Annual Report 2018

Foreword

Group Report

Corporate Governance

Financial Statements

Annual Report 2018

Dr Romeo Lacher, Chairman of the Board of Directors (left), and Jos Dijsselhof, CEO (right).

Dear readers

The 2018 year was an exceptional one for SIX. Conducting a strategic and organizational realignment and a critical evaluation of the services provided, the Board of Directors initiated a turning point in the company's ten-year history. Dr Romeo Lacher, Chairman of the Board of Directors, and CEO Jos Dijsselhof discuss the reasons behind the transformation of the company in these eventful times: What impact has it had on SIX, and what are the associated objectives?

Digitalization, recognition of equivalence, competitive pressure – the challenges faced by the financial market infrastructure in 2018 were hardly minor. Why is the Board of Directors putting the company through a transformation on top of all of this?

Dr Romeo Lacher There have been massive changes within a short space of time, not only in our business environment but also in the demands placed on the services that SIX provides. Our customers are coming under considerable economic and regulatory pressure. They are therefore increasingly looking for opportunities to outsource specific activities and tasks. Through focusing on our core business, we are now able to respond more effectively to this need; we are closer to the customer, more agile and thus also more competitive.

Jos Dijsselhof Ten years after the company's foundation was the right time to forge ahead with the transformation, even in an admittedly difficult environment. Our employees rose to the challenge successfully. I would like to take this opportunity to thank them most sincerely for their support and cooperation.

Jos Dijsselhof, you have been CEO of SIX since the start of 2018. How would you sum up this eventful first year?

Jos Dijsselhof It has been impressive to see how professionally and successfully the organization has coped with multiple challenges: We were able to complete the reorganization rapidly and concentrate on new and innovative services – without neglecting the quality of our core business. This has proved to me that we have highly qualified and dedicated staff. The reorganization has also offered an opportunity to break down old "silos" so that we can redefine how we work together as a Group. As the annual result amply demonstrates, 2018 was an exceptional year.

So what effect is the realignment actually having on the company and its business activities?

Jos Dijsselhof In the securities business we have brought the stock exchange and the post-trade area together in organizational terms. We are thus able to offer a comprehensive range of services for the capital market from a single source. Further, we have bundled our activities in the Swiss payment business within the new Banking Services business unit. The business unit covers the interbank payments infrastructure, ATM operation, debit transaction processing and electronic billing. We have, however, moved the cards business – merchant acquiring and international card processing – into a strategic partnership with the European market leader, Worldline. This will have a very positive impact on the cards business and give it renewed impetus.

Dr Romeo Lacher In future, SIX will be focusing on infrastructure services in the securities business, banking services and financial information. These three business areas constitute our core business. We operate under a single, strong brand: SIX.

Jos Dijsselhof, CEO

> "Our employees rose to the challenge successfully. I thank them for their support and cooperation."

Dr Romeo Lacher, Chairman of the Board of Directors

> "The political debate on the relationship between Switzerland and the EU continues to present a major challenge."

Are there still areas of "work in progress" in the company's realignment?

Jos Dijsselhof We successfully concluded the restructuring in April 2018 and also bundled our innovation activities in a Group-wide business unit. This means we have put in place the major building blocks for a successful future. Now it is a matter of refining and continuously improving on the measures we have taken. Through the CHF 50 million venture fund "SIX FinTech Ventures", that we set up to promote innovation in the financial center, we have now invested in the first promising start-ups; others will follow. It will also take a while for the cultural change in the company to reach everyone. We are actively encouraging this process, but it is bound to take time.

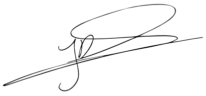
Dr Romeo Lacher In my view, the political debate on the relationship between Switzerland and the EU continues to present a major challenge, and this is a debate which closely concerns us as the Swiss market infrastructure operator. How to respond to new providers with innovative services is another challenge. In general terms, we need to exploit digitalization in a targeted way in order to enhance our processes and the services we provide for our customers. As you mentioned, we are constantly being confronted with challenges that can have rapid and far-reaching effects on our business. We are now in a position to react flexibly and innovatively.

Jos Dijsselhof I have every confidence for the future. In 2018, we announced the development of a digital stock exchange, we started operating Switzerland's first cyber security center for the financial industry, and we are planning a Swiss cloud solution for banks. Speed and innovation are increasingly becoming the keys to success. And the "new" SIX is optimally positioned to achieve this. We will be actively helping to shape the digital transformation of the financial center.

Let's hazard a prediction: How will SIX be serving the Swiss financial center in 2023?

Dr Romeo Lacher In 2023, SIX is still the reliable infrastructure provider and strong partner of the banks in Switzerland and in international markets. Our top-class, innovative services have continued to industrialize the Swiss financial center and drive forward the sector's digital transformation. Our name represents innovative, globally competitive financial market services. ■

Dr Romeo Lacher



Jos Dijsselhof

GROUP REPORT

SIX Ends the 2018 Transition Year Successfully and Enters Its Second Decade in an Excellent Position

Ten years after its foundation, SIX concluded a comprehensive realignment in 2018. At the same time, SIX generated an operating income of CHF 1.94 billion, which was virtually the same as in the previous year. It achieved this despite the fact that the Cards business unit contributed to operating income for only 11 months of the year before being transferred to Worldline. Group net profit rose to CHF 2.88 billion thanks to the positive one-off effect of this transaction.

As part of a strategic and operating realignment, SIX has restructured its core business and moved the cards business, including merchant acceptance and acquiring and international card processing, into a strategic partnership with French company Worldline. SIX has bundled the securities business – that is, the listing, trading, settlement and custody of securities – into a single business unit: Securities & Exchanges. The range of services offered by the Financial Information business unit has been expanded to cover indices and reference interest rates. With the new Banking Services business unit, SIX has set up a competence center for Swiss payments. It will handle interbank payments, connecting to the SEPA region, processing card-based and mobile payments for banks, and operating ATMs, as well as QR bills and eBill. Furthermore, SIX has pooled its innovation activities in a centralized, Group-wide business unit called Innovation & Digital, thus strengthening its innovation capacity.

Overview of Key Figures

Including the cards business, which will in future be operated in a strategic partnership with Worldline, SIX ended the 2018 financial year with an operating income of CHF 1,938.7 million. The slight decline (–0.3 %), compared with the previous year, is attributable partly to price cuts, and partly to the outsourcing of the cards business as of 30 November, which meant that December – traditionally the month with the highest turnover in this business – no longer made a contribution to the operating income of SIX.

One-off expenses were incurred in 2018 by the complex carve-out of the cards business, M&A activities, and the operating realignment of the core business. At CHF 221.3 million, the operating profit was therefore lower than in the previous year (–21.1 %), as expected.

Earnings before interest and tax (EBIT) and Group net profit reached an all-time high thanks to the transferral of the cards business. The overall proceeds of the transaction boosted the net financial result by CHF 2,724.0 million. This one-off effect consists of 49.1 million shares in Worldline (equal to a 27 % stake) and a cash component of CHF 338 million. The bottom line showed an EBIT of CHF 2,946.9 million and a Group net profit of CHF 2,882.7 million. →

In accordance with International Financial Reporting Standards (IFRS, page 24 onward), SIX has adjusted its financial reporting to reflect the discontinuation of the business activities of

Agile, innovative, customer-focused: The “new” SIX is optimally positioned.

→ For 2018, the Board of Directors recommends that the Annual General Meeting approve an ordinary dividend of CHF 4.10 per share and an extraordinary dividend of CHF 17.30 per share.

the cards segment. Under IFRS, the business that SIX has transferred to the partnership with Worldline must be stated separately from the continuing business areas in the income statement. The adjusted result (see table below) ensures the comparability of 2018 with subsequent years, when SIX will focus on its core business – the securities business, financial information and banking services.

Growth Drivers in the Core Business
Operating income for the continuing business areas came to CHF 1,115.8 million in the reporting year, while EBIT stood at CHF 135.0 million.

At CHF 508.0 million (+0.4 %), the Securities & Exchanges business unit contributed the largest share of operating income in the core business. The Swiss stock exchange recorded a high number of IPOs in 2018 and a rise in trading turnover. A total of 12 companies floated on the stock exchange. In terms of transaction volume, the IPO of SIG Combibloc was the third-largest flotation in Europe at CHF 1.7 billion. New listings for ETFs, bonds and structured products also increased; the ETF segment set a new record with 1,450 listed products (+274 new ETFs). →

Trading turnover on the secondary market rose once again compared with the previous year, to stand at CHF 1,361.3 billion at the end of December – up 1.1 %. SIX saw another increase in its market share of Swiss blue chip trading (SLI stocks), from 68.3 % to 70.8 %. The SwissAtMid platform, which was launched in 2016, has established itself as the biggest non-displayed liquidity pool for trading Swiss equities: Here, trading turnover nearly tripled compared with the previous year. In the post-trade area, international securities custody in particular benefited from globally favorable market conditions. SIX is serving additional customers and markets in the clearing business, which led to a higher number of clearing transactions (+41.4 %).

In the Financial Information business unit, SIX generated operating income of CHF 393.9 million (–0.5 %) in 2018. While the distribution of high-quality reference and corporate actions data remains the focus and accounts for the largest share of revenues, regulatory data and services continued to show positive development and >

→ Monthly trading key figures for the Swiss stock exchange published at **six-group.com/media**

Twelve companies completed listings – the highest number reached since 2001.

