184.7*

[1] Reclassified from equity instruments at FVtOCI due to debt classification following re-evaluation of certain contractual features of a financial instrument

In 2017, financial assets measured at FVtPL increased by CHF 131.5 million (2016: increase of CHF 40.2 million), CHF 97.8 million of which related to the increase in financial instruments from settlement business.

On the closing of the acquisition of Visa Europe Ltd by Visa Inc. in June 2016, SIX derecognized the Visa Europe Ltd equity instruments whose fair value totaled CHF 130.9 million. The consideration received included cash, preferred shares in Visa Inc. and a deferred cash payment. At initial recognition, the fair value of the preferred shares was CHF 14.8 million. At that point in time, SIX made the irrevocable election to measure the preferred shares at FVtOCI. They were subsequently reclassified to FVtPL due to debt classification following a re-evaluation of certain contractual features. The deferred cash payment of CHF 8.3 million is classified as financial assets at amortized cost. In 2016, SIX also hedged the foreign currency risk of the upfront cash payment for the Visa Europe Ltd equity instruments using foreign currency forward contracts. Up to the derecognition of the Visa Europe Ltd equity instruments in June 2016, the hedge incurred a loss of CHF 0.8 million, which was recognized in other comprehensive income.

During 2017, CHF 80.9 million of debt securities matured or were disposed of (2016: CHF 119.1 million).

On derecognition of the financial assets at amortized cost, a net loss of CHF 1.9 million (2016: net loss of CHF 1.7 million) was recognized within the net financial result (see note 9).

SIX recognizes forward contracts from clearing and settlement activities in its capacity as a central counterparty in the course of fulfilling its task of matching buy and sell orders. As such, SIX recognizes positive and negative fair values of outstanding forward contracts. In 2017, the increase in the fair value of the forward contracts from clearing and settlement was CHF 3.8 million (31 December 2016: decrease of CHF 9.0 million).

18. Disposal groups and assets held for sale

Disposal groups and assets held for sale comprise the following assets, liabilities and cumulative expenses recognized in other comprehensive income:

CHF million	Notes	Commercial issuing business of SIX Payment Services (Austria) GmbH 31/12/2017	31/12/2016
Cash and cash equivalents	14	–	9.7
Trade and other receivables		–	280.2
Receivables from clearing & settlement		–	7.7
Other current assets		–	0.8
Property, plant and equipment	21	–	0.1
Intangible assets	22	–	5.3
Non-current financial assets	17	–	13.9
Deferred tax assets		–	0.2
Disposal groups and assets held for sale		–	**317.9**
Bank overdrafts	14	–	24.6
Trade and other payables		–	33.8
Payables from clearing & settlement		–	10.0
Other current liabilities		–	12.2
Non-current provisions	25	–	1.8
Other non-current liabilities		–	0.5
Deferred tax liabilities		–	0.8
Liabilities directly associated with disposal groups held for sale		–	**83.6**

Disposal groups and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. SIX has not recognized any impairment with respect to any disposal groups or assets held for sale.

Disposal groups

Commercial issuing business of SIX Payment Services (Austria) GmbH

During the fourth quarter of 2016, management committed to a plan to sell the commercial issuing business of SIX Payment Services (Austria) GmbH. The closing of the transaction was in October 2017. The commercial issuing business of SIX Payment Services (Austria) GmbH was part of the Payment Services operating segment. The provisional total consideration is CHF 52.3 million, CHF 46.4 million of which was already paid in cash in 2017. The amount of cash and cash equivalents upon derecognition was CHF 0.5 million. The loss from the transaction recognized in 2017 was CHF 7.7 million, and this is included in financial expenses.

19. Inventories

CHF million	31/12/2017	31/12/2016
Payment terminals and components	13.9	9.0
Mobile vouchers	2.9	2.1
Finished goods	0.7	0.9
Total inventories	**17.4**	**12.0**

20. Other assets (current and non-current)

This position includes all asset accounts not specifically covered in other areas of the balance sheet.

CHF million	Notes	31/12/2017	31/12/2016
Accrued revenues and prepaid expenses		52.5	52.7
Receivables from other taxes		165.6	60.1
Total other current assets		**218.1**	**112.8**
Assets from pension fund benefits	36	16.0	0.1
Other long-term assets		12.0	9.2
Total other non-current assets		**28.0**	**9.3**

Receivables from other taxes primarily relate to receivables from withholding taxes.

21. Property, plant and equipment

Reconciliation of carrying amount

CHF million	Land, buildings and leasehold improvements	Technical installations	IT hardware	Other tangible assets	2017
Historical cost at 1 January	**411.6**	**207.2**	**204.4**	**39.6**	**862.7**
Additions	21.0	7.5	32.0	0.9	61.4
Disposals	–19.3	–17.1	–28.3	–6.4	–71.2
Business combinations	1.1	–	2.6	0.0	3.7
Reclassifications	–7.4	–0.7	2.9	5.1	–
Translation adjustments	0.2	0.4	6.0	0.7	7.3
Historical cost at 31 December	**407.2**	**197.2**	**219.6**	**39.9**	**863.9**
Accumulated depreciation at 1 January	**–263.2**	**–154.2**	**–156.8**	**–33.4**	**–607.5**
Annual depreciation	–7.2	–6.4	–24.5	–3.2	–41.2
Impairments, net	–	–	–	–0.2	–0.2
Disposals	19.2	17.0	25.9	6.2	68.2
Reclassifications	0.0	0.0	–2.1	2.0	–
Translation adjustments	–0.1	–0.3	–4.6	–0.5	–5.6
Accumulated depreciation at 31 December	**–251.2**	**–143.9**	**–162.1**	**–29.0**	**–586.3**
Net carrying amount at 31 December	**156.0**	**53.3**	**57.5**	**10.8**	**277.6**

CHF million	Land, buildings and leasehold improvements	Technical installations	IT hardware	Other tangible assets	2016
Historical cost at 1 January	**391.8**	**200.1**	**207.1**	**38.4**	**837.3**
Additions	21.6	7.7	28.3	1.7	59.2
Disposals	–1.4	–0.0	–30.4	–1.0	–32.9
Reclassifications	–	–0.4	–0.3	0.8	0.0
Reclassified as disposal groups and assets held for sale	–	–0.2	–	–	–0.2
Translation adjustments	–0.3	0.0	–0.2	–0.2	–0.7
Historical cost at 31 December	**411.6**	**207.2**	**204.4**	**39.6**	**862.7**
Accumulated depreciation at 1 January	**–259.3**	**–148.8**	**–163.6**	**–32.3**	**–604.0**
Annual depreciation	–5.4	–6.1	–21.8	–2.3	–35.5
Impairments, net	–	–	–0.0	–	–0.0
Disposals	1.3	0.0	29.0	1.0	31.3
Reclassifications	–	0.5	–0.6	0.1	–0.0
Reclassified as disposal groups and assets held for sale	–	0.1	–	–	0.1
Translation adjustments	0.2	–0.0	0.2	0.2	0.5
Accumulated depreciation at 31 December	**–263.2**	**–154.2**	**–156.8**	**–33.4**	**–607.5**
Net carrying amount at 31 December	**148.4**	**53.0**	**47.6**	**6.2**	**255.2**

Additions

During financial year 2017, SIX acquired items of property, plant and equipment with a cost of CHF 61.4 million (2016: CHF 59.2 million). Investments in property, plant and equipment primarily relate to midrange and mainframe servers, payment terminals, leasehold improvements and the expansion of technical installations. The total of property, plant and equipment under construction as at 31 December 2017 was CHF 1.7 million (31 December 2016: CHF 28.4 million).

22. Intangible assets and goodwill

Reconciliation of carrying amount

CHF million	Goodwill	Acquired software	Internally generated software	Other intangible assets	2017
Historical cost at 1 January	**46.2**	**114.6**	**557.1**	**63.7**	**781.6**
Additions	–	5.7	34.2	0.1	40.0
Disposals	–	–1.1	–0.1	–0.2	–1.3
Business combinations	137.8	1.1	3.0	85.0	227.0
Translation adjustments	1.6	3.2	1.6	5.1	11.5
Historical cost at 31 December	**185.6**	**123.5**	**595.8**	**153.7**	**1,058.7**
Accumulated amortization at 1 January	**–9.2**	**–98.2**	**–462.0**	**–45.0**	**–614.3**
Annual amortization	–	–6.5	–21.9	–8.3	–36.7
Impairments, net	–	–	–7.5	–	–7.5
Disposals	–	1.1	–	0.2	1.3
Translation adjustments	0.1	–2.9	–1.5	–3.7	–8.0
Accumulated amortization at 31 December	**–9.1**	**–106.6**	**–492.9**	**–56.7**	**–665.3**
Net carrying amount at 31 December	**176.5**	**16.9**	**102.9**	**97.0**	**393.4**

CHF million	Goodwill	Acquired software	Internally generated software	Other intangible assets	2016
Historical cost at 1 January	**48.1**	**108.9**	**529.6**	**75.5**	**762.0**
Additions	–	9.5	28.6	2.2	40.2
Disposals	0.0	–3.6	–0.8	–0.1	–4.6
Reclassified as disposal groups and assets held for sale	–1.8	–	–	–13.2	–15.0
Translation adjustments	–0.1	–0.3	–0.3	–0.5	–1.1
Historical cost at 31 December	**46.2**	**114.6**	**557.1**	**63.7**	**781.6**
Accumulated amortization at 1 January	**–9.1**	**–93.0**	**–433.1**	**–45.0**	**–580.2**
Annual amortization	–	–8.0	–25.9	–10.3	–44.2
Impairments, net	–	–1.0	–3.7	–	–4.7
Disposals	–	3.6	0.5	0.1	4.2
Reclassified as disposal groups and assets held for sale	–	–	–	9.7	9.7
Translation adjustments	–0.1	0.2	0.2	0.4	0.9
Accumulated amortization at 31 December	**–9.2**	**–98.2**	**–462.0**	**–45.0**	**–614.3**
Net carrying amount at 31 December	**37.0**	**16.4**	**95.1**	**18.8**	**167.3**

Software and other intangible assets

Other intangible assets include customer lists and brand names acquired through business combinations (see note 32) and are assumed to have a useful life of between five to twenty years.

Additions

Expenses for certain development projects have been capitalized because they satisfy the recognition criteria. Intangible assets under construction as at 31 December 2017 totaled CHF 53.1 million (31 December 2016: CHF 40.4 million).

Indefinite useful life

Within intangible assets, only goodwill is assumed to have an indefinite useful life.

Impairment test for CGUs containing goodwill

CHF million	31/12/2017	31/12/2016
SIX Payment Services (Austria) GmbH	21.5	19.9
SIX Payment Services (Europe) SA	10.6	10.6
SIX Structured Products Exchange Ltd [1]	4.0	4.0
Others	2.6	2.6
Goodwill, net	**38.7**	**37.0**

[1] SIX Structured Products Exchange Ltd was merged with SIX Swiss Exchange Ltd in 2017.

Details of the goodwill of CHF 132.7 million and CHF 5.1 million respectively arising from the business combinations with SIX Payment Ltd (formerly Aduno SA) and VÖB-ZVD Processing GmbH in 2017 are provided in note 32.

In 2016, the goodwill relating to SIX Payment Services (Austria) GmbH decreased by CHF 1.8 million, as the goodwill that was allocated to the commercial issuing business was reclassified to assets held for sale. For further details, see note 18.

The goodwill items are subject to an annual impairment test, which is conducted in the fourth quarter of each year. If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently to determine whether the carrying amount of the relevant organizational unit exceeds its recoverable amount.

For the purpose of impairment testing, goodwill has been allocated to the CGUs as follows:

CHF million					31/12/2017
Cash-generating unit	**Goodwill, net**	**Projection period**	**Long-term growth rate**	**Discount rate**	**Method**
Financial institution services	3.2	4 years	1.5%	10.7%	DCF
Merchant services	18.3	4 years	1.5%	11.0%	DCF
SIX Payment Services (Austria) GmbH	**21.5**				
SIX Payment Services (Europe) SA	4.9	4 years	1.5%	12.2%	DCF
SIX Payment Services Ltd	5.7	4 years	1.5%	11.2%	DCF
SIX Payment Services (Europe) SA	**10.6**				
Trading business	4.0	5 years	1.5%	13.1%	DCF
SIX Structured Products Exchange Ltd [1]	**4.0**				

[1] SIX Structured Products Exchange Ltd was merged with SIX Swiss Exchange Ltd in 2017.

CHF million					31/12/2016
Cash-generating unit	Goodwill, net	Projection period	Long-term growth rate	Discount rate	Method
Financial institution services [1]	4.8	4 years	1.5%	10.9%	DCF
Merchant services	16.9	4 years	1.5%	11.1%	DCF
SIX Payment Services (Austria) GmbH	**21.7**				
SIX Payment Services (Europe) SA	4.9	4 years	1.5%	12.2%	DCF
SIX Payment Services Ltd	5.7	4 years	1.5%	11.2%	DCF
SIX Payment Services (Europe) SA	**10.6**				
Trading business	4.0	5 years	1.5%	13.7%	DCF
SIX Structured Products Exchange Ltd	**4.0**				

[1] The carrying amount of goodwill includes the amount that has been reclassified to assets held for sale, as the impairment test was performed prior to the reclassification.

The recoverable amounts for each CGU have been determined based on a value in use calculation using the discounted cash flow method (DCF). These calculations use post-tax cash flow projections based on financial projections approved by management (the SIX medium-term planning). The impairment testing of goodwill in 2017 resulted in values in use that exceed the carrying amounts for all CGUs.

Key assumptions

The calculation of value in use is most sensitive to the following assumptions:

Discount rate

The discount rate calculation is based on the specific circumstances of SIX and its operating segments. It is derived from the capital asset pricing model and considers the risk-free interest rate based on long-term government bond yields and market risk premiums. The discount rate used also takes into consideration the specific risks relating to the cash-generating unit.