Overview of Key Figures

	Total SIX			Continuing operations		
in CHF million	**2018**	**2017**	**Change in %**	**2018**	**2017**	**Change in %**
Total operating income	**1,938.7**	**1,944.6**	**– 0.3**	**1,115.8**	**1,119.6**	**– 0.3**
Total operating expenses	– 1,717.3	– 1,664.0	3.2	– 978.3	– 921.5	6.2
Operating profit	**221.3**	**280.5**	**– 21.1**	**137.5**	**198.1**	**– 30.6**
Share of profit or loss of associates	– 6.4	– 23.2	72.2	– 6.4	– 23.2	72.2
Net financial result	2,732.0	15.8	n/a	4.0	7.5	– 46.8
Earnings before interest and tax (EBIT)	**2,946.9**	**273.2**	**n/a**	**135.0**	**182.3**	**– 26.0**
Net interest and tax expenses	– 64.3	– 65.9	– 2.5	– 40.0	– 42.1	– 4.8
Profit for the period from continuing operations	n/a	n/a	n/a	95.0	140.3	– 32.3
Group net profit	**2,882.7**	**207.2**	**n/a**	**n/a**	**n/a**	**n/a**
Workforce as at 31/12 (full-time equivalents)	2,474	3,755	– 34.1			
Total assets	12,667.9	10,301.5	23.0			
Equity ratio (in %, average)	81.9	80.0	2.4			
Return on equity (in %, average)	5.1	7.9	– 35.6			

→ material growth. The early investments made by SIX in this important and dynamic market segment are thus paying off. The entry into force of the European financial market regulations MiFID II and PRIIPs boosted demand for products in the area of investor protection. SIX also achieved further sales successes with its award-winning Sanctioned Securities Monitoring Service, which enables the banks to comply with global sanctions efficiently and seamlessly.

The Swiss indices remain as attractive as ever: Customers in Switzerland and abroad use them when issuing index-based investment securities (sell side) and investing in the Swiss capital market (buy side). In addition, since 2009 SIX has been calculating a reference interest rate for the Swiss money market by means of SARON – a system that has established itself as a transaction-based alternative to the consensus-based LIBOR standard.

The newly created Banking Services business unit generated an operating income of CHF 156.1 million (–1.0 %) in 2018. Following the migration of PostFinance to the Swiss Interbank Clearing system (SIC), the number of transactions processed rose by 19.5 % to 610.5 million.

In the interbank clearing segment, SIX also increased its stake in the German company Swiss Euro Clearing Bank GmbH (SECB) from 25 % to 100 %, taking the latter over completely as of 31 January 2019. SECB acts as a system and liquidity manager for the euroSIC system, which is operated by SIX in Switzerland and used by banks from Switzerland and Liechtenstein to process their payment transactions in euros.

The digitalization of the Swiss payment system is also making good progress, thanks to an increase in users of the new infrastructure for digital bills. By the end of the year, nearly all the Swiss banks had migrated to the eBill platform; SIX gained additional large billing clients, including the new national collection agency for the radio and television fee in Switzerland.

QR billing bridges the gap between the paper-based and digital worlds. SIX was able to finalize the coordinated roadmap for QR billing and eBill during an extensive consultation process with the entire Swiss financial center. The next steps leading up to the launch of QR billing in 2020 will therefore be supported by all market participants thanks to SIX.

Strategic Partnership with Worldline

The Cards business unit had contributed CHF 882.5 million (+10.1 %) to operating income by the time of the transfer of ownership to Worldline on 30 November 2018; operational profit came to CHF 125.1 million (+39.2 %). As in previous years, particular growth was achieved by the merchant business (merchant acceptance and acquiring), both in Switzerland and in other European countries. The number of card transactions processed between January and November rose by 20.9 % compared to the same period of the previous year. This year-on-year growth is also attributable to two acquisitions in 2017.

SIX will continue to participate in the success of the transferred business activities in the future, thanks to its strategic participation in Worldline. With a 27 % stake, SIX is Worldline's second-biggest shareholder; it is also represented on the Board of Directors through two members and one censor (advisory member without voting rights).

In recent years, SIX has expanded its cashless payment business throughout Europe and achieved a significant market position. The European payments industry is in the process of consolidation. Large providers with a broad range of products and wide geographical coverage are thereby gaining competitive advantages. The cards business of SIX is an outstanding match for Worldline in this respect. The merged ›

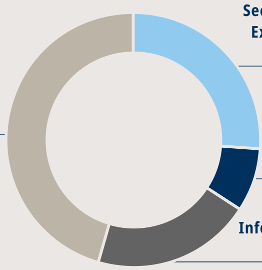
→ The demand for regulatory data increases again in 2018. Find an overview of products and services of SIX in this market segment at **six-group.com/financial-information**

eBill: Additional users cause rising volume.

SIX will continue to participate in the cards business thanks to its strategic partnership with Worldline.

Overview of Key Figures

OPERATING INCOME
Contributions of the business units

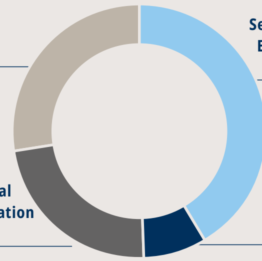


CHF 1,938.7 m
OPERATING INCOME

BUSINESS UNIT
SECURITIES & EXCHANGES

Operating income (in CHF m)	**508,0** +0.4 %
Operational profit (in CHF m)	**192.7** +2.8 %
Stock exchange trading volume (in CHF bn)	**1,361.3** +1.1 %
Market share of trading in SLI stocks (in %, average)	**70.8** +3.7 %
Number of clearing transactions (in 1,000)	**458,426** +41.4 %
Number of settlement transactions (in 1,000)	**37,895** –0.5 %
Deposit volume (yearly average, in CHF bn)	**3,243.2** –2.2 %

OPERATIONAL PROFIT
Contributions of the business units

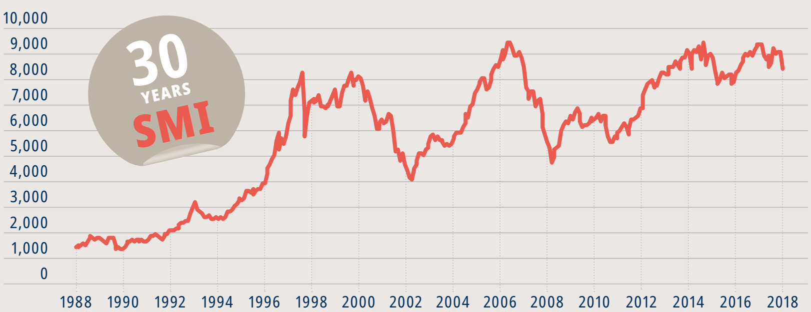


BUSINESS UNIT
FINANCIAL INFORMATION

Operating income (in CHF m)	**393.9** –0.5 %
Operational profit (in CHF m)	**108.3** +0.6 %
Number of financial instruments (in m)	**32.4** +18.6 %
Price updates per second (average)	**135,252** +61.8 %

CHF 221.3 m
OPERATING PROFIT

SMI YEAR HIGH 2018: 9,611.61 POINTS (END-OF-DAY)



BUSINESS UNIT
BANKING SERVICES

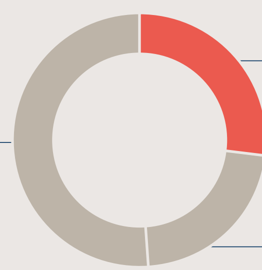
Operating income (in CHF m)	**156.1** –1.0 %
Operational profit (in CHF m)	**37.8** –16.8 %
Number of debit cards CH/LI (in m)	**10.2** +2.1 %
Card transactions processed (in m)	**1,168.0** +6.5 %
Number of SIC transactions (in 1,000)	**610,486** +19.5 %
Number of EuroSIC transactions (in 1,000)	**9,346** +10.4 %

BUSINESS UNIT
CARDS*

Operating income (in CHF m)	**882.5** +10.1 %
Operational profit (in CHF m)	**125.1** +39.2 %
Acquiring turnover (in CHF m)	**100,101.4** +29.9 %
Card transactions processed (in m)	**3,125.8** +20.9 %
Number of payment cards (in m)	**16.5** +12.2 %

**1 January to 30 November 2018 (compared with prior-year period)*

PARTICIPATION IN WORLDLINE
as at 1 December 2018



CHF 2,882.7 m
GROUP NET PROFIT

SIX IS PRESENT IN 20 COUNTRIES

Switzerland
Zurich
Olten
Biel
Geneva

Belgium
Brussels

Germany
Frankfurt

Denmark
Copenhagen

France
Paris

Ireland
Dublin

Italy
Milan

Luxembourg

Morocco
Casablanca

Monaco

Netherlands
Amsterdam

Norway
Oslo

Austria
Vienna

Poland
Warsaw

Singapore

Japan
Tokyo

Spain
Madrid

Sweden
Stockholm

UK
London
Edinburgh

USA
New York
Stamford CT
Boston
San Francisco

NUMBER OF EMPLOYEES OF SIX

AS AT 31 DECEMBER 2018

TOTAL 2,594

SWITZERLAND 2,038

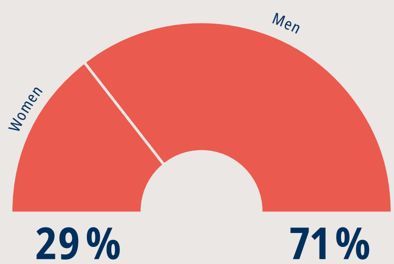
EUROPE 435

NORTH AMERICA 72

ASIA 38

NORTH AFRICA 11

GENDER DISTRIBUTION AT SIX



24×7×52

The **SECURITY OPERATIONS CENTER (SOC)** of SIX in Zurich operates round the clock every day of the year.

100 %

of employees received training on the EU General Data Protection Regulation (GDPR) in 2018.

No.1

SIX is building SIX Digital Exchange: the world's first fully integrated digital stock exchange.

30

start-ups commenced the Accelerator Program of the F10 Incubator & Accelerator in 2018.

CHF 50 m

is being made available to start-ups by **SIX FIN-TECH VENTURES.**

Zurich Singapore Vienna

were the locations for a **HACKATHON** in 2018 in collaboration with SIX.

We drive the competitiveness of our customers in Swiss and international financial markets.

Integrated Annual Review supplementing the 2018 Annual Report.
six-group.com/annual-report

company is now the leading – and biggest – European provider in the payments sector.

In addition to the stake in Worldline owned by SIX, there will be close ties between the two companies – including a long-term partnership for processing debit and ATM transactions in Switzerland, an IT partnership and a shared location in Zurich West.

Investing in Future-proofing the Core Business

Its strategic focus and stable financial situation – a solid balance sheet and an equity ratio of 81.9 % – enable SIX to invest further in its core business. Its aim is to fulfill the requirements of its customers as optimally as possible.

In the securities business, SIX launched Deal Pool in 2018. This is a central, web-based support tool in the Swiss primary market for bonds. It provides institutional investors and banks with structured information from a central source about forthcoming new issues of CHF-denominated bonds. Previously, the exchange of information in this area mainly took place bilaterally via e-mail. Deal Pool makes the processes more secure, fair and efficient.

In the Financial Information business unit, SIX offers its clients an innovative form of data delivery, "SIX Flex," that allows clients to selectively access and consume data sets from its multi-million financial instrument database, and to only pay for the data they use in full end-to-end compliance with data source owners.

In 2018, SIX also opened its Security Operations Center (SOC). This is the first cyber security center in Switzerland to exclusively address the particular requirements of the financial industry. It gathers security events, correlating and analyzing them in real time in order to detect security incidents and cyberattacks. SIX does not simply use this service to protect its own systems – it also offers it to the banks. In particular, this service from SIX gives small and medium-sized enterprises in the financial sector access to a → security solution that can otherwise only be developed by the big banks.

As a central player in the Swiss financial center, SIX is optimally positioned to take an active role in future-proofing it and driving innovation forward. During the reporting year SIX announced its plans for → SIX Digital Exchange (SDX) – an exciting project that will enable it to play a pioneering role internationally: SIX is building the world's first fully integrated platform to enable the trading, settlement and custody of digital assets in a secure and regulated environment. SIX has founded a company for this purpose: SIX Digital Exchange Ltd. The launch of the pilot project is planned for the second half of 2019. Thanks to distributed ledger technology, SDX will perform all the steps in the securities value chain simultaneously. This instant transfer of assets releases millions of Swiss francs that are currently tied up as collateral. The result is capital savings and more efficient risk management at the customer end. SIX is also using its position as an established infrastructure provider to work closely with the Swiss Financial Market Supervisory Authority (FINMA) to define the regulatory requirements for this new form of asset transfer, and to be the first to provide a regulated digital platform.

Central Business Unit for Innovation

Digitalization and the associated alteration of business models in the financial market are presenting SIX with new challenges. SIX aims to transform these into opportunities. Digitalization could potentially have a rapid and far-reaching effect on the core business of SIX. Only flexible players with a strategic vision will be able to survive in this challenging environment. For this reason, SIX has set up a new central business unit for innovation and digitalization, which brings together all the ›

→ Cyber security for the financial industry: **six-group.com/cybersecurity**

→ Read more about the SIX Digital Exchange in an interview with Thomas Zeeb, Head Securities & Exchanges, in RED 2/2018. Download it here: **six-group.com/red**

SIX is building SDX: the world's first fully integrated digital stock exchange.

activities undertaken by SIX in this area. At the same time, SIX is developing future scenarios to help it make sound decisions about innovation and the development of new products and services.

SIX is currently pursuing projects in the areas of digital infrastructure, cyber security and the further outsourcing of internal bank processes.

One flagship project launched in the reporting year is Swiss Cloud, a Swiss cloud infrastructure for the secure processing of sensitive data. This is intended to benefit not only banks, but also insurers, health insurance funds and other companies.

By constructing a platform called Compliance Utility, SIX aims to provide the Swiss banks with a standard for know-your-customer (KYC) processes and to enable transaction monitoring. It plans to build a suitable solution step-by-step in collaboration with leading private banks.

SIX is also further expanding and developing its services in the field of cyber security: In addition to the Managed Security Services previously mentioned, it is currently working on a platform that will enable the banks and insurance companies to exchange relevant information on cyber security.

Funding for FinTech and Start-ups

In order to promote innovation in the Swiss financial center, SIX set up a corporate venture fund endowed with CHF 50 million during the reporting year. → "SIX FinTech Ventures" supports start-ups during the early development stage and invested in four young companies in 2018: "Shift Cryptosecurity" develops hardware and software to protect digital assets – such as cryptocurrencies. "vestr" supports the creation and life cycle management of Actively Managed Certificates (AMCs). "Value3" offers solutions for risk management and robo-advisory. "PassOn" enables the transfer of digital assets as part of data inheritance and estate planning.

Since 2015, the F10 Incubator & Accelerator founded by SIX has been nurturing the development of start-ups that have the potential to open up new perspectives for the entire Swiss financial center. SIX is one of nine corporate members and the main sponsor. In 2018, a total of 30 start-ups were accepted for the F10 Accelerator Program.

To encourage fledgling enterprises and generate new, innovative FinTech ideas, F10 also organized Hackathons in Zurich, Vienna and Singapore. SIX came up with a task for each event, and employees from each of the locations also helped out as participants, voluntary assistants and judges. The aim of SIX was to uncover international trends and talent, and to strengthen the visibility of the Swiss financial center even further, especially in the Asian market.

Stability and Competitiveness of the Swiss Financial Center

Through its products, services and other offers, SIX makes an important contribution to the stability, security and innovation capacity of the Swiss financial center as a whole. Maintaining and fostering the latter's international competitiveness is part of its mandate.

In addition to operating a stable and secure infrastructure and developing innovative services, SIX regards itself as having a corporate responsibility to advocate for appropriate, economically sensible general conditions. In 2018, SIX therefore worked closely with the Swiss authorities to obtain recognition from the EU Commission of the equivalence of Switzerland's legal and supervisory framework for trading venues with that of the EU for an unlimited period.

On 3 January 2018, the European Markets in Financial Instruments Directive (MiFID II) and the accompanying regulation (MiFIR) entered into force. Article 23 MiFIR states that European securities firms are obliged to trade on a trading venue within the

The Innovation & Digital business unit will strengthen the innovative capacity of SIX over the long term.

→ SIX FinTech Ventures, the Corporate Venture Fund of SIX. More information at **six-group.com/fintech-ventures**

EU or on a third-country trading venue that has been rated as equivalent. This requirement applies to all shares admitted for trading in the EU, which means that it affects most of the Swiss equities traded at SIX.

The EU Commission had granted temporary equivalence for the year 2018 to the Swiss legal and supervisory framework for trading venues. In principle, it thus acknowledged the equivalence of the Swiss legal framework with that of the EU.

Since the EU had still not reached a decision by the end of November 2018 regarding whether to extend the recognition of equivalence, on 30 November 2018 the Swiss Federal Council decreed that a contingency measure will be put in place in order to protect the Swiss stock market infrastructure's ability to function. The decree introduces a "recognition regime" for foreign trading venues on which Swiss equities are traded. It states that FINMA will recognize a foreign trading venue only if the country in which it is located allows securities firms registered in that country to conduct unrestricted trading in Swiss equities in Switzerland. If this condition is not met, FINMA will not recognize the foreign trading venue, so any such trading venues will not be permitted to trade in Swiss equities.

On 20 December 2018, the EU Commission decided to recognize the equivalence of Switzerland's legal and regulatory framework with that of the EU up to the end of June 2019. The trading participants of SIX will therefore not see any changes for the first half of 2019. However, the recognition of equivalence for an unlimited period remains the top priority.

SIX Creates Value

SIX has many years of expertise when it comes to operating a secure, stable and regulated infrastructure, and ensuring a fair competitive environment. The market participants place great trust in SIX. With its strong focus and solid balance sheet, SIX is set to maintain the success of its core business and further strengthen the competitiveness of the Swiss financial center. Stable performance, the proven competence of its employees and dedicated collaboration with a vast range of institutions and partners are key components of the value created by SIX. ■

Recognition of the equivalence of the Swiss stock exchange for an unlimited period remains the top priority.

Additional information can be found at **six-group.com**

CORPORATE GOVERNANCE

Management Structure and Shareholders

SIX Group Ltd (SIX) is an unlisted public limited company based in Zurich. SIX operates in four business units which are supported by five corporate functions.

Shareholders and → Equity Structure
SIX is owned by 125 domestic and international financial institutions, which are also the main users of its services. The shares are widely distributed, i.e. no single owner or bank category has an absolute majority. All shareholders are bound by a shareholders' agreement.

The total equity of SIX amounts to CHF 19,521,905 and is divided into 19,521,905 registered shares with a par value of CHF 1.00 each. Of this amount, 607,864 (3.1 %) are owned by SIX (treasury shares). The transfer of registered shares is restricted by the articles of association.

The transfer of shares must be approved by the Board of Directors. Subject to Art. 685b para. 4 of the Swiss Code of Obligations (CO), approval may be refused for significant reasons as mentioned in the articles of association. A resolution by the general meeting, backed by at least two-thirds of the represented votes and an absolute majority of the par value of represented shares, is required along with a statutory quorum pursuant to Art. 704 para. 1 CO in order to:

1. ease or lift the transfer restriction on registered shares
2. convert registered shares into bearer shares
3. dissolve the corporation through liquidation
4. amend this provision

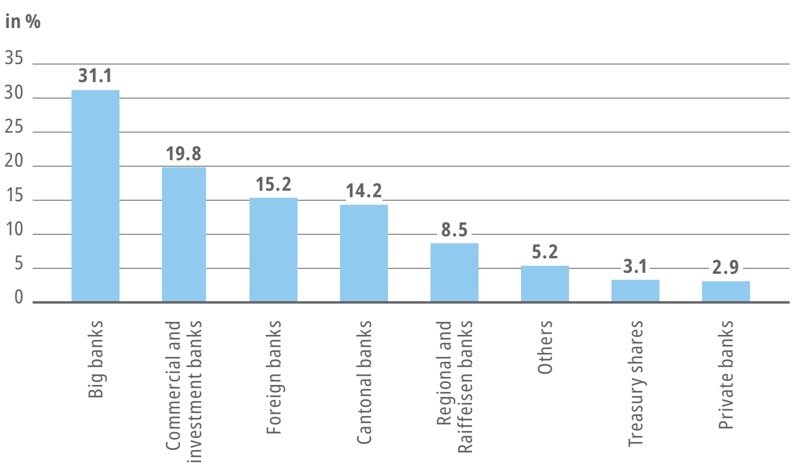
→ Equity structure of 31 December 2018

Ordinary share capital
CHF 19,521,905

Registered shares (par value CHF 1.00)
19,521,905

Security number
3768228

Ownership Structure of SIX



Internal Organization and Competency Rules

As the company's highest governing body, the Board of Directors is responsible for supervising the Executive Board. The tasks and competencies of the Board of Directors and its committees and of the Executive Board as corporate bodies of SIX are defined in the articles of association, the rules of organization and the competency rules.