Perpetual growth rate

The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

Management believes that any reasonably possible change in any of the key assumptions would not cause the CGUs' carrying amounts to exceed their recoverable amounts.

Equity and liabilities

23. Capital management

The capital management policy of SIX is primarily aimed at maintaining an adequate equity base, so as to maintain shareholder and market confidence, as well as to sustain the future development of the business while complying with regulatory capital requirements.

In 2017, the rating agency Standard & Poor's affirmed the AA– credit rating for SIX and assigned a negative outlook. The securities services providers SIX SIS Ltd and SIX x-clear Ltd each retained an AA– rating.

SIX employs two ratios to monitor equity: the equity ratio and return on equity. The equity ratio equates to consolidated equity as a percentage of total adjusted liabilities and equity. Return on equity is defined as Group net profit as a percentage of average equity. These ratios are reported to the Group Executive Board and the Board of Directors regularly by internal financial reporting.

The ratios are shown in the following table:

CHF million	2017 [1]	2016 [1]
Group net profit for the year	207.2	221.1
Total equity (average)	2,632.6	2,462.3
Return on equity in %	**7.9**	**9.0**
Total equity (average)	**2,632.6**	**2,462.3**
Total liabilities (average)	7,527.6	7,931.8
– Payables from clearing & settlement (average)	6,767.2	7,041.4
– Negative replacement values from clearing & settlement (average)	101.4	142.1
Total adjusted liabilities (average)	**659.0**	**748.3**
Equity ratio in %	**80.0**	**76.7**

[1] With effect from 2017, these ratios are calculated based on the average balance sheet items and net profit of the previous 12 months. Prior-year ratios have been adjusted to match the current year's calculation.

The dividend policy of SIX takes into account the local requirements of each subsidiary regarding the ability to make dividend payments.

On 19 May 2017, the Annual General Meeting approved the distribution of a dividend of CHF 7.30 (2016: CHF 8.25) per registered share. The total amount distributed to holders of outstanding shares was CHF 138.1 million (2016: CHF 156.0 million), and this was recorded against retained earnings as in the previous year. There are no income tax consequences attached to the payment of dividends by the Group to its shareholders in either 2017 or 2016.

For the year ending 31 December 2017, the Board of Directors has proposed a dividend of CHF 7.00 per registered share, corresponding to a total of CHF 136.7 million for 2017. No dividend will be paid on treasury shares held directly by SIX Group Ltd. There are no tax consequences. The dividend proposal will be submitted for approval by the Annual General Meeting to be held in May 2018.

SIX is not subject to regulatory capital requirements. However, regulatory capital adequacy requirements apply to SIX Securities Services Ltd and its subsidiaries that have a banking or FMIA (see below) license.

Eligible capital must be available to support business activities, in accordance with both the company's internal assessment and the requirements of our regulators, in particular our lead regulators, FINMA and the SNB.

From 2017, the CSD SIX SIS Ltd and the CCP SIX x-clear Ltd are obliged to fulfill new requirements arising from the Financial Market Infrastructure Act and Ordinance (FMIA/FMIO). These capital requirements contain all elements of the Basel III framework pertaining to credit, market and operational risks as well as additional FMI-specific capital requirements for wind-down and, starting from 2018, intraday credit risks. Until the end of 2016, SIX Securities Services and its subsidiaries were required to comply with Basel III regulations in respect of regulatory capital. To calculate the capital requirements for credit risks, market risks and operational risks, banks can choose from a number of different approaches under Basel III. SIX Securities Services uses the international Basel III standard approach (SA-BIZ) for credit risks, the standard approach for market risks and the basic indicator approach for operational risks.

24. Capital and reserves

Share capital

As at 31 December 2017, the total number of shares issued remained unchanged from the prior year at 19,521,905 and corresponds to the number of authorized shares. All shares issued have a par value of CHF 1.00 and are fully paid up.

Number of shares	31/12/2017	31/12/2016
Shares issued	19,521,905	19,521,905
Treasury shares	–607,864	–607,864
Shares outstanding	**18,914,041**	**18,914,041**

The shares rank equally with regard to the Company's residual assets.

The holders of the shares are entitled to receive a proportionate share of distributed dividends as declared and are entitled to one vote per share at the shareholders´ meeting of the Company. The proposed dividend per share for financial year 2017, together with the 2016 figure for comparison purposes, is disclosed in note 23.

Treasury shares

The reserve for own shares comprises the cost of the shares held by SIX. At 31 December 2017, SIX held 607,864 shares directly or indirectly via its subsidiaries. There was no change in the number of treasury shares compared with 31 December 2016.

Translation reserve

Reserves arising from foreign currency translation adjustments comprise the differences arising from the foreign currency translation of the financial statements of subsidiaries from their respective functional currencies into Swiss francs.

Retained earnings

The total amount of dividends distributed to holders of outstanding shares was CHF 138.1 million (2016: CHF 156.0 million), and this has been recorded against retained earnings as in the prior year.

25. Provisions (current and non-current)

Provisions are classified as follows:

CHF million	Notes	Provisions for legal claims	Provisions for restructuring	Provisions for asset retirement obligations	Provisions for warranties	Other provisions	2017	2016
Carrying amount at 1 January		**17.0**	**35.6**	**4.7**	**2.2**	**8.6**	**68.1**	**38.7**
Increase in provisions		0.8	5.5	3.2	0.5	7.3	17.3	41.9
Business combinations	32	0.1	–	–	0.3	–	0.4	–
Financial cost related to the unwinding of discount rates		–	–	0.0	–	–	0.0	0.0
Dissolution		–0.1	–0.6	–0.3	–0.7	–3.4	–5.1	–2.4
Usage		–0.1	–17.3	–2.9	–	–1.3	–21.6	–7.7
Reclassification as liabilities directly associated with disposal groups held for sale	18	–	–	–	–	–	–	–1.8
Translation adjustments		0.3	2.3	0.1	0.0	0.1	2.9	–0.6
Carrying amount at 31 December		**17.9**	**25.6**	**4.7**	**2.3**	**11.3**	**62.0**	**68.1**
of which current		*8.3*	*20.8*	*0.1*	*2.3*	*2.1*	*33.6*	*29.5*
of which non-current		*9.6*	*4.9*	*4.6*	*–*	*9.2*	*28.4*	*38.5*

Provisions for legal claims

SIX Payment Services was accused of exploiting its market dominance, thereby disadvantaging other market participants. On 29 November 2010, the Competition Commission penalized SIX, requiring it to pay a fine of CHF 7.0 million, together with legal and other costs of CHF 0.5 million. SIX appealed against this decision at the Federal Administrative Court on 31 January 2011. No further developments occurred in 2017.

Besides the legal claim described above, SIX is also involved in legal and judicial proceedings and claims in the ordinary course of business operations. Provisions and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. The total amount can be split into a number of individual cases in the business areas with an estimated cash outflow of less than CHF 3.0 million per case.

Restructuring provisions

In 2016, the Group recognized a provision for restructuring related to the Financial Information business in France. The restructuring expenses were comprised of the social plan, professional fees for consultants who were involved in the restructuring activities and a curtailment of the employee benefits in accordance with IAS 19. The total impact of the restructuring on profit and loss was CHF 34.4 million, consisting mainly of the increase of CHF 37.4 million in the provision for restructuring, the CHF 2.4 million curtailment of the defined benefit plan and a CHF 0.4 million curtailment of service awards. As at 31 December 2017, the provision for restructuring amounted to CHF 20.6 million (31 December 2016: CHF 35.6 million). The decrease mainly related to usage of the provision in 2017.

In 2017, the Group recognized a provision for restructuring related to the Payment Services business in Switzerland. The restructuring expenses were comprised of the social plan and a curtailment of the employee benefits in accordance with IAS 19. The total impact of the restructuring on profit and loss was CHF 2.3 million, consisting mainly of the increase of CHF 5.0 million in the provision for restructuring and the CHF 2.7 million curtailment of the defined benefit plan. As at 31 December 2017, the provision for restructuring amounted to CHF 5.0 million.

Provisions for asset retirement obligations

The provisions for asset retirement obligations mainly relate to cost estimates for the decommissioning of premises in Switzerland, France and the UK.

Provisions for warranties

Provisions for warranties are recognized for expected warranty claims on payment terminals sold. The key assumptions used to calculate the provisions for warranties are the levels of repairs and returns. Account is taken of past experience and information currently available on returns for maintenance, based on the country-specific warranty periods for terminals sold.

Other provisions

Other provisions mainly concern risks relating to the financial information and payment services businesses.

26. Other liabilities (current and non-current)

Other liabilities have been separated into current and non-current as at 31 December 2017 and 31 December 2016.

CHF million	Notes	31/12/2017	31/12/2016
Accruals for staff-related costs		96.6	82.0
Accrued expenses		66.2	53.5
Deferred revenues		11.1	18.3
Prepayments received		13.0	10.9
Liabilities from other taxes		34.9	43.1
Other short-term liabilities		25.2	9.3
Total other current liabilities		**247.1**	**217.0**
Pension fund liabilities	36	6.6	23.0
Other employee benefit liabilities		33.8	29.1
Other long-term liabilities		0.2	–
Total other non-current liabilities		**40.6**	**52.1**

Accruals for staff-related expenses are for vacation leave, overtime, jubilees and bonuses. The long-term portion of liabilities for jubilees and bonuses is included in other employee benefit liabilities. The methods used to measure pension fund liabilities are explained in note 36.

Financial instruments

27. Financial risk management

Risk governance

Responsibility for the overall risk management of SIX resides with the Board of Directors of SIX Group Ltd (BoD). The BoD defines risk appetite and tolerance, overviews the overall risk situation, approves the Group risk policy and delegates risk management tasks to the Risk Committee of the SIX Group Ltd BoD.

Supervision of risk management and assurance that SIX is managed in line with Group risk policy are the responsibility of the Risk Committee of the SIX Group Ltd BoD.

Also delegated by the BoD, responsibility for accounting, financial reporting and the internal controlling systems resides with the Audit Committee of the SIX Group Ltd BoD. External and internal auditors report to the Audit Committee of the SIX Group Ltd BoD. Internal auditors are responsible for monitoring risk management and control, in particular the risks related to business processes.

The Group Executive Board of SIX Group Ltd (GExB) is responsible for implementing risk management activities within the Group in line with Group risk policy. Defined by the Group risk policy, Group-wide risk management methodology is delegated to the Chief Risk Officer (CRO), who leads the Group-wide risk management organization. The risk management organization is set up as a 'second line of defense' function across the organization. The CRO has oversight of the risks described below and reports the risk situation to the GExB and BoD on a quarterly basis. Within business divisions, the management committee of the division, supported by the risk management organization, is responsible for risk management performance. At SIX SIS Ltd and in SIX x-clear Ltd in particular, management of counterparty limits, margin requirements and risk model parameterization and validation are performed by the risk management organization. Group-wide balance sheet risks and Group-wide liquidity are managed by Group Treasury and division treasury functions, supervised by the Chief Financial Officer.

Credit risk

General

Counterparty credit risk is defined as the risk of a loss caused by a counterparty not fulfilling its contractual obligations or commitments. Given the nature of its core business activities, SIX monitors the counterparty default risk for all its major risk-related activities, which relate in particular to the following financial positions:

– cash at banks and short-term deposits
– trade and other receivables
– receivables from clearing & settlement
– investments in other financial instruments held by SIX

Within the Securities Services business area, credit exposures mainly relate to short-term interim financing undertaken for the purpose of settling securities transactions. Securities Services applies a strict risk and credit policy. Credit risk management is effected via limits granted to the customers by the relevant bodies within SIX, pursuant to the competency rules. Each participant with a credit limit is subject to an initial credit risk assessment and rating assignment as well as a periodic risk-driven review. No credit limits are granted without prior risk assessment and rating assignment. The credit limits are monitored constantly. Each counterparty is assigned to a risk group which defines the depth and frequency of the review. Counterparties in higher-risk groups (higher "risk equivalent", worse credit rating) are reviewed more often and monitored more closely than those in lower-risk groups. The allocation of a counterparty to a specific risk group is determined by the risk equivalent, as an expression of the amount at risk in a default scenario, and by the creditworthiness of the counterparty, as an indication of the probability of default.

In businesses other than Securities Services, counterparty credit risk arises in particular from investments of the Group's operating liquidity, which to a large extent takes the form of cash deposits with banks. As at Securities Services, such credit exposures are limited by investment limits that vary in size depending on the credit ratings of internationally recognized rating agencies. Group Risk, working together with Group Treasury, monitors exposures against investment limits and warning indicators on a daily basis.

In the context of strategic investments, SIX guards against the risk of default by means of a treasury investment policy that imposes minimum credit ratings for direct and indirect investments in debt instruments. Group Treasury regularly monitors strict compliance with this policy.

With regard to trade and other receivables, SIX has a large number of debtors, which are internationally dispersed; as such concentration of credit risks in this regard is considered insignificant. As credit ratings are unavailable for some non-financial customers, their credit quality is assessed by either the operating business unit or the local finance departments, taking into account the customer's financial strength as well as past experience and other factors. Acting as the first line and overseen by the second line of defense, each business unit has primary responsibility for managing and monitoring its credit risks.

At Group level, the aggregated credit risk exposures are closely monitored against Group risk appetite thresholds and regularly reported to the GExB.

The gross amounts of financial assets and the related credit ratings of the counterparties are summarized in the following table. The assets presented as disposal groups and assets held for sale have been included here.