Tasks of the Board of Directors are generally carried out by the committee responsible. The → Board of Directors has three committees: the Audit Committee, the Nomination & Compensation Committee, and the Risk Committee. Insofar as the committees are assigned discretionary powers by the competency rules, the duties of the Board of Directors are limited to supervision of the committees.

The committees of the Board of Directors accept reports pertaining to their sphere of responsibility from the Executive Board and supervise the relevant operating business, in particular with regard to compliance with the articles of association, regulations and directives. Meetings of the Board of Directors and committees generally last between two hours and half a day. The Chair of the Board of Directors is invited to attend all committee meetings as a guest.

The CEO and → CFO are present at all meetings of the Board of Directors. The chairs of the committees decide whether further members of the Executive Board or other management staff are to be summoned, depending on the agenda. If deemed necessary, representatives of the external auditors participate in the Board of Directors' discussion of their reports.

The Chairman of the Board of Directors, or the chairs of the committees, set the agenda for meetings. Debates and resolutions are recorded in the minutes. The minutes of the committees are sent to all members of the Board of Directors. The committee chairs also deliver a verbal report on important events and resolutions at every Board of Directors meeting. In the year under review, the Board of Directors convened on 14 occasions, one of which was a one-day strategy seminar.

→ Members of the Board of Directors and composition of the committees on page 21.

Audit Committee (AC)

The AC consists of three to four non-executive members of the Board of Directors. The activities of the AC are stipulated by the law, the applicable FINMA Circulars, the articles of association, the rules of organization (including the competency rules) and the regulations of the AC.

The AC assumes tasks relating in particular to accounting and financial reporting, the internal controlling system, the external auditors and the Internal Audit department. AC meetings are attended by the CEO, the CFO and representatives of the internal and external auditors. Five meetings were held in the year under review.

→ Members of the Executive Board and organizational chart from page 22.

Nomination & Compensation Committee (NCC)

The NCC consists of three to four non-executive members of the Board of Directors. The activities of the

NCC are stipulated by the law, the articles of association, the rules of organization (including the competency rules) and the regulations of the NCC.

The NCC prepares the groundwork for all decisions on important personnel and related organizational issues at the Executive Board and senior management level for submission to the Board of Directors. This includes all issues pertaining to remuneration. NCC meetings are attended by the CEO and the Head Human Resources. A total of six meetings were held in the year under review.

Risk Committee (RC)

The RC consists of three to four non-executive members of the Board of Directors. The activities of the RC are stipulated by the law, the articles of association, the rules of organization (including the competency rules) and the regulations of the RC.

The RC assumes the duties of the Board of Directors in respect of risk management in accordance with the risk policy of SIX. In addition, the RC has responsibilities related to the Securities & Exchanges business unit. RC meetings are attended by the CEO, the CFO and the CRO. A total of six meetings were held in the year under review.

Internal Audit

Internal Audit reports directly to the Audit Committee in functional terms and the Chairman of the Board of Directors in administrative terms. It supports the Board of Directors in carrying out its legal supervisory and controlling tasks and executes the audit tasks assigned to it. It has an unrestricted right of audit within SIX and all legal entities. It has the right to inspect all business documents at any time. Internal Audit coordinates its activities with the external auditors and those responsible for compliance and risk controlling.

Information and Supervisory Tools Regarding Executive Board

SIX has a fully developed management information system (MIS) that supports the Board of Directors in performing its supervisory duties and monitoring the powers assigned to the Executive Board. A comprehensive interim statement containing budget and year-on-year comparisons is submitted to the Board of Directors each quarter.

The Chairman of the Board of Directors receives the minutes of the Executive Board meetings for inspection.

Risk Management and Compliance

The Board of Directors is informed about the → risk situation on a regular basis. The Group has an internal control system (ICS) consisting of regulations, internal directives and corresponding measures that serve to ensure that business operations are conducted properly.

A corresponding compliance program also ensures that statutory and regulatory requirements are met. The Risk Committee is informed about compliance activities on a yearly basis.

→ Further information on risk and security management at SIX: **six-group.com/risk**

Remuneration

At the request of the Nomination & Compensation Committee, the Board of Directors defines remuneration guidelines. The Chairman and members of the Board of Directors receive a fixed salary. The members of the Executive Board receive a fixed basic salary as well as variable remuneration in the form of a cash payment. The latter is dependent on company revenue, targets met according to the Key Performance Indicators and individual performance. In order to gear corporate governance to longer-term objectives and make it more sustainable, part of the variable remuneration of Executive Board members takes the form of a long-term incentive plan, which pays out after three years (cliff vesting), provided that the predefined quantitative and qualitative objectives have been met. This ensures that the interests of the owners and the Executive Board are aligned over an extended period.

In the year under review, eight members of the Executive Board and ten members of the Board of Directors were paid a total of CHF 13.54 million. This includes those members of the Board of Directors or the Executive Board who either left or joined during the course of the financial year. Along with the basic and variable remuneration, the amount also covers payments or benefits in kind that are standard in the industry. Social benefits are not included in the amount. SIX does not grant loans of any kind to its employees or corporate bodies.

Auditors

Ernst & Young Ltd was appointed as auditor of SIX Group Ltd on 1 January 2008. The auditor in charge is Jan Marxfeld, accredited audit expert. Prof. Andreas Blumer, PhD, accredited audit expert, assumes the role of lead auditor recognized by FINMA. The Board of Directors is responsible for supervising and controlling the external auditors and Group Auditors. It also handles the internal and external auditors' reports, and is supported in this task by the Audit Committee (AC). The AC regularly receives and processes reports from representatives of the external auditors or Group Auditors.

Remuneration of the Auditors

in CHF	2018
Auditing services Ernst & Young	1,854,829
Audit-related services	419,176
Advisory services	249,483
Total	**2,523,488**

Excl. fees for the legal entities of the Cards business unit

Information Policy

Up-to-date information is available at six-group.com. Calls to attend meetings and communications to the shareholders are sent by letter to the addresses recorded in the share register. Subject to legal requirements, announcements to creditors are published in the Swiss Official Gazette of Commerce. SIX publishes its business results semiannually.

More information and latest news at **six-group.com**

Board of Directors

AUDIT COMMITTEE

Dr Jürg Bühlmann Chair	Lorenz von Habsburg Lothringen	Stefan Helfenstein

NOMINATION & COMPENSATION COMMITTEE

Dr Sabine Keller-Busse Chair	Herbert J. Scheidt	Dr Romeo Lacher

RISK COMMITTEE

Søren Mose Chair	Shannon Thyme Klinger	Urs Beeler

Dr Romeo Lacher
Chairman of the Board of Directors
Swiss citizen, member of the Board of Directors since 1 January 2008. Elected until 2020. Chairman of the Board since 10 January 2017.

Dr Sabine Keller-Busse
Vice Chair of the Board of Directors
Swiss and German citizen, member of the Board since 18 June 2012, elected until 2020.

Urs Beeler
Swiss citizen, member of the Board since 19 May 2017, elected until 2020.

Dr Jürg Bühlmann
Swiss citizen, member of the Board since 20 May 2016, elected until 2020.

Lorenz von Habsburg Lothringen
Austrian and Belgian citizen, member of the Board since 16 May 2014, elected until 2020.

Stefan Helfenstein
Swiss citizen, member of the Board since 20 May 2016, elected until 2020.

Søren Mose
Danish and Swiss citizen, member of the Board since 19 May 2014, elected until 2020.

Herbert J. Scheidt
German and Swiss citizen, member of the Board since 1 January 2008, elected until 2020.

Shannon Thyme Klinger
US citizen, member of the Board since 20 May 2016, elected until 2020. ■

→ Dr Patrik Gisel resigned from the Board of Directors with effect from 15 November 2018.

CVs and further activities and mandates of the members of the Executive Board at **six-group.com/executive-board**

Executive Board

Members of the Executive Board (see below) and the Extended Executive Board (see page 23).
In the picture (from left to right): Dr Jochen Dürr, Daniel Dahinden, Daniel Schmucki, Thomas Zeeb, Jos Dijsselhof, Robert Jeanbart, Marco Menotti, Christoph Landis, Susanne Berger, Dr Alain Bichsel.

Executive Board at 31 December 2018

Jos Dijsselhof
Chief Executive Officer
Dutch citizen, member of the Board since 1 January 2018.

Daniel Schmucki
Chief Financial Officer
Swiss citizen, member of the Board since 1 March 2017.