	Investment grade		Non-investment grade		Not rated		Total	
CHF million	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Cash at bank and short-term deposits [1]	4,459.3	4,929.1	0.2	0.1	2.8	1.0	4,462.3	4,930.2
Receivables due from banks [2]	77.0	63.8	0.6	0.6	12.4	14.8	90.0	79.2
Receivables from C&S due from banks	2,473.8	2,632.6	5.3	1.3	63.4	49.1	2,542.4	2,683.1
Bonds	233.7	240.2	–	–	–	–	233.7	240.2
Derivative financial instruments [3]	48.9	43.1	0.1	0.0	12.0	12.5	61.0	55.6
Other debt instruments	25.5	23.2	–	–	4.8	4.0	30.3	27.2
Total	**7,318.1**	**7,932.0**	**6.1**	**2.1**	**95.4**	**81.4**	**7,419.6**	**8,015.5**

[1] The carrying amount is the maximum credit exposure of cash at bank and short-term deposits. Cash and cash equivalents are held with the Swiss National Bank (SNB) and other clearing houses approved by the SNB (see note 14) that are rated AAA, as well as with banks and financial institutions that are rated BBB- to AAA, based on external credit ratings. The balances exclude cash on hand.

[2] The carrying amounts of receivables due from banks include valuation allowances of CHF 0.6 million (31 December 2016: CHF 0.5 million). As at 31 December 2017, the exposure to credit risk of receivables due from banks was CHF 89.3 million (31 December 2016: CHF 78.7 million).

[3] Derivative financial instruments include in particular the positive fair value of forward contracts from the clearing and settlement business of Securities Services. As SIX acts as a central counterparty (CCP), SIX also recognizes a liability, which corresponds to the negative fair value of forward contracts from clearing and settlement. For further details on derivatives, see note 29.

Of the total receivables due from banks and receivables from clearing & settlement due from banks, CHF 13.9 million (31 December 2016: CHF 5.8 million) or 0.5% (31 December 2016: 0.2%) was past due and/or impaired.

Further information on the carrying amounts of the financial assets and impairment losses recognized during the year is set out in notes 17 and 28.

Collateral management

As part of short-term interim financing for the purpose of settling securities transactions, SIX SIS Ltd provides intraday credit lines and securities lending and borrowing services (SLB) to its counterparties to increase settlement efficiency and reduce settlement failures. Intraday credit and lending services to counterparties are set up on a fully collateralized basis, and collateral is provided by SIX SIS Ltd participants in the form of cash or highly liquid repo-eligible securities.

In order to protect SIX x-clear Ltd, which acts as central counterparty, against the risk of default by a clearing member before it has settled its outstanding transactions, clearing members are required under the applicable version of the clearing terms to provide collateral in the form of cash or highly liquid repo-eligible securities under a full-title transfer regime. The margin requirement basically comprises an initial margin for possible future price fluctuations, a variation margin for actual changes in value and certain add-ons that are called in times of higher market volatility according to the clearing terms. In addition, all counterparties have to provide default fund contributions to cover the potential risk that is not covered by the margin model (confidence level of 99%) in the event of a member's default. The margin model is regularly calibrated and back-tested.

As at 31 December 2017, cash collateral received was CHF 3,272.9 million (31 December 2016: CHF 3,555.9 million). The fair value of the securities received as collateral which can be repledged or sold was CHF 4,993.2 million (31 December 2016: CHF 2,612.1 million), of which CHF 33.6 million (31 December 2016: CHF 2.5 million) related to SLB transactions.

Liquidity risk

General

Liquidity risk is the risk that SIX will encounter difficulty in meeting current and future obligations associated with its financial liabilities. Specific to the Securities Services business area of SIX, liquidity risk exists mainly as a result of everyday operational flows, such as repayments of cash collateral to clearing members and provision of liquidity to facilitate settlement.

Liquidity management is governed by the treasury policy of SIX. Its main purpose is to provide subsidiaries with financial resources at any time so that they are able to meet their payment obligations. The continuous monitoring of liquidity at Group level and the allocation of resources allow Group Treasury to maintain a sound level of liquidity at all times. The liquidity status is reported on a monthly or quarterly basis to various committees. In the event of exceptional liquidity requirements, SIX can also access a portfolio of financial instruments such as equities and bonds that can be liquidated within a reasonable time. In addition, SIX maintains credit lines with a limited number of financial institutions. For Swiss Group entities, the total amount of unused credit lines as at 31 December 2017 was CHF 175.0 million (31 December 2016: CHF 175.0 million). There are additional credit lines with banks in Austria and Norway in the amount of CHF 140.7 million (31 December 2016: CHF 75.3 million). As at 31 December 2017, these credit facilities had not been utilized (31 December 2016: nil). Liquidity is managed for various currencies. The main currencies are the Swiss franc, the euro, the US dollar and the pound sterling.

The Group's operational liquidity at 31 December 2017 was CHF 4,462.6 million (31 December 2016: CHF 4,921.2 million). It is deposited with appropriate investment limits at commercial banks, the Swiss National Bank (SNB) and clearing houses approved by the SNB. Operational liquidity of the Swiss and various foreign subsidiaries, with the exception of SIX SIS Ltd and SIX x-clear Ltd, is held and managed centrally at SIX as part of a cash pool. Group Treasury is responsible for the management of the cash pool. The liquidity in excess of operational liquidity required by the subsidiaries is provided by Group Treasury to cover any short to medium-term structural liquidity requirements. SIX has invested funds with a carrying amount of CHF 608.4 million (31 December 2016: CHF 587.3 million) using professional asset managers.

On a day-to-day basis the Collateral and Liquidity Management team is tasked with ensuring that the Group can meet its financing needs at all times, in particular to ensure the business continues to operate smoothly in the event of default by a clearing member.

The liquidity managed by SIX SIS Ltd and SIX x-clear Ltd as at 31 December 2017 totaled CHF 3,803.5 million (31 December 2016: CHF 4,255.2 million). Liquidity management is one of the main operating activities in the settlement business. Liquidity risk in the Securities Services business area is managed by ensuring that the expected inflows match the expected outflows in the respective currency.

Once a year, the liquidity strategy is reviewed by the Group's Chief Financial Officer and approved by the Board of Directors. Group Treasury monitors the implementation and execution of the liquidity strategy.

Maturity analysis for financial liabilities

The following table shows the contractual maturities of the financial liabilities held by SIX at the reporting date and in the previous year. Non-financial liabilities are not included in this analysis.

CHF million	Within 3 months	Between 3 and 12 months	31/12/2017
Liabilities			
Bank overdrafts	1.0	–	1.0
Trade and other payables	261.6	0.5	262.1
Payables from clearing & settlement	6,861.5	–	6,861.5
Non-derivative financial liabilities	**7,124.1**	**0.5**	**7,124.6**
Derivative financial instruments, net	0.9	–	0.9
Derivative financial liabilities	**0.9**	**–**	**0.9**
Total financial liabilities	**7,125.0**	**0.5**	**7,125.5**

CHF million	Within 3 months	Between 3 and 12 months	31/12/2016
Liabilities			
Bank overdrafts	0.1	–	0.1
Trade and other payables	190.0	0.4	190.4
Payables from clearing & settlement	6,986.0	–	6,986.0
Non-derivative financial liabilities	**7,176.2**	**0.4**	**7,176.5**
Derivative financial instruments, net	1.1	–	1.1
Derivative financial liabilities	**1.1**	**–**	**1.1**
Total financial liabilities	**7,177.2**	**0.4**	**7,177.6**

The fair value of the derivative financial instruments best represents the cash flows that would have to be paid if these positions had to be settled or closed.

Market risk

General

Market risk is the risk of losses on financial assets arising from movements in market prices. With regard to SIX, market prices comprise three types of risk: foreign currency risk, interest rate risk and index price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The consolidated financial statements are published in Swiss francs. The foreign currency risks arise primarily from fluctuation of currencies against the Swiss franc, mainly the euro, the US dollar and the pound sterling. Consequently, SIX uses spot, forward and swap contracts to hedge its exposure to those currencies.

In Switzerland, SIX entities are exposed to foreign currency risk through their operating activities (when revenue or expense is not denominated in Swiss francs) and their financial investments in foreign currencies. Group Treasury controls the exposure to foreign currency risk by using forwards and monitoring the hedging level of the portfolio managed by the asset manager. A few Group entities, such as SIX SIS Ltd and SIX Payment Services (Austria) GmbH, hedge their exposure in foreign currencies directly with local banks. Other foreign and Swiss entities enter into foreign exchange rate contracts with Group Treasury. Group Treasury, for its part, is responsible for hedging net positions in foreign currencies with external counterparties.

The table below illustrates the hypothetical sensitivity of earnings before tax to increases and decreases in foreign exchange rates at year-end due to revaluation of balance sheet items, assuming all other variables remain unchanged. The changes in exchange rates used for 2017 and 2016 are based on historical volatility. Positive figures represent an increase in earnings before tax.

	2017			2016		
	Change in exchange rate	Effect on earnings before tax		Change in exchange rate	Effect on earnings before tax	
Amounts in CHF million	+/–	+	–	+/–	+	–
CHF/EUR	12.1%	8.1	–8.1	4.5%	–0.9	0.9
CHF/USD	7.3%	–4.8	4.8	7.3%	–2.2	2.2
CHF/GBP	8.8%	–0.4	0.4	13.6%	–0.3	0.3
Total		**2.8**	**–2.8**		**–3.4**	**3.4**

At 31 December 2017, if the Swiss franc had strengthened by 12.1% against the euro, 7.3% against the US dollar and 8.8% against the pound sterling with all other variables unchanged, earnings before tax would have been CHF 2.8 million higher (31 December 2016: CHF 3.4 million lower). If the Swiss franc had weakened by the above rates, the effect on equity would have been the opposite.

For disclosure of the contract volumes of derivative financial instruments in each currency, see note 29.

Interest rate risk

SIX is exposed to interest rate risk because of the volatility of market interest rates. Interest rate risk is the risk of market price movements of interest bearing assets due to changes in interest rates.

Cash deposits and investments in debt instruments are subject to interest rate risk. Fair value fluctuations of fixed-interest financial instruments (i.e. bonds), which would reflect a change in market interest rates, are not recognized in the income statement because these financial instruments are measured at amortized cost according to IFRS 9. Therefore, with respect to debt instruments a change in market interest rates would not have any effect on the Group's interest income or expense.

In interest margin business, interest rate changes could have a major impact on earnings. However, SIX is subject to hardly any interest rate risk, as the cash received from business partners is invested primarily in overnight interest-bearing accounts, short-term financial instruments or secured reverse repos with a term to maturity of less than one year. From the interest earned, SIX may pay interest less a margin to its business partners for the deposits on their ordinary cash vostro accounts or may not compensate the business partners at all should the interest earned be less than the desired margin.

The interest rate risk arises primarily from investments in Swiss francs, euros, US dollars and pounds sterling. The table below illustrates the hypothetical sensitivity of earnings before tax to a reasonably possible change of a +/–50 basis point parallel shift in yield curves. Positive figures represent an increase in earnings before tax.

Amounts in CHF million	2017 Change in interest rate +/–	2017 Effect on earnings before tax +	2017 Effect on earnings before tax –	2016 Change in interest rate +/–	2016 Effect on earnings before tax +	2016 Effect on earnings before tax –
CHF	50 bps	4.5	–4.5	50 bps	1.4	–1.4
EUR	50 bps	2.1	–0.9	50 bps	1.1	–
USD	50 bps	5.4	–5.4	50 bps	7.0	–7.0
GBP	50 bps	0.2	–0.2	50 bps	–	–
Total		**12.2**	**–11.0**		**9.5**	**–8.4**

According to the simulation, with a 50 bps rise in interest rates in each currency, earnings before tax would have been CHF 12.2 million higher (31 December 2016: CHF 9.5 million higher). With a 50 bps drop in interest rates, earnings before tax would have been CHF 11.0 million lower (31 December 2016: CHF 8.4 million lower).

Index price risk

Index price risk at SIX is the risk of loss resulting from declining equity and bonds indices or fair values of individual instruments.

SIX holds equity instruments (e.g. direct investments in shares and units in investment funds) and bond funds for liquidity reasons. These instruments are measured at fair value through profit or loss. Fluctuations in individual prices or indices therefore have a direct impact on earnings before tax.

The investment policy of SIX establishes limits on the level of risk in the invested portfolio. Investment limits help the professional external asset managers to ensure that the investment portfolio is sufficiently diversified and that it remains exposed to an acceptable level of risk. The performance of the portfolio is compared with the defined benchmarks.

SIX makes direct investments in unlisted companies to a much lesser extent. The fair value of these equity investments tends to be dominated by factors specific to the company invested in. For this reason, SIX does not include these investments in the sensitivity analysis. Additionally, debt instruments classified as measured at amortized cost are not included in the sensitivity analysis, as fluctuations in prices have no direct impact on earnings before tax.

The table below illustrates the hypothetical sensitivity of earnings before tax to increases and decreases in the respective indices, assuming all other variables remain unchanged. The sensitivity rate is based on historical volatility using the yearly standard deviation.

Amounts in CHF million	2017 Change in index +/–	2017 Effect on earnings before tax +	2017 Effect on earnings before tax –	2016 Change in index +/–	2016 Effect on earnings before tax +	2016 Effect on earnings before tax –
Index						
SPI®	7.3%	10.3	–10.3	10.9%	10.2	–10.2
SBI®	2.3%	6.0	–6.0	3.3%	8.5	–8.5
SXI®	6.1%	4.1	–4.1	4.5%	2.9	–2.9
Total		**20.4**	**–20.4**		**21.7**	**–21.7**

If the increases in the three indices had been reflected in a change in the financial instruments classified as FVtPL held as at 31 December 2017, earnings before tax would have been CHF 20.4 million higher (31 December 2016: CHF 21.7 million higher). If the indices had fallen, the effect would have been the opposite.

28. Fair value of financial instruments

Fair value of financial instruments

The table below shows the estimated fair values of financial instruments together with the carrying amounts at the reporting date. The valuation methods and assumptions applied to determine the fair values are explained further below.

CHF million	31/12/2017 Carrying amount	31/12/2017 Fair value	31/12/2017 Deviation	31/12/2016 Carrying amount	31/12/2016 Fair value	31/12/2016 Deviation
Assets						
Equity instruments at FVtPL	44.5	44.5	–	34.0	34.0	–
Units in investment funds at FVtPL [1]	416.6	416.6	–	409.0	409.0	–
Financial instruments from settlement business [2]	198.9	198.9	–	101.0	101.0	–
Derivative financial instruments at FVtPL	61.0	61.0	–	55.6	55.6	–
Debt instruments at FVtPL	29.9	29.9	–	19.6	19.6 [4]	–
Financial assets at fair value	**750.8**	**750.8**	**–**	**619.4**	**619.4**	**–**
Cash and cash equivalents	4,462.6	4,462.6	–	4,921.2	4,921.2	–
Trade and other receivables	263.4	263.4	–	213.6	213.6	–
Receivables from clearing & settlement	3,566.9	3,566.9	–	3,326.4	3,326.4	–
Bonds [3]	233.7	235.2	1.5	240.2	242.5	2.3
Other debt instruments	30.3	30.3	–	13.3	13.3	–
Financial assets at amortized cost	**8,556.9**	**8,558.4**	**1.5**	**8,714.6**	**8,716.9**	**2.3**
Total financial assets	**9,307.8**	**9,309.3**	**1.5**	**9,334.0**	**9,336.3**	**2.3**
of which current	*9,047.7*			*9,149.3*		
of which non-current	*260.1*			*184.7*		
Liabilities						
Derivative financial instruments at FVtPL	61.9	61.9	–	56.7	56.7	–
Other financial liabilities at FVtPL	7.0	7.0	–	–	–	
Financial liabilities at fair value	**68.9**	**68.9**	**–**	**56.7**	**56.7**	**–**
Bank overdrafts	1.0	1.0	–	0.1	0.1	–
Trade and other payables	262.1	262.1	–	190.4	190.4	–
Payables from clearing & settlement	6,861.5	6,861.5	–	6,986.0	6,986.0	–
Financial liabilities at amortized cost	**7,124.6**	**7,124.6**	**–**	**7,176.5**	**7,176.5**	**–**
Total financial liabilities	**7,193.5**	**7,193.5**	**–**	**7,233.3**	**7,233.3**	**–**
of which current	*7,193.5*			*7,233.3*		
of which non-current	–			–		

[1] SIX holds certain investments in equity funds, fixed income funds, money market funds, real estate funds and funds of hedge funds denominated in foreign currencies, with the aim of diversifying its investments and taking advantage of foreign markets' performance.

[2] These financial instruments represent quoted equity instruments that SIX acquires as a result of failure by a counterparty to deliver its side of a transaction.

[3] Bonds mainly include government and corporate bonds as well as European medium term notes (EMTNs) denominated in CHF, EUR, USD and NOK. According to the internal investment strategy, the requirements regarding counterparty creditworthiness are based on a minimum rating of A (Standard & Poor's) or A2 (Moody's).

[4] Including CHF 16.5 million reclassified from equity instruments at FVtOCI due to debt classification following re-evaluation of certain contractual features of a financial instrument.

Valuation methods for financial assets and liabilities

The table below analyzes recurring fair value measurements for financial assets and liabilities. These fair value measurements are assigned to the different levels of the fair value hierarchy. These levels are defined as follows:

- Level 1: The fair value of listed financial instruments with a price established in an active market is determined on the basis of current quoted market prices.
- Level 2: Valuation methods are used to determine the fair value of financial instruments if no direct market prices are available. The underlying assumptions are based on observable market data, either directly or indirectly, as at the reporting date.
- Level 3: If neither current market prices nor valuation methods based on observable market data can be drawn on for the purpose of determining fair value, then valuation methods are based on unobservable market data. Those inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The following methods and assumptions were used to estimate the fair values:

- For cash and cash equivalents including bank overdrafts, trade and other receivables, receivables and payables from clearing & settlement, trade and other payables, and short-term loans and borrowings, it is assumed that the carrying amount corresponds to their fair value.
- The fair value of quoted equity and debt instruments (e.g. bonds) and of units in investment funds is determined by reference to published price quotations at the reporting date. The valuation of financial assets from settlement business held at fair value through profit or loss is performed with reference to quoted prices from the markets to which they relate. Such financial assets therefore fall under level 1 of the fair value hierarchy.
- For equity instruments that are not traded but for which a sales transaction has been announced and either an indicative or final sales price is available (e.g. sales price in a purchase agreement), the fair value is measured based on the expected cash flows from the sale considering the risks and uncertainties until the closing of the transaction. These equity instruments are assigned to level 3 of the fair value hierarchy. An increase or decrease of 10% in the estimated cash flows would lead to an increase or decrease of approximately 10% in the fair value of the financial asset.
- For preferred shares classified as debt instruments that are limited in transferability until conversion into tradable equity securities, the fair value is measured based on the current quoted market price of the tradable equity securities adjusted by a variable discount percentage considering the timing and risks until conversion. These equity instruments are assigned to level 3 of the fair value hierarchy. An increase or decrease of 10% in the quoted market price of the tradable securities would lead to an increase or decrease of approximately 10% in the fair value of the financial asset.
- For other debt instruments measured at FVtPL and liabilities from contingent considerations, the fair value is determined by discounting the expected future payments at a risk-adjusted discount rate. As the input factors are not readily available in the market, these instruments are assigned to level 3 of the fair value hierarchy. An increase or decrease of 10% in the estimated cash flows would lead to an increase or decrease of approximately 10% in the fair value. The estimated fair value would increase if the risk-adjusted discount rate were lower.
- Foreign exchange swaps and forwards are not traded publicly. The inputs into the calculation include foreign exchange spot rates, interest rates and foreign exchange volatility. In general, these inputs are readily observable in the markets or provided by consensus data providers. Thus, foreign exchange swaps, forwards and other foreign exchange derivatives are categorized as level 2 instruments.
- For forward contracts from the clearing and settlement business as CCP, the fair value is determined as the difference between the fair value of the underlying instrument at the trade date and its fair value at the reporting date. With the exception of forward contracts from the clearing and settlement of options, all other forward contracts from clearing and settlement are assigned to level 2 of the fair value hierarchy, as the inputs used are readily available in the market.

– For forward contracts from the clearing and settlement of options, the fair value is determined based on the Black-Scholes formula. The inputs into the calculation include share price, strike price, risk-free interest rate and historical volatility. With the exception of historical volatility the inputs are readily observable in the market. Historical volatility therefore represents a level 3 input, as it does not reflect market participants' expectations. As such, forward contracts from the clearing and settlement of options are assigned to level 3 of the fair value hierarchy.

The following table shows the fair values of the financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

Financial instruments in the fair value hierarchy

CHF million	Listed market prices Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3	31/12/2017
Equity instruments at FVtPL	41.2	–	3.3	44.5
Units in investment funds at FVtPL	406.7	10.0	–	416.6
Financial instruments from settlement business	198.9	–	–	198.9
Derivative financial instruments at FVtPL	–	43.0	17.9	61.0
Debt instruments at FVtPL	–	–	29.9	29.9
Financial assets at fair value	**646.8**	**53.0**	**51.1**	**750.8**
Bonds	235.2	–	–	235.2
Financial assets for which fair values are disclosed	**235.2**	**–**	**–**	**235.2**
Derivative financial instruments	–	–44.0	–17.9	–61.9
Other financial liabilities at FVtPL	–	–	–7.0	–7.0
Financial liabilities at fair value	**–**	**–44.0**	**–25.0**	**–68.9**

CHF million	Listed market prices Level 1	Valuation methods based on market data Level 2	Valuation methods not based on market data Level 3	31/12/2016
Equity instruments at FVtPL	31.6	–	2.4	34.0
Units in investment funds at FVtPL	386.0	23.0	–	409.0
Financial instruments from settlement business	101.0	–	–	101.0
Derivative financial instruments at FVtPL	–	36.9	18.7	55.6
Debt instruments at FVtPL	–	–	19.6 [2]	19.6
Financial assets at fair value [1]	**518.7**	**60.0**	**40.7**	**619.4**
Bonds	242.5	–	–	242.5
Financial assets for which fair values are disclosed [1]	**242.5**	**–**	**–**	**242.5**
Derivative financial instruments	–	38.0	18.7	56.7
Financial liabilities at fair value	**–**	**38.0**	**18.7**	**56.7**

[1] Prior-year disclosure has been adjusted to match the current year's presentation.

[2] Including CHF 16.5 million reclassified from equity instruments at FVtOCI due to debt classification following re-evaluation of certain contractual features of a financial instrument.

Transfers between levels

SIX recognizes transfers between the levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. In 2017, there was a transfer of an investment fund from level 2 to level 1 in the amount of CHF 14.7 million. The transfer was caused by increased trading frequency on the part of the investment fund. The market of the investment fund now meets the definition of an active market. There were no transfers into or out of level 3. In 2016, there were no transfers between level 1 and level 2 or between level 2 and level 3.

Movements in level 3 financial assets

The movements in level 3 instruments since 31 December 2016 mainly relate to the debt instruments in Visa Inc. as described in note 17. SIX also carries unquoted equity instruments and option contracts from the derivative clearing and settlement business as financial instruments at fair value through profit or loss classified within the fair value hierarchy as level 3.

CHF million	31/12/2017	31/12/2016
Carrying amount at the beginning of the year	**40.7**	**119.6**
Additions	3.5	17.9
Disposals	–1.2	–130.9
Change in forward contracts from clearing & settlement	–0.8	–4.1
Losses recognized in the income statement	–0.1	–0.0
Gains recognized in the income statement	9.0	0.4
Gains recognized in other comprehensive income	–	37.9
Carrying amount at closing	**51.1**	**40.7**
Income on holdings at closing		
Unrealized losses recognized in the income statement	–0.1	–0.0
Unrealized gains recognized in the income statement	9.0	0.4
Unrealized gains recognized in other comprehensive income	–	1.7

In 2017, gains recognized in the income statement included the fair value changes related to the Visa Inc. debt instruments of CHF 8.5 million (see note 17).

As at 31 December 2017, SIX had CHF 17.9 million (31 December 2016: CHF 18.7 million) of outstanding forward contracts from clearing and settlement activities in its capacity as a central counterparty in derivative trading of options in the course of fulfilling its task of matching buy and sell orders. As such, the positive fair values of the outstanding option contracts equal the negative fair values. Accordingly, the decrease in the fair value of the option contracts from clearing and settlement in derivative trading of CHF 0.8 million (31 December 2016: decrease of CHF 4.1 million) impacted neither profit or loss nor total comprehensive income.

29. Derivative financial instruments

The following table shows the replacement values and corresponding contract volumes:

	31/12/2017			31/12/2016		
CHF million	Positive replacement values	Negative replacement values	Contract volumes	Positive replacement values	Negative replacement values	Contract volumes
Trading derivatives						
Forward contracts	60.0	60.2	13,108.2	55.5	56.4	10,507.1
Foreign currency	*0.9*	*1.3*	*140.3*	*0.2*	*0.2*	*89.4*
Clearing & settlement business	*59.1*	*58.9*	*12,967.9*	*55.3*	*56.2*	*10,417.7*
Swaps	0.9	1.7	550.0	0.1	0.4	270.7
Foreign currency	*0.9*	*1.7*	*550.0*	*0.1*	*0.4*	*270.7*
Total trading derivatives	**61.0**	**61.9**	**13,658.2**	**55.6**	**56.7**	**10,777.8**
Total derivative financial instruments	**61.0**	**61.9**	**13,658.2**	**55.6**	**56.7**	**10,777.8**

Derivative financial instruments held for trading purposes

SIX purchases various derivative financial instruments for the purpose of hedging foreign exchange effects as part of its risk strategy, with in general no application of hedge accounting. Derivative financial instruments include in particular the positive and negative fair value of forward contracts from the clearing and settlement business of SIX.

The positive replacement values represent the estimated amount that SIX would receive if the derivative contracts were settled in full on the reporting date.

The negative replacement values, on the other hand, represent the estimated amount that SIX would need to pay if the derivative instruments were settled in full on the reporting date.

Derivative financial instruments held for fair value hedges

In 2016, SIX hedged the foreign currency risk of the upfront cash payment of the Visa Europe Ltd equity instruments by means of foreign currency forward contracts. The corresponding loss of CHF 0.8 million was recognized in other comprehensive income. For further information, see note 17.

30. Offsetting

The following tables show the effects of offsetting on the balance sheet and the related amounts not offset for financial assets and financial liabilities that are subject to enforceable netting arrangements:

31/12/2017

	Assets subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
CHF million	Gross assets before balance sheet netting	Balance sheet netting with gross liabilities	**Net assets reported on the balance sheet** [1]	Financial liabilities	Collateral received [2]	**Assets after consideration of netting potential**	**Assets not subject to enforceable netting arrangements** [1]	**Balance sheet total** [1]
Receivables from C&S	1,523.5	–	1,523.5	–	–1,523.5	–	2,043.4	3,566.9
Receivables from C&S	*117.3*	–	*117.3*	–	*–117.3*	–	*2,043.4*	*2,160.7*
Reverse repurchase agreements	*1,406.2*	–	*1,406.2*	–	*–1,406.2*	–	–	*1,406.2*
Financial assets (current)	71.0	–11.9	59.1	–49.4	–9.7	–	695.6	754.8
Forward contracts from C&S business	*71.0*	*–11.9*	*59.1*	*–49.4*	*–9.7*	–	–	*59.1*
Other financial assets (current)	–	–	–	–	–	–	*695.6*	*695.6*
Total assets	**1,594.5**	**–11.9**	**1,582.6**	**–49.4**	**–1,533.2**	**–**	**2,739.0**	**4,321.6**

31/12/2016

	Assets subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
CHF million	Gross assets before balance sheet netting	Balance sheet netting with gross liabilities	**Net assets reported on the balance sheet** [1]	Financial liabilities	Collateral received [2]	**Assets after consideration of netting potential**	**Assets not subject to enforceable netting arrangements** [1]	**Balance sheet total** [1]
Receivables from C&S	1,618.2	–	1,618.2	–	–1,617.5	0.7	1,708.2	3,326.4
Receivables from C&S	*68.0*	–	*68.0*	–	*–68.0*	–	*1,708.2*	*1,776.2*
Reverse repurchase agreements	*1,550.1*	–	*1,550.1*	–	*–1,549.4*	*0.7*	–	*1,550.1*
Financial assets (current)	71.5	–16.2	55.3	–47.9	–7.5	–	632.9	688.2
Forward contracts from C&S business	*71.5*	*–16.2*	*55.3*	*–47.9*	*–7.5*	–	–	*55.3*
Other financial assets (current)	–	–	–	–	–	–	*632.9*	*632.9*
Total assets	**1,689.7**	**–16.2**	**1,673.5**	**–47.9**	**–1,624.9**	**0.7**	**2,341.1**	**4,014.6**

[1] The balance sheet total is the sum of "net assets/liabilities reported on the balance sheet" that are subject to enforceable netting arrangements and "assets/liabilities not subject to enforceable netting arrangements".