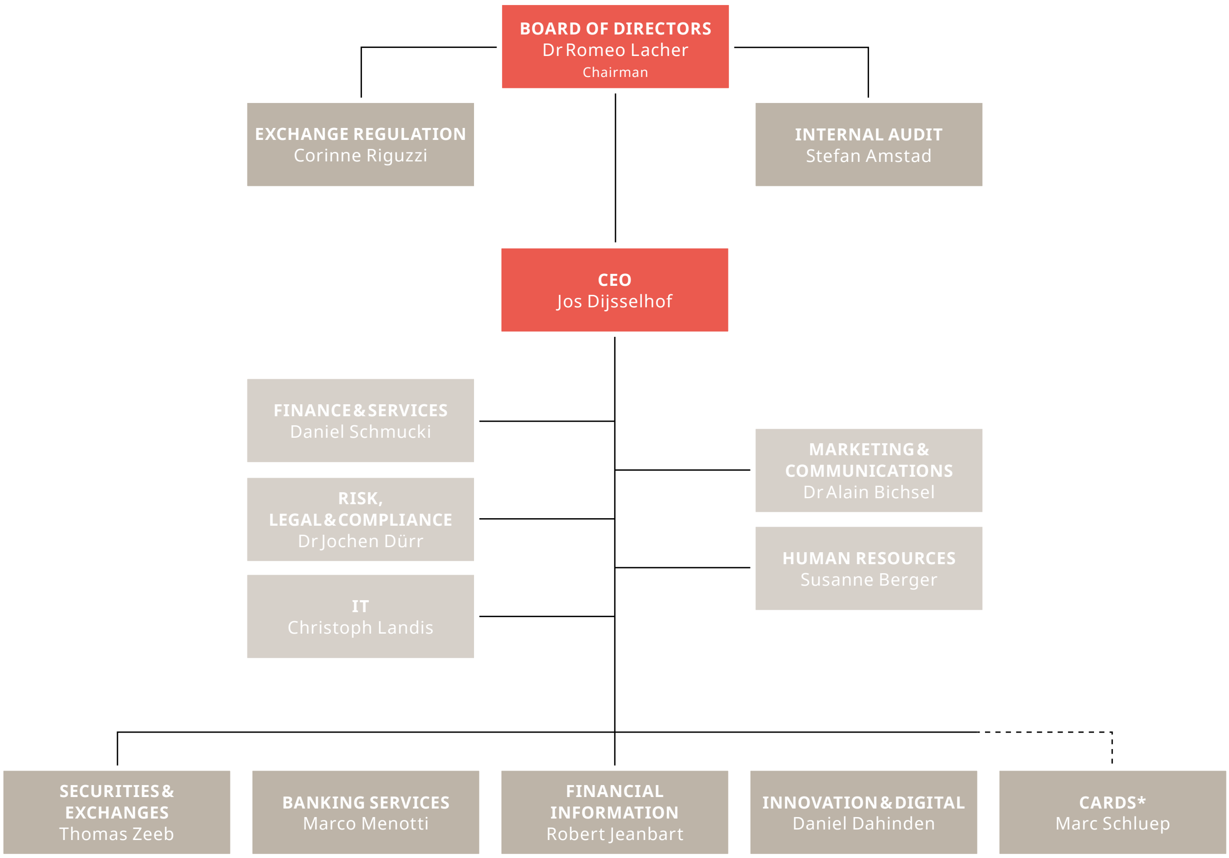
Dr Jochen Dürr
Chief Risk Officer
German citizen, member of the Board since 1 March 2018.

Christoph Landis
Head IT
Swiss citizen, member of the Board since 12 November 2015.

Thomas Zeeb
Head Securities & Exchanges
Canadian citizen, member of the Board since 1 October 2008.

Marco Menotti
Head Banking Services
Swiss citizen, member of the Board since 1 March 2018.

Robert Jeanbart
Head Financial Information
Swiss citizen, member of the Board since 16 May 2014. ■



* Transferred to Worldline

Extended Executive Board

Daniel Dahinden
Head Innovation & Digital
Swiss citizen, member of the Board since 1 April 2018.

Dr Alain Bichsel
Head Marketing & Communications
Swiss citizen, member of the Board since 1 April 2018.

Susanne Berger
Chief Human Resources Officer
Dual German-Swiss citizen, member of the Board since 1 November 2018. ■

→ Marc Schluep was head of the Cards business unit until 30 November 2018 and was a member of the Executive Board of SIX. When Cards was transferred to Worldline, Marc Schluep moved to the Executive Committee of Worldline as Managing Director Switzerland.

CVs and further activities and mandates of the members of the Executive Board at **six-group.com/executive-board**

FINANCIAL STATEMENTS

SIX Key Figures

CHF million	Total SIX 2018	Total SIX 2017	Total SIX Change in %	Continuing operations 2018	Continuing operations 2017	Continuing operations Change in %
Income statement						
Total operating income	1,938.7	1,944.6	–0.3%	1,115.8	1,119.6	–0.3%
Total operating expenses	–1,717.3	–1,664.0	3.2%	–978.3	–921.5	6.2%
Operating profit	221.3	280.5	–21.1%	137.5	198.1	–30.6%
Share of profit or loss of associates	–6.4	–23.2	72.2%	–6.4	–23.2	72.2%
Net financial result	2,732.0	15.8	n/a	4.0	7.5	–46.8%
Earnings before interest and tax (EBIT)	2,946.9	273.2	n/a	135.0	182.3	–26.0%
Net interest and tax expenses	–64.3	–65.9	–2.5%	–40.0	–42.1	–4.8%
Profit for the period from continuing operations	n/a	n/a	n/a	95.0	140.3	–32.3%
Group net profit	2,882.7	207.2	n/a	n/a	n/a	n/a

CHF million	Total SIX 2018	Total SIX 2017	Total SIX Change in %
Cash flow statement			
Cash flow from operating activities	1,292.1	–110.3	n/a
Cash flow from investing activities	–63.6	–254.2	–75.0%
Cash flow from financing activities	–133.7	–142.0	–5.8%
Balance sheet as at 31/12			
Total assets	12,667.9	10,301.5	23.0%
Total liabilities	7,282.9	7,625.6	–4.5%
Total equity	5,385.0	2,675.9	101.2%
Equity ratio[1] (in %, average)	81.9%	80.0%	2.4%
Return on equity[2] adjusted by gain of disposal of cards business (in %, average)	5.1%	7.9%	–35.6%
Shareholders’ key figures			
Earnings per share (in CHF)	152.36	10.91	n/a
Earnings per share from continuing operations (in CHF)	5.02	7.42	–32.3%
Ordinary dividend per share (in CHF)	4.10	7.00	–41.4%
Payout ratio (in %)	50.1%	66.2%	–24.3%
Extraordinary dividend per share (in CHF)	17.30	–	n/a
Operating key figures			
Workforce as at 31/12 (full-time equivalents)	2,474.0	3,755.0	–34.1%
Workforce as at 31/12 (headcounts)	2,594	3,963	–34.5%
Stock exchange trading volume (in CHF billions)	1,361.3	1,346.0	1.1%
Market share of trading in SLI stocks (in %, average)	70.8	68.3	3.7%
Deposit volume (in CHF millions, average)	3,243,243	3,315,113	–2.2%
Number of SIC transactions (in 1000s)	610,486	510,901	19.5%
Number of financial instruments (business unit Financial Information) (in millions)	32.4	27.3	18.6%

[1] 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”.

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

Table of Contents

SIX Consolidated Financial Statements 2018

Full-Year Report of SIX as at 31 December 2018

For a description of the 2018 results refer to pages 8 to 15.

Balance sheet as of 31 December 2018

As at 31 December 2018, balance sheet assets totaled CHF 12,667.9 million, an increase of CHF 2,366.4 million compared with 31 December 2017. Liabilities totaled CHF 7,282.9 million as of the balance sheet date, a decrease of CHF 342.7 million. The movements in the individual assets and liabilities positions were significantly impacted by the sale of the cards business (for further details see note 18).

Aside from this, the movement in current assets (CHF –36.1 million) was mainly due to the ordinary movements in giro balances with Swiss National Bank (CHF +958.9 million), included in cash and cash equivalents, and the increase in receivables from clearing & settlement in the post-trading area (CHF 235.8 million). The net decrease in receivables from clearing & settlement (CHF –867.3 million) resulted from the sale of the cards business described above. The increase in non-current assets (CHF +2,402.5 million) is mostly related to the acquisition (CHF 2,625.8 million) of 26.6% of the shares in Worldline SA in connection with the sale of the cards business.

Current liabilities totaled CHF 7,129.4 as at the balance sheet date, a decrease of CHF 368.0 million. The net decrease in payables from clearing & settlement (CHF –136.1 million) and trade and other payables (CHF –236.9 million) mainly resulted from the sale of the cards business described above. The payables from clearing & settlement in the post-trading area increased by CHF 1,006.4 million.

Equity increased by CHF 2,709.1 million in the reporting period to CHF 5,385.0 million. The increase is driven by the net profit for 2018 (CHF +2,882.7 million) and is partially offset by the effect of other comprehensive income (CHF –46.9 million) and by the dividends paid (CHF –133.5 million).

Consolidated Income Statement

CHF million	Notes*	2018	2017 restated[1]
Transaction revenues		520.0	543.6
Service revenues		544.3	530.1
Net interest income from interest margin business	6	34.1	25.3
Other operating income		17.5	20.6
Total operating income	**5**	**1,115.8**	**1,119.6**
Personnel expenses	7, 36	–468.2	–467.6
Other operating expenses	8	–443.1	–392.9
Depreciation, amortization and impairment	21, 22	–67.0	–61.0
Total operating expenses		**–978.3**	**–921.5**
Operating profit		**137.5**	**198.1**
Share of profit or loss of associates	31	–6.4	–23.2
Financial income	9	37.9	19.8
Financial expenses	9	–33.9	–12.3
Earnings before interest and tax (EBIT)		**135.0**	**182.3**
Interest income	10	3.7	3.7
Interest expenses	10	–6.3	–5.8
Earnings before tax (EBT)		**132.3**	**180.2**
Income tax expenses	12	–37.4	–39.9
Profit for the period from continuing operations		**95.0**	**140.3**
Profit for the period from discontinued operations, net of tax	18	2,787.7	67.0
Group net profit		**2,882.7**	**207.2**
of which attributable to shareholders of SIX Group Ltd		*2,881.8*	*206.4*
of which attributable to non-controlling interests		*0.9*	*0.9*
Earnings per share (CHF)			
Basic profit for the period attributable to shareholders of SIX Group Ltd	11	152.36	10.91
Diluted profit for the period attributable to shareholders of SIX Group Ltd		152.36	10.91
Earnings per share (CHF) – Continuing operations			
Basic profit for the period from continuing operations	11	5.02	7.42
Diluted profit for the period from continuing operations		5.02	7.42

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

[1] The accounting policies for the presentation of the Group's operating income were voluntarily changed. The prior year's figures have been restated accordingly. See note 2 for further information.
In 2018, part of the Group is classified as discontinued operations according to IFRS 5. The prior-year figures in the consolidated income statement and in the corresponding notes have been restated accordingly.