[2] Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralization.

31/12/2017

CHF million	Liabilities subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross liabilities before balance sheet netting	Balance sheet netting with gross assets	Net liabilities reported on the balance sheet [1]	Related amounts not offset: Financial assets	Collateral pledged [2]	Liabilities after consideration of netting potential	Liabilities not subject to enforceable netting arrangements [1]	Balance sheet total [1]
Payables from C&S	1,595.9	–	1,595.9	–	–	1,595.9	5,265.6	6,861.5
Payables from C&S	*1,595.9*	–	*1,595.9*	–	–	*1,595.9*	*5,265.6*	*6,861.5*
Financial liabilities (current)	70.7	–11.9	58.9	–49.4	–	9.4	10.0	68.9
Forward contracts from C&S business	*70.7*	*–11.9*	*58.9*	*–49.4*	–	*9.4*	–	*58.9*
Other financial liabilities (current)	–	–	–	–	–	–	*10.0*	*10.0*
Total liabilities	**1,666.6**	**–11.9**	**1,654.7**	**–49.4**	**–**	**1,605.3**	**5,275.6**	**6,930.4**

31/12/2016

CHF million	Liabilities subject to enforceable netting arrangements: Effects of offsetting on balance sheet: Gross liabilities before balance sheet netting	Balance sheet netting with gross assets	Net liabilities reported on the balance sheet [1]	Related amounts not offset: Financial assets	Collateral pledged [2]	Liabilities after consideration of netting potential	Liabilities not subject to enforceable netting arrangements [1]	Balance sheet total [1]
Payables from C&S	1,318.3	–	1,318.3	–	–	1,318.3	5,667.8	6,986.0
Payables from C&S	*1,318.3*	–	*1,318.3*	–	–	*1,318.3*	*5,667.8*	*6,986.0*
Financial liabilities (current)	72.3	–16.2	56.2	–47.9	–	8.3	0.6	56.7
Forward contracts from C&S business	*72.3*	*–16.2*	*56.2*	*–47.9*	–	*8.3*	–	*56.2*
Other financial liabilities (current)	–	–	–	–	–	–	*0.6*	*0.6*
Total liabilities	**1,390.6**	**–16.2**	**1,374.4**	**–47.9**	**–**	**1,326.6**	**5,668.3**	**7,042.8**

[1] The balance sheet total is the sum of “net assets/liabilities reported on the balance sheet” that could be subject to enforceable netting arrangements and “assets/liabilities not subject to enforceable netting arrangements”.

[2] Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralization.

Related amounts offset

Forward contracts from clearing & settlement business are subject to the netting conditions as defined in the Clearing Rules of SIX x-clear Ltd. Open positions are settled net and offset to the extent that netting is permitted, which requires that the amounts relate to the same clearing representative, the same derivative series and the same maturity date.

Related amounts not offset

Positive/negative replacement values (RPVs) of derivatives and receivables/payables from clearing & settlement

These receivables and payables are subject to set-off under netting agreements, such as the General Terms and Conditions of Business for Clearing of Trading Platform Transactions. The netting agreements stipulate that close-out netting applies across all outstanding transactions with the same clearing member if a default event or other predetermined event occurs. Such arrangements, however, do not provide a legally enforceable right in the normal course of business.

SIX x-clear Ltd acts as central counterparty for securities trading. If one counterparty (buyer or seller) fails, it is exposed to the price fluctuation of the securities, as the remaining late leg is not offset by the settled leg. To cover this risk, SIX x-clear Ltd obtains collateral to cover the net exposure. The collateral can be realized in a default event or if another predetermined event occurs.

Repurchase agreements and reverse repurchase agreements

Receivables and payables related to repurchase and reverse repurchase agreements are subject to set-off under netting agreements, such as the Swiss Master Agreement for Repo Trades and/or Global Master Repurchase Agreement. These agreements stipulate that all outstanding transactions with the same counterparty can be offset, and close-out netting applies across all outstanding transactions covered by the agreements if a default event or other predetermined event occurs. Such arrangements, however, do not provide a legally enforceable right in the normal course of business.

Financial collateral typically comprises highly liquid securities and can be liquidated in the event of counterparty default.

Group composition

31. Interests in other entities

Subsidiaries

The list below shows SIX Group Ltd and its subsidiaries as at 31 December 2017 in comparison with 31 December 2016.

Fully consolidated participations

Name of entity	Principal place of business	Principal activities	Share capital in 1,000		Equity interest in % 31/12/2017	Equity interest in % 31/12/2016
Corporate						
SIX Group Ltd	Zurich	Holding company	CHF	19,522	–	–
SIX Global Services Ltd (formerly SIX Swiss Exchange Securities Matcher Ltd)	Zurich	Services for Group companies or third parties	CHF	100	100.0	100.0
SIX Group Services Ltd	Zurich	IT services	CHF	52,500	100.0	100.0
SIX Management Ltd	Zurich	Management services	CHF	100	100.0	100.0
Swiss Exchange						
SIX Corporate Bonds Ltd	Zurich	Stock exchange services	CHF	5,100	100.0	100.0
SIX Exchange Regulation Ltd	Zurich	Inactive	CHF	100	100.0	–
SIX Exfeed Ltd	Zurich	Distribution of financial information	CHF	1,100	100.0	100.0
SIX Structured Products Exchange Ltd	Zurich	Stock exchange and stock exchange services		–	–	100.0
SIX Swiss Exchange Ltd	Zurich	Stock exchange and stock exchange services	CHF	10,000	100.0	100.0
SWISSTRADINGBOX Ltd	Zurich	IT services	CHF	800	50.1	50.1
Securities Services						
Projektgesellschaft Softwareentwicklung Oktober 2011 Ltd	Frankfurt a. M.	Inactive		–	–	100.0
SIX Interbank Clearing Ltd	Zurich	Interbank payment services	CHF	1,000	75.0	75.0
SIX Paynet Ltd	Zurich	E-billing and direct debit services	CHF	100	100.0	100.0
SIX Repo Ltd	Zurich	Swiss money market trading platform	CHF	1,000	100.0	100.0
SIX Securities Services Ltd	Zurich	Holding company	CHF	26,000	100.0	100.0
SIX SIS Ltd	Olten	Settlement and custody	CHF	26,000	100.0	100.0
SIX SIS Nominee U.K. Ltd	Olten	Inactive	CHF	100	100.0	100.0
SIX Systems Ltd	Olten	Inactive		–	–	100.0
SIX Terravis Ltd	Zurich	Real estate information portal	CHF	4,100	100.0	100.0
SIX Trade Repository Ltd	Zurich	Trade repository	CHF	500	100.0	100.0
SIX x-clear Ltd	Zurich	Clearing	CHF	30,000	100.0	100.0

Name of entity	Principal place of business	Principal activities	Share capital in 1,000		Equity interest in % 31/12/2017	Equity interest in % 31/12/2016
Financial Information						
CETREL Securities SA	Luxembourg	Financial information services	EUR	5,500	100.0	100.0
Finaccess SIX Financial Information SAM	Casablanca	Financial information services	MAD	8,548	55.0	55.0
Rolotec Ltd	Biel	Development and engineering of software		–	–	100.0
SIX Financial Information Ltd	Zurich	Financial information services	CHF	5,400	100.0	100.0
SIX Financial Information Belgium SA	Brussels	Financial information services	EUR	505	100.0	100.0
SIX Financial Information Denmark A/S	Copenhagen	Financial information services	DKK	1,600	100.0	100.0
SIX Financial Information Deutschland GmbH	Frankfurt a. M.	Financial information services	EUR	512	100.0	100.0
SIX Financial Information España SA	Madrid	Financial information services	EUR	424	100.0	100.0
SIX Financial Information Finland Oy	Helsinki	Financial information services	EUR	8	100.0	100.0
SIX Financial Information France SAS	Paris	Financial information services	EUR	44,900	100.0	100.0
SIX Financial Information Hong Kong Limited	Hong Kong	Inactive	HKD	4,000	100.0	100.0
SIX Financial Information Italia Srl	Milan	Financial information services	EUR	100	100.0	100.0
SIX Financial Information Japan Ltd	Tokyo	Financial information services	JPY	40,000	100.0	100.0
SIX Financial Information Luxembourg SA	Leudelange	Financial information services	EUR	31	100.0	100.0
SIX Financial Information Monaco SAM	Monaco	Financial information services	EUR	150	100.0	100.0
SIX Financial Information Nederland BV	Amsterdam	Financial information services	EUR	250	100.0	100.0
SIX Financial Information Norway AS	Oslo	Financial information services	NOK	550	100.0	100.0
SIX Financial Information Singapore Pte Ltd	Singapore	Financial information services	SGD	25	100.0	100.0
SIX Financial Information Sweden AB	Stockholm	Financial information services	SEK	100	100.0	100.0
SIX Financial Information UK Ltd	London	Financial information services	GBP	500	100.0	100.0
SIX Financial Information USA Inc.	Stamford USA	Financial information services	USD	0	100.0	100.0
STK Nordic AB	Stockholm	Holding company	SEK	100	100.0	100.0
Payment Services						
SIX Austria Holding GmbH	Vienna	Holding company	EUR	35	100.0	100.0
SIX Payment Ltd	Bedano	Integrated payment solutions	CHF	120	100.0	–
SIX Payment Services Ltd	Zurich	Integrated payment solutions	CHF	6,500	100.0	100.0
SIX Payment Services (Austria) GmbH	Vienna	Integrated payment solutions	EUR	13,235	100.0	100.0
SIX Payment Services (Europe) SA	Luxembourg	Integrated payment solutions	EUR	1,820	100.0	100.0
SIX Payment Services (Germany) GmbH	Norderstedt	Integrated payment solutions	EUR	25	100.0	100.0
SIX Payment Services (Luxembourg) SA	Leudelange	Integrated payment solutions	EUR	255	100.0	100.0
Swisskey Ltd	Zurich	Inactive	CHF	100	100.0	100.0

The subsidiaries listed above have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held is equal to the voting rights held by SIX.

Changes to the composition of the Group during 2017

In January 2017, SIX Structured Products Exchange Ltd was merged with SIX Swiss Exchange Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2017.

In January 2017, SIX Systems Ltd was merged with SIX Securities Services Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2017.

In January 2017, Rolotec Ltd was merged with SIX Financial Information Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2017.

In March 2017, SIX Trade Repository Ltd realized a capital increase of CHF 0.4 million.

In June 2017, SIX Repo Ltd realized a capital increase of CHF 0.9 million.

In July 2017, SIX Swiss Exchange Securities Matcher Ltd was renamed SIX Global Services Ltd and was transferred from the Swiss Exchange operating segment to the Corporate segment. The transfer had no impact on the Group's consolidated figures or on the segment reporting as at 31 December 2017.

In August 2017, SIX acquired Aduno SA, which included the terminal and acquiring business of Aduno Group. After the acquisition, the company was renamed SIX Payment Merchant Ltd. In November 2017, the company was renamed SIX Payment Ltd.

In September 2017, Projektgesellschaft Softwareentwicklung Oktober 2011 Ltd was liquidated.

In November 2017, SIX Exchange Regulation Ltd was established with fully paid-up share capital of CHF 0.1 million.

Changes to the composition of the Group during 2016

In January 2016, CETREL SA was merged with SIX Payment Services (Europe) SA. The merger had no impact on the Group's consolidated figures as at 31 December 2016.

In February 2016, SIX sold the business of the SIX Payment Services (Luxembourg) SA sub-group.

In the first half of 2016, SIX acquired the remaining 5.56% of shares in Europerformance SIX Telekurs. As a result, SIX eliminated the non-controlling interest. Europerformance SIX Telekurs was subsequently merged with SIX Financial Information France SAS. The merger had no impact on the Group's consolidated figures as at 31 December 2016.

In September 2016, SIX Financial Information Ltd realized a capital decrease of CHF 39.6 million.

In December 2016, SIX sold the shares in SIX SAG Ltd.

In December 2016, C6 Ré SA was liquidated. The gain from the liquidation was CHF 0.3 million, and this is included in financial income.

Commitment for joint arrangements

In August 2015, SIX and Postfinance agreed to cooperate on e-billing and direct debits. Plans are in place for Postfinance to migrate to the Paynet e-billing solution by 2019. Then, Postfinance will acquire a minority stake and certain participation rights in SIX Paynet Ltd, which will subsequently operate as a joint venture. At that time, SIX will deconsolidate SIX Paynet Ltd and account for its interest in the joint venture using the equity method.

Non-controlling interests in subsidiaries

The following table summarizes the information relating to the SIX subsidiaries that have material non-controlling interests (NCI), before any intra-Group elimination.