Consolidated Statement of Comprehensive Income

CHF million	Notes*	2018	2017
Group net profit		**2,882.7**	**207.2**
Change in actuarial gains/(losses) on defined benefit plans recognized in the reporting period	36	–37.3	48.2
Income taxes on changes in actuarial gains/(losses) on defined benefit plans	13	7.9	–10.4
Change in actuarial gains/(losses) on defined benefit plans, net of tax		**–29.5**	**37.9**
Total items that will not be reclassified to profit or loss		**–29.5**	**37.9**
Translation adjustment recognized in the reporting period		–5.9	13.3
Accumulated translation adjustments reclassified to the income statement		11.2	0.0
Currency translation adjustment		**5.2**	**13.3**
Share of other comprehensive income of associates	**31**	**–22.6**	**1.8**
Total items that are or may subsequently be reclassified to profit or loss		**–17.4**	**15.1**
Total other comprehensive income, net of tax		**–46.9**	**52.9**
Total comprehensive income for the period		**2,835.8**	**260.2**
of which attributable to shareholders of SIX Group Ltd		*2,835.0*	*259.4*
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*	31/12/2018	31/12/2017
Assets			
Cash and cash equivalents	14	5,496.9	4,462.6
Trade and other receivables	15	130.6	263.4
Receivables from clearing & settlement	16	2,699.6	3,566.9
Financial assets	17, 28, 29	823.8	754.8
Inventories	19	–	17.4
Current income tax receivables	12	23.7	23.6
Other current assets	20	96.1	218.1
Current assets		**9,270.7**	**9,306.8**
Property, plant and equipment	21	243.1	277.6
Intangible assets	22	116.0	393.4
Investments in associates	31	2,656.1	23.5
Financial assets	17, 28, 29	354.0	260.1
Other non-current assets	20	16.6	28.0
Deferred tax assets	13	11.3	12.1
Non-current assets		**3,397.2**	**994.7**
Total assets		**12,667.9**	**10,301.5**
Liabilities			
Bank overdrafts	14	–	1.0
Trade and other payables		25.2	262.1
Payables from clearing & settlement	16	6,725.4	6,861.5
Financial liabilities	28, 29	110.1	68.9
Provisions	25	5.0	33.6
Contract liabilities	5	29.0	–
Current income tax payables	12	27.5	23.1
Other current liabilities	26	207.2	247.1
Current liabilities		**7,129.4**	**7,497.3**
Provisions	25	14.0	28.4
Contract liabilities	5	35.1	–
Other non-current liabilities	26	77.1	40.6
Deferred tax liabilities	13	27.3	59.3
Non-current liabilities		**153.5**	**128.3**
Total liabilities		**7,282.9**	**7,625.6**
Equity			
Share capital		19.5	19.5
Capital reserves		234.1	234.1
Other reserves		–54.0	–36.6
Retained earnings		5,175.9	2,449.0
Shareholders' equity	**24**	**5,375.5**	**2,666.0**
Non-controlling interests	31	9.5	9.9
Total equity		**5,385.0**	**2,675.9**
Total liabilities and equity		**12,667.9**	**10,301.5**

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

Consolidated Statement of Changes in Equity

CHF million	Share capital	Capital reserves	Other reserves
Balance at 1 January 2018	**19.5**	**234.1**	**–36.6**
Impact of changes in accounting policies[1]			
Adjusted balance at 1 January 2018	**19.5**	**234.1**	**–36.6**
Group net profit			
Total other comprehensive income			–17.4
Total comprehensive income for the year			**–17.4**
Dividends paid			
Distributions			
Balance at 31 December 2018	**19.5**	**234.1**	**–54.0**

CHF million	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			
Distributions			
Balance at 31 December 2017	**19.5**	**234.1**	**–36.6**

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

[1] See note 2 for further information on the changes in accounting policies.

	Other reserves				
Treasury shares	Translation reserves	**Retained earnings**	**Shareholders' equity**	**Non-controlling interests**	**Total equity**
–23.3	**–13.3**	**2,449.0**	**2,666.0**	**9.9**	**2,675.9**
		6.8	6.8		6.8
–23.3	**–13.3**	**2,455.8**	**2,672.8**	**9.9**	**2,682.7**
		2,881.8	2,881.8	0.9	2,882.7
	–17.4	–29.3	–46.7	–0.2	–46.9
	–17.4	**2,852.4**	**2,835.0**	**0.8**	**2,835.8**
		–132.4	–132.4	–1.1	–133.5
		–132.4	**–132.4**	**–1.1**	**–133.5**
–23.3	**–30.7**	**5,175.9**	**5,375.5**	**9.5**	**5,385.0**

	Other reserves				
Treasury shares	Translation reserves	**Retained earnings**	**Shareholders' equity**	**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**

Consolidated Statement of Cash Flows

CHF million	Notes*	2018	2017
Group net profit (incl. non-controlling interests)		2,882.7	207.2
Adjustments for:			
Depreciation, amortization and impairment	21,22	76.9	85.6
Increase/(decrease) in provisions		–23.8	–12.3
Increase/(decrease) in pension fund assets and liabilities		13.5	13.9
Share of profit of associates	31	6.4	23.2
Net financial result		–2,683.3	–81.0
(Gain)/loss on sale of property, plant, equipment and intangible assets		2.0	2.5
(Gain)/loss on settlement and curtailment	36	–	–2.7
Income tax expense	12	61.0	63.7
Changes in:			
Inventories		–0.5	–2.4
Trade and other receivables		36.5	195.6
Trade and other payables		–122.7	–94.1
Receivables from clearing & settlement		230.8	–90.4
Payables from clearing & settlement		619.6	–160.2
Current financial assets		–52.4	–91.1
Current financial liabilities		160.9	2.5
Contract liabilities [1]	5	45.2	–
Other current assets		95.8	–101.1
Other current liabilities		36.4	10.8
Interest paid		–6.4	–6.2
Interest received		4.0	3.8
Income tax (paid)/received	12	–90.6	–77.5
Net cash flow from/(used in) operating activities		**1,292.1**	**–110.3**
Investments in subsidiaries (net of cash acquired incl. bank overdrafts)	32	–	–198.6
Investments in associates		–37.1	–5.0
Disposal of subsidiaries and associates (net of cash disposed)		20.0	45.7
Purchase of property, plant, equipment and intangible assets		–73.6	–98.2
Sale proceeds from property, plant, equipment and intangible assets		0.9	0.3
Investments in non-current financial assets		–7.1	–7.6
Divestments of non-current financial assets		22.0	0.8
Investments in other non-current assets		–0.6	–0.1
Divestments of other non-current assets		3.0	0.0
Other financial income received		0.1	0.1
Dividends received		8.7	8.3
Net cash flow from/(used in) investing activities		**–63.6**	**–254.2**
Net change in other non-current liabilities		–0.2	–3.2
Dividends paid to shareholders of the parent company	23	–132.4	–138.1
Dividends paid to non-controlling interests		–1.1	–0.6
Net cash flow from/(used in) financing activities		**–133.7**	**–142.0**
Net impact of foreign exchange rate differences on cash		–59.4	61.8
Net change in cash and cash equivalents		**1,035.3**	**–444.7**
Balances of cash and cash equivalents			
Cash and cash equivalents at 1 January		4,461.5 [2]	4,906.2
Cash and cash equivalents at 31 December	14	5,496.9	4,461.6

* The accompanying notes are an integral part of the consolidated financial statements.
[1] See note 2 for further information on the changes in accounting policies.
[2] The opening balance was adjusted for expected credit losses of less than CHF 0.1 million.

Basis of Preparation

1. General information

The consolidated financial statements of SIX as at and for the year ended 31 December 2018 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 125 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 11 March 2019.

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.

Changes to the Group's accounting policies through adoption of new standards

The Group updated its accounting policies, effective 1 January 2018. The changes relate to the adoption of IFRS 15 Revenue from Contracts with Customers and the impairment requirements of IFRS 9 Financial Instruments. The classification and measurement as well as hedge accounting requirements of IFRS 9 were already adopted in previous periods. For the financial effect of the adoption refer to chapter New standards, interpretations and amendments adopted by the Group in this note.

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 presented in financial income or financial expenses or in case of discontinued operations the gain or loss is presented in profit for the period of discontinued operations, net of tax. 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. In case the Group holds less than 20% of voting rights, a strong indicator for significant influence is when SIX has representation in the Board of the investee. 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 as well as acquisition related costs. 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. The share of profit or loss is adjusted by effects from subsequent measurement of assets and liabilities identified in a purchase price allocation. 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.

Gains or losses resulting from the sale or contribution of a business as defined in IFRS 3 between SIX and an associate are recognized in full.

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	31/12/2018	31/12/2017
EUR	1.1259	1.1695
GBP	1.2497	1.3170
USD	0.9853	0.9782

The main annual average exchange rates were the following:

Currency	2018	2017
EUR	1.1550	1.1115
GBP	1.3055	1.2683
USD	0.9779	0.9847

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 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 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 less expected credit losses.

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 expected impairment losses. Trade and other receivables represent the Group's unconditional right of payment. The position also includes unbilled receivables, i.e. positions where the Group has fulfilled its performance obligations for services, but the customers have not been invoiced yet and only the passage of time is required before payment of that consideration is due. In previous periods unbilled receivables were presented as accrued revenue within other current assets.

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 banking services 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 less expected credit losses.

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

Impairment policy for 2018

General

The Group recognizes loss allowances for expected credit losses (ECL) on the following financial assets that are measured at amortized cost:

- Cash and cash equivalents
- Trade and other receivables
- Contract assets
- Debt instruments
- Receivables from clearing & settlement
- Other financial assets at amortized cost

The impairment model is a three-stage approach. The three-stage approach is set out below:

	Stage 1	Stage 2	Stage 3
Instruments	Initial recognition of financial assets and assets with no significant increase in credit risk since initial recognition	Trade and other receivables (not credit impaired-simplified approach), contract assets (simplified approach) and assets with significant increase in credit risk since initial recognition	Credit-impaired financial assets
Measurement of ECL	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The Group measures the loss allowances at an amount equal to 12-month ECL (Stage 1), except for the following instruments, for which the loss allowance is measured at an amount equal to lifetime ECL (Stage 2):

- Trade and other receivables including operating lease receivables (simplified approach according to IFRS 9)
- Financial assets at amortized cost on which credit risk has increased significantly since initial recognition

When a default event occurs the loss allowance is measured at an amount equal to lifetime ECL and the financial asset is presented as credit-impaired (Stage 3).