	31/12/2017		
CHF million	SIX Interbank Clearing Ltd	Other	Total
NCI percentage	**25.0%**		
Current assets	22.1	4.6	26.7
Non-current assets	17.1	0.9	17.9
Current liabilities	5.0	2.0	7.0
Non-current liabilities	0.5	0.0	0.5
Net assets	**33.7**	**3.4**	**37.1**
NCI equity	**8.4**	**1.4**	**9.9**
Revenues	**34.6**	**4.5**	**39.1**
Net profit	3.1	0.7	3.8
Other comprehensive income	–0.3	–0.0	–0.3
Total comprehensive income	**2.8**	**0.7**	**3.5**
NCI total comprehensive income	**0.7**	**0.1**	**0.8**
Cash flows from operating activities	2.0	–0.6	1.4
Cash flows from investing activities	–0.1	–0.0	–0.1
Cash flows from financing activities, before dividends to NCI	–0.9	0.7	–0.3
Cash flows from financing activities, dividends to NCI	–0.5	–0.2	–0.6
Net increase/decrease in cash and cash equivalents	**0.6**	**–0.1**	**0.4**

CHF million	SIX Interbank Clearing Ltd	Other	Total
			31/12/2016
NCI percentage	**25.0%**		
Current assets	18.2	4.3	22.5
Non-current assets	24.2	0.9	25.1
Current liabilities	9.2	1.4	10.6
Non-current liabilities	0.4	0.0	0.4
Net assets	**32.8**	**3.7**	**36.4**
NCI equity	**8.2**	**1.5**	**9.7**
Revenues	**32.8**	**5.2**	**38.0**
Net profit	1.4	1.1	2.5
Other comprehensive income	0.9	0.0	0.9
Total comprehensive income	**2.2**	**1.1**	**3.4**
NCI comprehensive income	**0.6**	**0.2**	**0.8**
Cash flows from operating activities	0.9	–4.0	–3.1
Cash flows from investing activities	–1.1	–0.0	–1.1
Cash flows from financing activities, before dividends to NCI	1.2	4.4	5.6
Cash flows from financing activities, dividends to NCI	–0.5	–0.1	–0.6
Net increase/decrease in cash and cash equivalents	**0.5**	**0.2**	**0.7**

Associates

Associated companies

Name of entity	Principal place of business	Principal activities	Share capital in 1,000		31/12/2017 Equity interest in %	31/12/2016 Equity interest in %
Swiss Exchange						
Swiss Fund Data Ltd	Zurich	Fund information platforms	CHF	850	29.4	29.4
Payment Services						
TWINT Ltd	Zurich	Mobile payment solutions	CHF	10,200	33.3	33.3
Corporate						
SECB Swiss Euro Clearing Bank GmbH	Frankfurt a. M.	Clearing house	EUR	30,000	25.0	25.0

As of 31 December 2017, no associate was individually material to the Group. All investments in associates are accounted for using the equity method. The investments in associates included at the reporting date have a total carrying amount of CHF 23.5 million (31 December 2016: CHF 40.8 million).

In September 2016, SIX acquired 33.3% of the shares in TWINT Ltd. The remaining shares are held by Postfinance and several other Swiss banks. The total contribution provided by SIX in 2016 was CHF 24.4 million and includes a cash payment of CHF 24.0 million and the Paymit business of CHF 0.4 million. An additional cash payment of CHF 5.0 million was provided by SIX in 2017.

The following table presents, in aggregate, the carrying amount and share of profit and other comprehensive income of the associates:

CHF million	31/12/2017	31/12/2016
Carrying amount	**23.5**	**40.8**
Share of profit	–23.2	–0.3
Share of other comprehensive income	1.8	–0.2
Share of total comprehensive income	**–21.4**	**–0.5**

32. Acquisitions of subsidiaries and non-controlling interests

Acquisitions in 2017

Aduno SA

On 6 August 2017, SIX obtained control of Aduno SA by acquiring 100% of the shares and voting interests in the company. The company was fully owned by Viseca Card Services SA, a subsidiary of Aduno Holding SA. The business includes the acquiring and terminal business (card acceptance and processing).

The acquisition provides economies of scale and ensures that SIX can offer premier services at attractive conditions to merchants in its home market Switzerland and across Europe. In addition, through the acquisition of Aduno SA, SIX is consolidating its position in the European payments landscape.

From the date of acquisition, the business contributed CHF 37.7 million of revenues and negatively impacted profit before tax of the Group by CHF 11.1 million. Assuming that the acquisition had taken place on 1 January 2017, management estimates that revenues and profit of the Group would have been CHF 52.7 million higher and CHF 1.0 million lower, respectively.

The transaction costs of the acquisition, which totaled CHF 2.0 million, are included in other operating expenses and personnel expenses.

Identifiable assets acquired and liabilities assumed
The following table summarizes assets acquired and liabilities assumed on the acquisition date.

CHF million	Notes	Fair value recognized on acquisition
Cash and cash equivalents		3.6
Trade and other receivables		20.0
Receivables from clearing & settlement		121.6
Inventories		2.3
Other current assets		5.0
Current assets		**152.4**
Property, plant and equipment	21	3.2
Customer relationships	22	62.2
Software	22	1.4
Financial assets	17	0.0
Non-current assets		**66.9**
Total assets		**219.2**
Bank overdrafts		0.0
Trade and other payables		2.5
Payables from clearing & settlement		142.4
Provisions	25	0.3
Current income tax payables		2.5
Other current liabilities		9.2
Current liabilities		**156.9**
Provisions	25	0.1
Other non-current liabilities		3.9
Deferred tax liabilities	13	10.3
Non-current liabilities		**14.3**
Net assets acquired		**48.0**
Goodwill	22	132.7
Total purchase price		**180.7**
of which cash considerations		*180.7*

Trade and other receivables
Trade and other receivables comprised gross contractual amounts of CHF 20.0 million, CHF 0.1 million of which were expected to be uncollectible at the date of acquisition.

The following assets and liabilities were identified in the context of the purchase price allocation (PPA). In accordance with IFRS 3, the assembled workforce was valued to derive the corresponding contributory asset charges for the measurement of customer relationships, but remains part of the goodwill.

Customer relationships
The multi-period excess earnings method (MEEM) was applied to assess the fair value of the customer relationships. The MEEM values assets based on their economic benefit embodied by the net cash flows attributable to those assets, i.e. the cash flows in excess of a fair return on all other assets required to realize these cash flows.

The aggregate fair value of the customer relationships amounted to CHF 62.2 million.

Goodwill
The goodwill amount of CHF 132.7 million corresponded to 73.5% of the purchase price of CHF 180.7 million and comprises the value of expected synergies arising from the acquisition.

The goodwill is fully allocated to the Merchant Services business area.

None of the goodwill recognized was expected to be deductible for income tax purposes.

VÖB-ZVD Processing GmbH
On 29 September 2017, SIX acquired the girocard network operations business from VÖB-ZVD Processing GmbH, a subsidiary of Deutsche Postbank Ltd. The business includes the processing and clearing of girocard transactions and electronic direct debits and the routing of card transactions to external acquirers. In addition, the business also offers ancillary services related to point of sale payment services.

The seller transferred the business by way of a carve-out into a limited liability partnership under German law ("NewCo"). SIX obtained control by acquiring 100% of the shares and voting interests in NewCo. After the effective transfer of the shares, the limited partner withdrew from NewCo with immediate effect, whereby the business accrued to SIX. Following the accretion NewCo ceased to exist.

Germany is a primary target market for SIX in the payment services business. The ownership of a technical network service provider is an essential component for SIX's positioning and growth in Germany. The acquisition provides SIX access to and generates synergies with new key accounts and reselling partners.

From the date of acquisition, the business contributed CHF 4.0 million of revenues and negatively impacted profit before tax of the Group by CHF 1.3 million. Assuming that the acquisition had taken place on 1 January 2017, revenues and profit before tax of the Group would have been CHF 6.0 million and CHF 1.8 million higher, respectively.

At closing, SIX transferred a cash consideration of CHF 26.3 million. The purchase agreement also includes contingent considerations of CHF 7.0 million payable in two instalments once the operational transfer of certain hardware, software and data processing is executed.

The transaction costs of the acquisition, which totaled CHF 1.4 million, are included in other operating expenses and personnel expenses.

Identifiable assets acquired and liabilities assumed
The following table summarizes the assets acquired and liabilities assumed on the acquisition date.

CHF million	Notes	Fair value recognized on acquisition
Cash and cash equivalents		4.9
Trade and other receivables		2.3
Inventories		0.2
Other current assets		0.0
Current assets		**7.4**
Property, plant and equipment	21	0.5
Customer relationships	22	22.9
Software	22	2.7
Non-current assets		**26.0**
Total assets		**33.4**
Trade and other payables		0.2
Payables from clearing & settlement		2.2
Other current liabilities		2.8
Current liabilities		**5.2**
Net assets acquired		**28.2**
Goodwill	22	5.1
Total purchase price		**33.3**
of which contingent considerations		*7.0*
of which cash considerations		*26.3*

Trade and other receivables
Trade and other receivables comprised gross contractual amounts of CHF 2.3 million, none of which were expected to be uncollectible at the date of acquisition.

The following assets and liabilities were identified in the context of the purchase price allocation (PPA). In accordance with IFRS 3, the assembled workforce has been valued to derive the corresponding contributory asset charges for the valuation of the customer relationships, but remains part of the goodwill.

Customer relationships
The multi-period excess earnings method (MEEM) was applied to assess the fair value of the customer relationship. The MEEM values assets based on their economic benefit embodied by the net cash flows attributable to those assets, i.e. the cash flows in excess of a fair return on all other assets required to realize these cash flows.

The aggregate fair value of the customer relationships amounted to CHF 22.9 million.

Software
The cost approach was applied to assess the fair value of the internally generated and acquired software. The aggregate fair value of software amounted to CHF 2.7 million.

Goodwill
The goodwill amount of CHF 5.1 million corresponded to 15.3% of the purchase price and comprises the value of expected synergies arising from the acquisition.

The goodwill is fully allocated to the Merchant Service business area.

The total goodwill of CHF 5.1 million recognized is expected to be deductible for income tax purposes.

Additional information

33. Assets pledged or assigned to secure own liabilities

The following table presents the carrying amount of assets pledged or restricted in use:

CHF million	31/12/2017	31/12/2016
Cash and cash equivalents	0.6	1.8
Trade and other receivables	–	0.1
Financial assets at amortized cost	37.4	37.9
Disposal groups and assets held for sale	–	13.9
Total	**38.0**	**53.7**

SIX has pledged assets and provided cash deposits as security for operating lease agreements and card schemes. These amounts are restricted in use. Additionally, cash at a bank is pledged as collateral to receive a forward limit for foreign exchange transactions.

As at 31 December 2017, SIX x-clear Ltd had pledged debt instruments of CHF 21.0 million for the interoperability and the intraday credit facility used in connection with the Norwegian equities settlement (31 December 2016: CHF 36.6 million).

34. Contingent liabilities

SIX provided guarantees to third parties in the amount of CHF 203.0 million (31 December 2016: CHF 104.0 million). Of this figure, CHF 156.0 million related to credit facilities granted to entities of SIX Group (31 December 2016: CHF 57.0 million) and CHF 47.0 million related to the Group's cash pooling (31 December 2016: CHF 47.0 million). As at 31 December 2017, the Group had no other contingent liabilities (31 December 2016: CHF 1.3 million related to value-added tax claims).

35. Operating leases

SIX as lessee

At the reporting date, the future minimum lease payments under non-cancellable operating lease agreements were as follows:

CHF million	31/12/2017	31/12/2016
Within one year	20.8	26.8
Between one and five years	62.9	64.8
More than five years	132.4	110.2
Total	**216.1**	**201.8**

Payments for operating leases relate mainly to rent for real estate property, business premises, vehicles and IT equipment. Some of the leased business premises have been sublet to third parties by the Group.

During the year CHF 24.2 million was recognized as an expense in the income statement in respect of operating leases (2016: CHF 28.8 million). SIX did not recognize contingent rents as an expense in the income statement in either 2017 or 2016.

SIX as lessor

At the reporting date, SIX had contractually agreed the following irrevocable minimum lease payments:

CHF million	31/12/2017	31/12/2016
Within one year	17.0	11.1
Between one and five years	16.9	9.8
More than five years	–	–
Total	**33.9**	**21.0**

Future receivables from operating leases include payments that SIX will receive in future as income from renting out its leased business premises and payment terminals to third parties. No contingent rents were recognized during the period.

36. Defined benefit plans

SIX has established its own pension plan in Switzerland. Outside of Switzerland, SIX uses different, generally legally independent, pension providers. Defined benefit plans are in place for Switzerland, France, Luxembourg, Austria and Germany. Independent actuarial valuations for the plans in these countries are performed as required. Less than 1% of the present value of the defined benefit obligation can be ascribed to the international pension plans. For this reason, SIX has omitted to present the foreign pension plans separately.

Swiss pension plan

The Swiss pension plan covers all SIX employees in Switzerland and exceeds the minimum benefit requirements under Swiss law (BVG). The benefits covered include retirement, disability and death benefits. Pension plan contributions are paid by the employees and the employer and are calculated as a percentage of the covered salary. The rate of contribution depends on the age of the employee. All entities are responsible for the timely payment of contributions for each employee.

The Swiss plan currently provides employees with a choice between three saving plans: the budget plan, the standard plan and the maximum plan. The three plans differ only in the amount of employee contributions. At retirement, the employees' individual savings capital is multiplied by the conversion rate, which is defined by the pension fund regulations, and can be paid out as either a lifetime annuity or a lump-sum payment. In the event of disability the pension plan pays a disability pension until ordinary retirement age. In the event of death the surviving spouse or registered partner or life partner is entitled to receive a pension.

Although the Swiss pension plan is a defined contribution plan under Swiss pension law, it qualifies and is therefore accounted for as a defined benefit plan under IAS 19 *Employee Benefits (2013)*. According to the relevant affiliation agreements, there is no provision for SIX to be liable to the plan for other affiliated companies' obligations. Any deficit or surplus of the pension plan will be allocated between the affiliated companies according to the relevant defined benefit obligation.

In the second half of 2016, SIX announced certain changes to its Swiss pension plan. These changes include the following measures:

- Reduction in the technical interest rate and change in mortality tables to BVG 2015 generational tables (introduction of generational tables) to calculate liabilities under Swiss GAAP FER 26. For IAS 19 purposes, BVG generational mortality tables have already been applied in the past (i.e. for 2016: BVG 2015). Life expectancy is a key assumption in determining the defined benefit obligation.
- Reduction in conversion rate
- Reduction of risk contributions
- Introduction of the new budget savings plan (optional choice for employee)
- Increase of savings contributions for employees and employer

Financial support from SIX, in addition to the normal contributions, enabled future pensions of employees who are now 50 or older to be largely maintained at the current level (by individual increase of retirement savings).

These measures have been classified as a plan amendment under IAS 19. The plan amendment reduced the defined benefit obligation by CHF 26.8 million, with a corresponding gain recognized in the income statement in 2016.

A positive effect of CHF 2.7 million from a curtailment resulting from the restructuring initiative in the Payment Services business in Switzerland mentioned in note 25 was recognized in 2017.

The employer contributions expected to be made to the Swiss pension plan in 2018 are CHF 43.4 million.

International pension plans

The international locations of SIX operate various pension plans in accordance with local regulations and practices. The locations with defined benefit plans are France, Luxembourg, Austria and Germany. The pension plans provide benefits in the event of retirement, death or disability. The level of benefits provided depends on the defined rate of benefit accrual and level of compensation. The funding policy for these plans is consistent with local government and tax requirements.

The assumptions used for calculation of the defined benefit obligation in international plans are based on local economic conditions.

A positive effect of CHF 2.4 million from a curtailment resulting from the restructuring initiative in France mentioned in note 25 was recognized in 2016.

The employer contributions expected to be made to these pension plans in 2018 are CHF 0.1 million.

In addition to the general actuarial risks, the risks associated with the defined benefit obligation relate in particular to financial risks in connection with the plan assets, including counterparty credit default risk and market risks.

Plan assets and defined benefit obligation

The overall investment policy and strategy for the Swiss defined benefit plans are guided by the objective of achieving an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plan. Depending on the country, the pension fund trustees and/or SIX are responsible for determining the mix of asset types and target allocations. Actual asset allocation is determined by a variety of current and expected economic and market conditions and in consideration of specific asset class risks, the risk profile and the maturity pattern of the plan.

Plan assets in Luxembourg and Austria are held in the form of a qualifying insurance policy. The employer is the policyholder and pays the premiums. The investment risk is retained by the insurer, which will pay a profit share to the policyholder from the returns of the general insurance fund in the form of a reduction in future premiums.

The plan assets comprise:

CHF million	31/12/2017	31/12/2016
Equity instruments	501.4	443.7
of which listed	*501.4*	*443.7*
Debt instruments	714.9	720.8
of which listed	*714.9*	*720.8*
Real estate	328.5	288.9
of which indirect investments	*328.5*	*288.9*
Cash and cash equivalents	33.2	25.2
Other financial investments	78.0	38.6
Total plan assets	**1,656.0**	**1,517.2**

All equity and debt instruments have quoted prices in active markets. All government bonds have investment-grade ratings.

An asset-liability matching (ALM) study is performed periodically by an external investment advisor, in which the consequences of the strategic investment policies are analyzed. The strategic investment policy of the pension fund for 2018 can be summarized as follows:

- The strategic asset allocation comprises 21.0% to 33.0% (neutral: 27.0%) equity instruments; 37.0% to 62.0% debt instruments (neutral: 48.0%); and 17.0% to 31.0% (neutral: 25.0%) other investments (e.g. real estate, alternative investments and cash).
- Interest rate risk is not managed actively, but the pension plan is strongly underweighted in duration.
- The foreign currency risk of the main currencies is managed by a currency overlay program and/or foreign currency hedge directly in the funds.

The following table summarizes the changes in the present value of the defined benefit obligation:

CHF million	2017	2016
Present value of obligation at 1 January	**–1,540.1**	**–1,498.0**
Effect of business combinations and disposals	–19.8	11.3
Interest expenses on defined benefit obligation	–11.1	–13.9
Current service costs (employer)	–57.4	–57.4
Employee contributions	–32.8	–31.1
Benefits paid	25.1	31.3
Past service costs	–	26.8
Plan curtailments and settlements	15.0	2.4
Actuarial gains or (losses)	–23.5	–11.1
Administration costs	–0.8	–0.7
Translation adjustments	–1.2	0.4
Present value of obligation at 31 December	**–1,646.5**	**–1,540.1**

Changes in the fair value of plan assets were as follows:

CHF million	2017	2016
Fair value of plan assets at 1 January	**1,517.2**	**1,398.2**
Effect of business combinations and disposals	15.8	–9.0
Employer contributions	44.5	78.7
Employee contributions	32.8	31.1
Interest income on assets	10.8	12.9
Return on plan assets (excl. contributions in interest income)	71.7	36.7
Assets distributed on settlement	–12.2	–
Benefits paid	–25.1	–31.3
Translation adjustments	0.5	–0.0
Present value of plan assets at 31 December	**1,656.0**	**1,517.2**

Amounts recognized in the balance sheet:

CHF million	31/12/2017	31/12/2016
Present value of defined benefit obligation	–1,646.5	–1,540.1
Fair value of plan assets	1,656.0	1,517.2
Recognized pension assets/(liabilities)	**9.5**	**–22.9**
of which presented as pension assets	*16.0*	*0.1*
of which presented as other liabilities	*–6.6*	*–23.0*

All benefits were vested at the end of the reporting period. The weighted average duration of the defined benefit obligation at the reporting date was 16 years (31 December 2016: 16 years).

The following table provides information on pension costs for defined benefit plans. These costs are part of personnel expenses in the income statement.

CHF million	2017	2016
Current service costs	–57.4	–57.4
Past service costs	–	26.8
Plan curtailments and settlements	2.7	2.4
Net interest expenses	–0.2	–1.0
Administration costs	–0.8	–0.7
Total pension expense for the period	**–55.7**	**–30.0**

Components recognized in other comprehensive income:

CHF million	2017	2016
Actuarial gains/(losses)	–23.5	–11.1
Return on plan assets excl. interest income	71.7	36.7
Total income/(expense) recognized in OCI	**48.2**	**25.6**

The actuarial losses arising from changes in financial assumptions totaled CHF 16.1 million (2016: CHF 49.3 million).

Assumptions used to determine the defined benefit obligation

The following were the principal actuarial assumptions at the reporting date:

	31/12/2017	31/12/2016
Discount rate	0.7%	0.7%
Salary trend	1.0%	0.5%
Interest rate on retirement savings capital	0.9%	0.9%
Mortality tables	BVG 2015 GT	BVG 2015 GT

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes the positive or negative impact on the defined benefit obligation at the reporting date as a result of a change in the principal actuarial assumptions.

	31/12/2017			31/12/2016		
	Change in actuarial assumption	Effect on defined benefit obligation		Change in actuarial assumption	Effect on defined benefit obligation	
CHF million	+/–	+	–	+/–	+	–
Discount rate	0.50%	122.6	–141.7	0.50%	114.2	–131.5
Salary trend	0.25%	–8.6	8.4	0.25%	–7.9	7.8
Interest rate on retirement savings capital	0.50%	–36.3	34.5	0.50%	–16.7	16.3
Life expectancy	1 year	–35.1	35.4	1 year	–32.9	33.2

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation in 2017 and are applied to adjust the defined benefit obligation at the reporting date based on the assumptions concerned. While the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity to the assumptions shown.

37. Related party disclosures

SIX defines related parties as:
- shareholders that have significant influence by delegating a member into the Board of Directors of SIX or have control over the activities of SIX
- associated companies that are significantly influenced by SIX
- post-employment benefit plans for the benefit of SIX employees
- key management personnel, close family members of key management personnel
- entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members

127 banks hold shares in SIX, but no bank holds more than 20% of the Group´s total equity. The shares are widely distributed, i.e. no bank category has an absolute majority. All shareholders are bound by a shareholders' agreement.

Transactions with related parties and companies are made at terms equivalent to those that prevail in arm´s length transactions.

Receivables from clearing & settlement due from related parties in the amount of CHF 8.9 million are collateralized (31 December 2016: CHF 23.0 million).

No impairment allowances of receivables relating to amounts owed by related parties were recorded as at 31 December 2017 or 31 December 2016.

Transactions and outstanding balances with related parties of SIX as stated in the following tables have been included in the Group´s consolidated balance sheet and statement of comprehensive income as at and for the years ending 31 December 2017 and 31 December 2016.

				2017
CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
Income statement				
Commission revenues	93.7	0.0	–	93.7
Transaction revenues	137.7	0.0	–	137.7
Service revenues	88.9	0.8	–	89.7
Net interest income from banking business [1]	31.9	–	–	31.9
Other operating income	9.9	–	–	9.9
Other operating expenses	–1.3	–0.9	–	–2.2
Interest expenses	–2.0	–	–	–2.0
Contributions	–	–	–44.5	–44.5

[1] Net interest income from banking business included the interest charged to the qualifying shareholders and did not include the interest arising from negative interest rates on financial assets.

				31/12/2017
CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
Balance sheet				
Cash and cash equivalents	245.5	569.9	–	815.5
Trade receivables/receivables from clearing & settlement	37.4	0.1	–	37.6
Trade payables/payables from clearing & settlement	1,744.7	0.1	0.1	1,745.0

CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
				2016
Income statement				
Commission revenues	89.6	0.0	–	89.6
Transaction revenues	135.3	0.0	–	135.3
Service revenues	92.4	0.9	–	93.3
Net interest income from banking business [1]	13.6	–	–	13.6
Other operating income	6.1	0.0	–	6.1
Other operating expenses	–0.4	–0.8	–	–1.2
Interest expenses	–2.9	–	–	–2.9
Contributions	–	–	–78.7	–78.7

[1] Net interest income from banking business included the interest charged to the qualifying shareholders and did not include the interest arising from negative interest rates on financial assets.

CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
				31/12/2016
Balance sheet				
Cash and cash equivalents	354.2	585.2	–	939.3
Trade receivables/receivables from clearing & settlement	47.7	0.0	–	47.7
Trade payables/payables from clearing & settlement	2,054.5	–	0.1	2,054.6

Compensation paid to key management personnel

Key management personnel are defined as members of the Board of Directors and the Group Executive Board. This definition is based on the revised requirements of IAS 24 *Related Party Disclosures* issued in November 2009.

The members of the Board of Directors and the Group Executive Board and their immediate relatives do not have any ownership interest in the Group´s companies.

Apart from the compensation paid and the regular contributions to the pension fund institutions, no transactions with key management personnel took place. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period.

CHF million	2017	2016
Salaries and other short-term employee benefits	–14.8	–10.3
Other long-term benefits	–2.8	–4.6
Total compensation to key management	**–17.7**	**–15.0**

38. Events after the balance sheet date

As at 14 March 2018, the date of approval for issue of the financial statements by the Board of Directors, the Group had undergone no subsequent events warranting a modification of the value of the assets and liabilities or an additional disclosure.

Statutory auditor's report on the audit of the consolidated financial statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 15 March 2018

Opinion

We have audited the consolidated financial statements of SIX Group Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 9 to 88) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Jan Marxfeld
Licensed audit expert
(Auditor in charge)

Slaven Cosic
Licensed audit expert

SIX Group Ltd financial statements 2017

1. Balance sheet

CHF million	Notes	31/12/2017	31/12/2016
Assets			
Cash and cash equivalents	3.2.2	348.9	408.9
Financial assets with quoted market price	3.2.3	431.7	419.1
Current financial assets	3.2.6	29.3	39.0
Trade receivables	3.2.4	17.7	55.0
Other receivables	3.2.5	743.4	577.5
Positive replacement values of derivatives		1.9	0.3
Accrued income and prepaid expenses		1.5	5.4
Current assets		**1,574.3**	**1,505.2**
Non-current financial assets	3.2.6	230.6	235.6
Investments in subsidiaries and other investments	3.2.7	1,478.0	1,305.6
Non-current assets		**1,708.6**	**1,541.2**
Total assets		**3,282.9**	**3,046.3**
Liabilities			
Trade payables	3.2.8	3.5	2.6
Current interest-bearing liabilities	3.2.9	402.3	424.7
Other current liabilities	3.2.10	0.0	6.0
Short-term provisions		0.6	0.6
Negative replacement values of derivatives		3.0	0.5
Accrued expenses and deferred income		10.8	0.1
Current liabilities		**420.3**	**434.5**
Non-current provisions		5.0	5.0
Non-current liabilities		**5.0**	**5.0**
Total liabilities		**425.3**	**439.5**
Equity			
Share capital		19.5	19.5
Legal capital reserves			
Reserves from capital contributions		230.2	230.2
Legal retained earnings			
Reserves for indirectly held treasury shares	3.2.13	23.3	23.3
Free reserves			
Profit carried forward		2,191.3	2,220.3
Profit for the year		393.3	113.5
Treasury shares	3.2.13	–0.0	–0.0
Total equity		**2,857.7**	**2,606.8**
Total liabilities and equity		**3,282.9**	**3,046.3**

2. Income statement

CHF million	Notes	2017	2016
Dividend income from investments		290.6	172.7
Service revenues		25.9	25.0
Total operating income		**316.5**	**197.7**
IT infrastructure cost		–	–0.3
Consulting and other professional fees		–21.1	–14.7
Depreciation and amortization	3.2.15	–46.0	–4.2
Valuation adjustments and losses		0.0	–0.0
Other operating expenses		–0.9	–1.4
Total operating expenses		**–68.1**	**–20.6**
Operating profit before interest and tax		**248.4**	**177.1**
Financial income	3.2.16	66.3	55.6
Financial expenses	3.2.16	–55.3	–54.6
Earnings before tax and extraordinary items		**259.4**	**178.1**
Extraordinary income	3.2.18	154.0	–
Extraordinary expenses	3.2.18	–10.7	–64.6
Earnings before tax		**402.7**	**113.5**
Taxes		–9.3	–0.0
Profit for the year		**393.3**	**113.5**

3. Notes to the financial statements

3.1 Principles of the financial statements

3.1.1 General principles

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. The financial statements may be influenced by the creation and release of hidden reserves.