The Group applies the “low credit risk” simplification in order to track the increase in credit risk. A low credit risk is assumed when the credit rating of a financial asset is equivalent to the globally understood definition of “investment grade” (i.e. a Standard & Poor’s rating of BBB – or higher).

The creation and release of loss allowances are recognized in other operating expenses for cash and cash equivalents, trade and other receivables, contract assets and receivables from clearing & settlement. For debt instruments and other financial assets at amortized cost, the creation and release of loss allowance is presented in financial expenses.

The amount of expected credit losses is updated each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets. Recoveries are recognized in profit and loss.

Write-off policy

The Group writes off a financial asset when the collection activities are completed and there is no realistic prospect of recovery. This is generally the case when the Group receives evidence of insolvency (e.g. loss certificate). Financial assets that are written off can still be subject to enforcement activities even if recovery is very unlikely.

Impairment policy for 2017

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 & Exchanges, 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.

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 (discontinued operations)

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, as SIX does not hold the primary responsibility for fulfilling the promise to provide the service.

Non-current assets held for sale and discontinued operations

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.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations.

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	3–7 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 arising from business combinations 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 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 main indicators that SIX is a principal are responsibility for fulfilling the promise to provide services and discretion in establishing prices. In previous periods the main indicators were primary responsibility for providing services, latitude in establishing prices and the subsequent credit risk.

Revenue is measured at the transaction price and represents the consideration to which SIX expects to be entitled in exchange for transferring services, net of amounts collected on behalf of third parties. If contracts include two or more performance obligations, the transaction price is allocated to the performance obligations on a relative stand-alone selling price basis. Management determines the stand-alone selling price at contract inception, based on observable prices for the type of services rendered or products delivered in similar circumstances to similar customers.

Volume discounts are generally based on the total services provided within a calendar year. During the financial year, an average estimated selling price is recognized as revenue. No estimates are required at the end of the financial year. The volume discounts are estimated based on the total volume expected for the full year and the related discount levels reached (i.e. the most likely method). The difference between the expected average selling price and the payments received is recognized as a contract liability. If a discount is granted and there is more than one performance obligation, the discount is allocated to the performance obligations based on their relative stand-alone selling prices. Returns or refunds are not significant in any business area.

If the Group expects to be entitled to breakage amounts (i.e. customers are not expected to exercise their rights in full), the Group recognizes breakage revenues based on the pattern of recognition of the services transferred to the customers. Management estimates the pattern at contract inception, based on experiences with services rendered in similar circumstances to similar customers.

Transaction revenues

Transaction revenues are generated by services which are directly related to a single transaction (e.g. trading in securities, clearing & settlement transactions, payment transactions, ATM transactions, interbank clearing transactions and e-bill payments, land registry and mortgage transactions, SWIFT messages, etc.) or services which are triggered and remunerated on an incident or order basis (e.g. PIN order). The performance obligation of the service is satisfied at the time of the transaction or incident.

In the Securities & Exchanges business, transaction fees are recognized on the settlement day or on the day when the trade is completed (for late settlements) – i.e. transaction revenues are recognized at a point in time.

Service revenues

Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is recognized based on the actual service provided up to the end of the reporting period as a proportion of the total services to be provided (i.e. recognition over time). This is generally determined based on the time elapsed, as most services are provided over a fixed contract period. Development services are recognized over time when SIX has no alternative use for the asset and has a right to payment for the performance completed to date. Revenue is then recognized relative to the costs incurred (i.e. change in measure of progress), as cost incurred best reflects the stage of completion of development projects. In previous periods, for development services the percentage of completion method (PoC) was applied where the revenues and cost could be reliably measured and it was probable that the benefits would flow to the entity.

Net interest income from interest margin business

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

Other operating income

Other operating income includes income earned from sale of assets and non-standard services. These services are recognized at a point in time. Lease income is also included in other operating income. Lease income is recognized over time.

Practical expedients

The Group applies the practical expedient option under paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less or when SIX has a right to invoice the amount that corresponds directly to the value of the performance completed to date.

Contract costs

Costs to obtain a contract

Incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover these. In previous periods, these costs were expensed as incurred. Costs to obtain a contract are amortized over the average contract period, which is based on past experience with services rendered in similar circumstances to similar customers.

Contract balances

Contract assets

Contract assets represent a conditional right of payment (i.e. when further performance obligations are outstanding) and are presented within other current assets.

Contract liabilities

Contract liabilities relate to the advance consideration received from customers, for which revenue is recognized when the performance obligation is satisfied by the Group. Contract liabilities are presented net of contract assets (netted at contract level).

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.

Voluntary change in accounting policies

Management has concluded that a change in the presentation of the operating income would provide more reliable and relevant information. Operating income has been recompiled to match the timing pattern of revenue recognition described in the above accounting policies. Revenues have been reallocated to the appropriate income statement lines, and commission income has been deleted from the income statement. The change has had no impact on total operating income.

The following table summarizes the impact of the voluntary change in accounting policies on the Group's consolidated financial statements:

			2018
CHF million	**Balance without changes in accounting policies for continuing operations**	**Adjustments due to changes in accounting policies**	**As reported**
Commission revenues	155.2	–155.2	–
Transaction revenues	361.1	158.8	520.0
Service revenues	534.2	10.1	544.3
Net interest income from interest margin business	34.1	–	34.1
Other operating income	31.3	–13.8	17.5
Total operating income	**1,115.8**	**–**	**1,115.8**

CHF million	Balance as previously reported	Adjustments related to discontinued operations	Balance without changes in accounting policies for continuing operations	Adjustments due to changes in accounting policies	As reported
					2017
Commission revenues	777.1	–586.0	191.2	–191.2	–
Transaction revenues	405.6	–69.4	336.2	207.4	543.6
Service revenues	641.3	–108.6	532.7	–2.6	530.1
Net interest income from interest margin business	25.3	–	25.3	–	25.3
Other operating income	95.3	–61.1	34.2	–13.7	20.6
Total operating income	**1,944.6**	**–825.0**	**1,119.6**	**–**	**1,119.6**

New standards, interpretations and amendments adopted by the Group

The adoption of the following amendments has had no significant impact on the consolidated financial statements of the Group as at 31 December 2018.

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendment to IFRS 4)
- Classification and Measurement of Share-based Payment Transactions (amendment to IFRS 2)
- Transfer of Investment Property (amendment to IAS 40)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 17 Insurance Contracts

The adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers had the following effects.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. SIX had 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 first-time adoption, the Group did not restate comparative information. Instead, the cumulative effect was recognized in equity.

Overall, the adoption had no significant impact on the Group's financial statements. The total effect on retained earnings was CHF 0.5 million (decrease in retained earnings).

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 first-time adoption, the Group did not restate comparative information, as the modified retrospective approach was applied. The cumulative effect of transition was recognized in equity.

Overall, the adoption had no significant impact on the financial statements of SIX, except for the accounting of incremental costs to obtain a contract. With effect from 1 January 2018, the Group capitalizes sales commissions and amortizes them over the contract period. The following table summarizes the impact of adopting IFRS 15 on retained earnings as at 1 January 2018.

CHF million	Impact of adopting IFRS 15
Costs to obtain a contract	10.6
Contract assets	0.7
Contract liabilities	–2.4
Tax effect	–1.5
Net impact on retained earnings as at 1 January 2018	**7.3**

The effect of the adoption of IFRS 15 on the income statement was not material. The following table shows the effect of the adoption on the consolidated balance sheet.

			31/12/2018
CHF million	Balance without adoption of IFRS 15	Adjustments	As reported
Assets			
Trade and other receivables	113.4	17.2	130.6
Other current assets	113.3	–17.2	96.1
Other non-current assets	8.7	7.9	16.6
Deferred tax assets	11.3	–	11.3
Other assets	12,413.2	–	12,413.2
Total assets	**12,660.0**	**7.9**	**12,667.9**
Liabilities			
Contract liabilities	–	64.1	64.1
Other current liabilities	271.3	–64.1	207.2
Deferred tax liabilities	26.5	0.9	27.3
Other liabilities	6,984.2	–	6,984.2
Total liabilities	**7,282.0**	**0.9**	**7,282.9**
Equity			
Capital and reserves	199.6	–	199.6
Retained earnings	5,168.9	7.0	5,175.9
Non-controlling interests	9.5	–	9.5
Total equity	**5,378.0**	**7.0**	**5,385.0**
Total liabilities and equity	**12,660.0**	**7.9**	**12,667.9**

The main effects are the reclassification of unbilled receivables from other current assets to trade and other receivables, and the reclassification of deferred revenues from other current liabilities to contract liabilities.

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[1]
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019	Financial year 2019[2]
IFRIC 23 Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019	Financial year 2019[3]
Prepayment Features with Negative Compensation (Amendment to IFRS 9)	Annual periods beginning on or after 1 January 2019	Financial year 2019[3]
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Annual periods beginning on or after 1 January 2019	Financial year 2019[3]
Annual Improvements to IFRS Standards 2015–2017 Cycle	Annual periods beginning on or after 1 January 2019	Financial year 2019[3]
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Annual periods beginning on or after 1 January 2019	Financial year 2019[3]
Conceptual Framework for Financial Reporting	Annual periods beginning on or after 1 January 2020	Financial year 2020[3]
Definition of Business (Amendments to IFRS 3)	Annual periods beginning on or after 1 January 2020	Financial year 2020[3]
Definition of Material (Amendments to IAS 1 and IAS 8)	Annual periods beginning on or after 1 January 2020	Financial year 2020[3]

[1] The impact on the consolidated financial statements of SIX has not yet been fully assessed.
[2] See note "IFRS 16 Leases" below.
[3] The adoption of the new standard and the amendment is not expected to have any significant impact, on the consolidated financial statements of SIX.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions involving the legal Form of a Lease. IFRS 16 introduces a single, on-balance-sheet lease accounting model for lessees.

A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessees will be required to remeasure the liability upon the occurrence of certain events (e.g. change in lease term or in future lease payments resulting from a change in an index). The amount of the remeasurement of the lease liability will generally be recognized as an adjustment to the right-of-use asset.