3.1.2 Foreign currency translation

Transactions in foreign currencies are recorded at the current exchange rates. Monetary items are translated using the closing rates. Non-monetary items are translated using historical exchange rates. Exchange rate gains and losses are credited or debited to the income statement.

Foreign currency positions were translated into CHF using the following closing rates:

Foreign currency	31/12/2017	31/12/2016
EUR	1.1695	1.0741
GBP	1.3170	1.2525
SEK	11.8694	11.2068
USD	0.9782	1.0202

3.1.3 Investments in subsidiaries and other investments

Investments in subsidiaries and other investments are carried at cost less accumulated impairment losses.

3.1.4 Financial assets

Bonds are measured at the lower of amortized cost or market value. Financial assets that are due within one year are presented within current assets.

Loans are carried at nominal value less accumulated impairment losses.

3.1.5 Derivative financial instruments

Derivatives are recognized initially at cost. Subsequent to initial recognition, derivatives are measured at market value.

3.1.6 Treasury shares

At initial recognition treasury shares are recognized at cost as a negative position within equity. Gains or losses that occur upon a subsequent sale are recognized as financial income or expense.

3.1.7 Revenue recognition

Revenues for services are recognized when they are invoiced. This occurs when they have been provided.

3.2 Disclosure on balance sheet and income statement items and other information

3.2.1 Number of full-time equivalents

The annual average number of full-time equivalents in the reporting year was nil (2016: nil).

3.2.2 Cash and cash equivalents

CHF million	31/12/2017	31/12/2016
Due from shareholders	348.9	408.9
Cash and cash equivalents	**348.9**	**408.9**

3.2.3 Financial assets with quoted market price

CHF million	31/12/2017	31/12/2016
Money market funds	67.0	69.4
Equities	17.3	12.2
Funds	347.4	337.5
Financial assets with quoted market price	**431.7**	**419.1**

3.2.4 Trade receivables

CHF million	31/12/2017	31/12/2016
Due from third parties	0.1	0.1
Due from Group entities	17.6	54.9
Valuation adjustments	–0.0	–0.0
Trade receivables	**17.7**	**55.0**

3.2.5 Other receivables

CHF million	31/12/2017	31/12/2016
Due from third parties	132.1	34.1
Due from Group entities	611.2	543.4
Other receivables	**743.4**	**577.5**

3.2.6 Financial assets

CHF million	31/12/2017	31/12/2016
Loans due from third parties	4.0	2.9
Loans due from Group entities	75.7	102.9
Bonds	179.6	168.2
Other financial assets	0.6	0.6
Financial assets	**259.9**	**274.6**
of which current	*29.3*	*39.0*
of which non-current	*230.6*	*235.6*

3.2.7 Investments in subsidiaries and other investments

Fully consolidated participations

Name	Place	Currency	31/12/2017 Share capital in 1,000	31/12/2017 Share in % [2]	31/12/2016 Share capital in 1,000	31/12/2016 Share in % [2]
Corporate						
SIX Global Services Ltd (former SIX Swiss Exchange Securities Matcher Ltd)	Zurich	CHF	100	100.0	100	100.0
SIX Group Services Ltd	Zurich	CHF	52,500	100.0	52,500	100.0
SIX Management Ltd	Zurich	CHF	100	100.0	100	100.0
Swiss Exchange						
SIX Corporate Bonds Ltd [1]	Zurich	CHF	5,100	100.0	5,100	100.0
SIX Exchange Regulations Ltd	Zurich	CHF	100	100.0	–	–
SIX Exfeed Ltd	Zurich	CHF	1,100	100.0	1,100	100.0
SIX Structured Products Exchange Ltd [1]	Zurich	CHF	–	–	100	100.0
SIX Swiss Exchange Ltd	Zurich	CHF	10,000	100.0	10,000	100.0
SWISSTRADINGBOX Ltd [1]	Zurich	CHF	800	50.1	800	50.1
Securities Services						
Projektgesellschaft Softwareentwicklung Oktober 2011 Ltd [1]	Frankfurt a. M.	EUR	–	–	50	100.0
SIX Interbank Clearing Ltd	Zurich	CHF	1,000	75.0	1,000	75.0
SIX Paynet Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Repo Ltd	Zurich	CHF	1,000	100.0	100	100.0
SIX Securities Services Ltd	Zurich	CHF	26,000	100.0	26,000	100.0
SIX SIS Ltd [1]	Olten	CHF	26,000	100.0	26,000	100.0
SIX SIS Nominee U.K. Ltd [1]	Olten	CHF	100	100.0	100	100.0
SIX Systems Ltd [1]	Olten	CHF	–	–	2,500	100.0
SIX Terravis Ltd	Zurich	CHF	4,100	100.0	4,100	100.0
SIX Trade Repository Ltd	Zurich	CHF	500	100.0	100	100.0
SIX x-clear Ltd [1]	Zurich	CHF	30,000	100.0	30,000	100.0
Financial Information						
CETREL Securities SA [1]	Luxembourg	EUR	5,500	100.0	5,500	100.0
Finaccess SIX Financial Information SAM [1]	Casablanca	MAD	8,548	55.0	8,548	55.0
Rolotec Ltd	Biel	CHF	–	–	200	100.0
SIX Financial Information Ltd	Zurich	CHF	5,400	100.0	5,400	100.0
SIX Financial Information Belgium SA [1]	Brussels	EUR	505	100.0	505	100.0
SIX Financial Information Denmark A/S [1]	Copenhagen	DKK	1,600	100.0	1,600	100.0
SIX Financial Information Deutschland GmbH	Frankfurt a. M.	EUR	512	100.0	512	100.0
SIX Financial Information España SA [1]	Madrid	EUR	424	100.0	424	100.0
SIX Financial Information Finland Oy [1]	Helsinki	EUR	8	100.0	8	100.0
SIX Financial Information France SAS	Paris	EUR	44,900	100.0	44,900	100.0
SIX Financial Information Hong Kong Limited	Hong Kong	HKD	4,000	100.0	4,000	100.0

[1] Investments held indirectly

[2] Equity interest and voting rights

Fully consolidated participations (continued)

Name	Place	Currency	31/12/2017 Share capital in 1,000	31/12/2017 Share in % [2]	31/12/2016 Share capital in 1,000	31/12/2016 Share in % [2]
Financial Information (continued)						
SIX Financial Information Italia Srl	Milan	EUR	100	100.0	100	100.0
SIX Financial Information Japan Ltd	Tokyo	JPY	40,000	100.0	40,000	100.0
SIX Financial Information Luxembourg SA	Leudelange	EUR	31	100.0	31	100.0
SIX Financial Information Monaco SAM [1]	Monaco	EUR	150	100.0	150	100.0
SIX Financial Information Nederland BV	Amsterdam	EUR	250	100.0	250	100.0
SIX Financial Information Norway AS [1]	Oslo	NOK	550	100.0	550	100.0
SIX Financial Information Singapore Pte Ltd	Singapore	SGD	25	100.0	25	100.0
SIX Financial Information Sweden AB [1]	Stockholm	SEK	100	100.0	100	100.0
SIX Financial Information UK Ltd	London	GBP	500	100.0	500	100.0
SIX Financial Information USA Inc.	Stamford USA	USD	0	100.0	0	100.0
STK Nordic AB	Stockholm	SEK	100	100.0	100	100.0
Payment Services						
SIX Austria Holding GmbH	Vienna	EUR	35	100.0	35	100.0
SIX Payment Ltd [1]	Bedano	CHF	120	100.0	–	–
SIX Payment Services Ltd	Zurich	CHF	6,500	100.0	6,500	100.0
SIX Payment Services (Austria) GmbH [1]	Vienna	EUR	13,235	100.0	13,235	100.0
SIX Payment Services (Europe) SA	Luxembourg	EUR	1,820	100.0	1,820	100.0
SIX Payment Services (Germany) GmbH [1]	Norderstedt	EUR	25	100.0	25	100.0
SIX Payment Services (Luxembourg) SA	Leudelange	EUR	255	100.0	255	100.0
Swisskey Ltd	Zurich	CHF	100	100.0	100	100.0

[1] Investments held indirectly
[2] Equity interest and voting rights

Associated companies

Name	Place	Currency	31/12/2017 Share capital in 1,000	31/12/2017 Share in % [2]	31/12/2016 Share capital in 1,000	31/12/2016 Share in % [2]
Swiss Exchange						
Swiss Fund Data Ltd [1]	Zurich	CHF	850	29.4	850	29.4
Payment Services						
TWINT Ltd [1]	Zurich	CHF	10,200	33.3	10,200	33.3
Corporate						
SECB Swiss Euro Clearing Bank GmbH	Frankfurt a. M.	EUR	30,000	25.0	30,000	25.0

[1] Investments held indirectly
[2] Equity interest and voting rights

3.2.8 Trade payables

CHF million	31/12/2017	31/12/2016
Due to Group entites	3.5	2.6
Trade payables	**3.5**	**2.6**

3.2.9 Current interest-bearing liabilities

CHF million	31/12/2017	31/12/2016
Due to third parties	0.2	0.1
Due to Group entities	402.2	424.6
Current interest-bearing liabilities	**402.3**	**424.7**

3.2.10 Other current liabilities

CHF million	31/12/2017	31/12/2016
Due to Group entites	0.0	6.0
Other current liabilities	**0.0**	**6.0**

3.2.11 Liabilities due to pension fund

CHF million	31/12/2017	31/12/2016
Liabilities due to pension fund	0.1	0.1

3.2.12 Contingent liabilities

CHF million	31/12/2017	31/12/2016
Total amount of guarantees and warranty obligations		
In favor of third parties	211.1	109.7
Joint liability from consolidated value-added tax filing status	p.m.	p.m.

Contingent liabilities in favor of third parties include:

- CHF 47.0 million (2016: CHF 47.0 million) guarantee in the event of insolvency of a cash pooling member
- CHF 48.9 million (2016: CHF 48.7 million) contingent liability related to credit facilities granted to Group entities
- CHF 115.2 million (2016: CHF 14.0 million) guarantee related to an intraday credit limit in the card business

3.2.13 Treasury shares including treasury shares held by Group entities

	31/12/2017		31/12/2016	
Values in CHF million	**Number**	**Value**	**Number**	**Value**
Held by SIX Group Ltd	10	0.0	10	0.0
Held by subsidiaries	607,854	23.3	607,854	23.3

There were no transactions with treasury shares in the reporting and in the previous year.

3.2.14 Securities in favor of third parties

CHF million	31/12/2017	31/12/2016
Assets pledged as collateral	0.6	0.6
of which covered through a provision	–	–

Assets pledged relate to a facility to hedge transactions in foreign currencies, under which cash deposited at a bank was pledged.

3.2.15 Depreciation of non-current assets

CHF million	2017	2016
Financial assets	–46.0	–4.2
Depreciation of non-current assets	**–46.0**	**–4.2**

In the reporting year, loans due from Group entities in the amount of CHF 46.0 million were impaired (2016: loans due from Group entities in the amount of CHF 6.0 million impaired and allowances in the amount of CHF 1.8 million released).

3.2.16 Financial result

CHF million	2017	2016
Foreign exchange gains	39.5	36.6
Income from financial assets	21.1	13.3
Interest income	5.5	5.6
Other financial income	0.3	0.1
Financial income	**66.3**	**55.6**
Foreign exchange losses	–43.5	–38.9
Expenses from financial assets	–5.8	–8.7
Interest expenses	–5.1	–6.0
Other financial expenses	–0.9	–1.0
Financial expenses	**–55.3**	**–54.6**

3.2.17 Hidden reserves released

No net hidden reserves were released in the reporting year (2016: nil).

3.2.18 Explanations to extraordinary positions in the income statement

In the reporting year, investments in subsidiaries were valued individually. As a result, an impairment of CHF 10.7 million was recognized in extraordinary expenses. A reversal of impairment of CHF 154.0 million was recognized in extraordinary income (2016: impairment of CHF 64.6 million).

3.2.19 Significant events after the balance sheet date

None

4. Statement of changes in equity

CHF million	Share capital	Legal capital reserves: Reserves from capital contributions	Legal retained earnings: Reserves for treasury shares	Free reserves: Profit carried forward	Treasury shares	Total equity
Balance at 1 January 2016	**19.5**	**230.2**	**23.3**	**2,381.4**	**–0.0**	**2,654.5**
Dividends paid	–	–	–	–161.1	–	–161.1
Profit for the year	–	–	–	113.5	–	113.5
Balance at 31 December 2016	**19.5**	**230.2**	**23.3**	**2,333.8**	**–0.0**	**2,606.8**
Dividends paid	–	–	–	–142.5	–	–142.5
Profit for the year	–	–	–	393.3	–	393.3
Balance at 31 December 2017	**19.5**	**230.2**	**23.3**	**2,584.6**	**–0.0**	**2,857.7**

The share capital consists of 19,521,905 registered shares with a par value of CHF 1 each.

A dividend of CHF 7.30 per registered share of CHF 1 nominal value was paid during the reporting period.

5. Appropriation of profit

CHF million	2017	2016
Profit carried forward from previous year	**2,191.3**	**2,220.3**
Profit for the year	393.3	113.5
Available profit carried forward	**2,584.6**	**2,333.8**

The Board of Directors proposes to the General Meeting of Shareholders following appropriation of profit:

CHF million	2017	2016
Available profit carried forward from previous year	**2,584.6**	**2,333.8**
Dividend of CHF 7.00 per registered share of CHF 1.00 nominal value (previous year CHF 7.30)	136.7	142.5
Profit carried forward to the following year	**2,447.9**	**2,191.3**

Report of the statutory auditor on the financial statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 15 March 2018

As statutory auditor, we have audited the accompanying financial statements of SIX Group Ltd., which comprise the balance sheet, income statement, notes and statement of changes in equity (pages 92 to 101), for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Jan Marxfeld	René Hunziker
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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