The lessor accounting is substantially unchanged from the accounting under IAS 17. Accordingly, lessors will continue to distinguish between operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

SIX will adopt IFRS 16 from 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect from adopting the new standard will be recognized as an adjustment to retained earnings at 1 January 2019, with no restatement of comparative information. The Group applies the practical expedient to grandfather the definition of a lease on transition. This means that SIX applies IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. At initial recognition, SIX determines the carrying amount of the right-of-use assets for the largest leases of office space as if IFRS 16 had been applied since the commencement date. For all other leases, the carrying amount of the right-of-use asset is measured at an amount to equal to the lease liability, adjusted by any prepaid or accrued lease payments recognized as at 31 December 2018.

SIX leases office space, vehicles and IT equipment. The estimated impact of adopting IFRS 16 is expected to be as follows:

CHF million	Estimated impact of adopting IFRS 16
Balance sheet	
Prepayments	–2.8
Property, plant and equipment	163.1
Deferred tax assets	1.1
Total asset	**161.3**
Lease liabilities	166.3
Accruals	–1.2
Total liabilities	**165.1**
Estimated impact on retained earnings as at 1 January 2019	**–3.8**
Income statement	
Operating expenses	16.8
Depreciation	–14.9
Estimated impact on EBIT 2019	**1.9**
Interest expenses	**–2.9**
Estimated impact on profit before tax 2019	**–0.9**

The nature of expenses related to the leases recognized on the balance sheet will change because SIX will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, SIX recognized operating leases expenses on a straight-line basis over the term of the lease. Due to the adoption of IFRS 16, we expect that the Group's EBIT will improve for 2019, whilst interest expenses will also increase.

Operating cash flows will increase and financing cash flows will decrease by approximately CHF 11.1 million in 2019, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

No significant impact is expected for leases in which the Group is a lessor.

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 or in an investment in associates

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 intangible assets, and property, plant and equipment acquired, as well as 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 note 32).

An investment in an associated company requires certain considerations of fair value measurement in accordance with IFRS 3, despite the fact that SIX has not obtained control. In contrast to a business combination, the data access of SIX may be limited for such investments. Therefore, the fair value measurement is based upon projected cash flows and publicly-available data, data prepared by SIX, and the data the associate's management is willing and able to share (see note 31).

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).

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.

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 2018. 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.

Discontinued operations

For the separation of the cards business and the allocation between continuing and discontinued operations, SIX has used judgement and made assumptions and estimates.

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). As part of the strategic initiative “SIX 2020”, SIX has changed its organization with effect from 1 April 2018 to respond to market developments and the needs of the shareholders. SIX will focus on infrastructure services for shareholders and the financial center in securities, payment transactions and financial information.

For the purpose of internal reporting, SIX is now broken down into four reportable segments and Corporate & Others. Corporate activities that support the Group as a whole do not qualify as reportable operating segments under IFRS 8. They include the activities of IT, Risk, Legal & Compliance, Finance & Services, Human Resources and Marketing & Communications. These corporate activities, along with the Innovation & Digital business unit and SIX Exchange Regulation, are grouped together under “Corporate & Others”. The reportable segments and Corporate & Others offer the following products and services:

Service	Service description
Securities & Exchanges	
Trading	Securities & Exchanges generates trading revenues by providing a cash market for trading in shares, bonds, funds and exchange-traded products (ETPs) and a securitized derivatives market for structured products and warrants. The trading business also generates service revenues and receives fees for the maintenance of listings.
Custody business	Operating as the Central Securities Depository (CSD) for Switzerland and as an international custodian across various markets worldwide, Securities & Exchanges through the legal entity SIX SIS Ltd delivers comprehensive custody services for Swiss and international securities. Securities & Exchanges generates service revenues with issuer services, asset servicing, cash management, queries and reporting, and tax services. Transaction revenues are generated with settlement services, repos and Swiss fund processing. The custody business also generates interest income from interest margin business.
Data	Securities & Exchanges distributes raw market data and index products, which generates service revenues. The service fees are generally invoiced on an annual basis.
CCP clearing	Securities & Exchanges, through its clearing arm SIX x-clear Ltd, provides multi-asset clearing services and acts as a highly diversified central counterparty with access to multiple trading venues and matching platforms across Europe.
Banking Services	
E-billing, direct debit and interbank payments	Banking Services offers payment transaction processing services between financial institutions (e.g. interbank clearing) and is the leading provider of e-billing, direct debit and related services in Switzerland. Banking Services mainly generates transaction revenues through payment transactions. Service revenues are generated by flat fees (the service fees are generally invoiced on an annual basis) and consultancy services.
ATM and debit processing	Banking Services provides issuing processing services for card issuers as well as ATM processing services. The processed transactions generate transaction revenues. Banking Services also generates service revenues by providing support to card issuers (e.g. hotline services). The service fees are generally invoiced on an annual basis. The location fee received in the ATM business is presented net in transaction income, as SIX has not obtained control over the service.

Service	Service description
Financial Information	
Reference data & pricing	Financial Information offers procurement, processing and distribution of reference data and pricing information. The business generates service revenues. The service fees are generally invoiced on an annual basis.
Market data & display	Financial Information offers procurement, processing and distribution of (realtime) market data and offers display products. The business generates service revenues. The service fees are generally invoiced on an annual basis. The royalties for financial data paid to stock exchanges are presented net in service income, as SIX has not obtained control over the service.
Tax & regulatory services	Financial Information provides complete reference data required for local and cross-border regulatory and tax compliance. The business generates service revenues. The service fees are generally invoiced on an annual basis.
Indices	Financial Information provides index services by calculating indices and offering licenses for SIX indices. The business generates service revenues. The service fees are generally invoiced on an annual basis.
Cards (discontinued operations)	
Merchant services	Cards generates transaction revenue by providing card acceptance and merchant services (as an "acquirer"). SIX also offers value-added services to merchants, which generates service revenues. In the terminal business (enabling), Cards generates service revenues by providing maintenance services and other operating income from selling and leasing of terminals. The fees received in connection with mobile vouchers (i.e. fees for airtime) are presented net within transaction income, as SIX has not obtained control over the service.
Financial industry services	Cards provides processing services for card issuers and acquirers. The processed transactions generate transaction revenues. Cards also generates service revenues by providing support to card issuers (e.g. hotline services).
Corporate & Others	
Corporate services	Corporate activities include IT, Risk, Legal & Compliance, Finance & Services, Human Resources and Marketing & Communications. Corporate & Others also includes the Innovation & Digital business unit and SIX Exchange Regulation. The functions generate only minor external revenues.

With effect from 1 April 2018, performance of the reportable segments is now measured based on operational profit as included in the internal management reports, which are reviewed regularly by the CODM. Operational profit includes costs that can be influenced and controlled by the reportable segments. Costs that cannot be controlled by the reportable segments (e.g. management fees charged by corporate functions) are not part of the operational profit. Corporate & Others has only minor revenues and is therefore measured based on operational expenses. Transactions between the segments are based on market prices.

The presentation of intercompany revenues generated by the business units depends on the nature of the product. Product-related income from other business units includes revenues generated by delivering products of SIX to other business units. Non-product-related income includes services of the business units that are only provided internally.

CHF million	Securities & Exchanges	Banking Services	Financial Infor-mation	Cards[1]	Total business units	Corporate & Others[1]	Elimi-nation	Total SIX	Discon-tinued operations	Con-tinuing operations
										2018
Revenues from external customers	506.5	154.8	390.2	875.3	**1,926.8**	11.8	–	**1,938.7**	822.8	**1,115.8**
Product-related income from other business units	1.6	1.3	3.7	7.1	**13.7**	–	–13.7	**–**	–	**–**
Total operating income	**508.0**	**156.1**	**393.9**	**882.5**	**1,940.5**	**11.8**	**–13.7**	**1,938.7**	**822.8**	**1,115.8**
Non-product-related income from other business units	**5.5**	**0.3**	**3.4**	**45.1**	**54.2**	**–**	**–54.2**	**–**	**–**	**–**
Depreciation expenses	–0.0	–0.1	–0.7	–7.5	**–8.3**	–38.5	–	**–46.8**	–8.7	**–38.1**
Other operational expenses	–320.8	–118.5	–288.3	–794.9	**–1,522.5**	–614.3	470.4	**–1,666.5**	–731.2	**–935.3**
Total operational expenses	**–320.8**	**–118.6**	**–289.0**	**–802.4**	**–1,530.8**	**–652.9**	**470.4**	**–1,713.3**	**–739.9**	**–973.4**
Operational profit	**192.7**	**37.8**	**108.3**	**125.1**	**463.9**	**–641.0**	**402.4**	**225.4**	**82.9**	**142.5**
Other expenses										–5.0
Share of profit or loss of associates										–6.4
Financial income										37.9
Financial expenses										–33.9
Earnings before interest and tax (EBIT)										**135.0**
Interest income										3.7
Interest expenses										–6.3
Earnings before tax (EBT)										**132.3**
Income tax expenses										–37.4
Profit for the period from continuing operations										**95.0**

[1] Discontinued operations is included in Cards and Corporate & Others. See note 18 for further details.

										2017
CHF million	Securities & Exchanges	Banking Services	Financial Infor- mation	Cards[1]	Total business units	Corporate & Others[1]	Elimi- nation	Total SIX	Discon- tinued operations	Con- tinuing operations
Revenues from external customers	504.2	156.5	391.9	883.7	**1,936.3**	8.2	–	**1,944.6**	825.0	**1,119.6**
Product-related income from other business units	1.9	1.2	3.8	3.7	**10.7**	–	–10.7	**–**	–	**–**
Total operating income	**506.1**	**157.7**	**395.7**	**887.4**	**1,947.0**	**8.2**	**–10.7**	**1,944.6**	**825.0**	**1,119.6**
Non-product-related income from other business units	**6.2**	**1.2**	**2.9**	**32.0**	**42.4**	**–**	**–42.4**	**–**	**–**	**–**
Depreciation expenses	–0.0	–	–1.4	–16.8	**–18.2**	–37.3	–	**–55.5**	–23.6	**–31.9**
Other operational expenses	–324.8	–113.5	–289.6	–786.1	**–1,514.0**	–568.8	469.6	**–1,613.2**	–720.0	**–893.2**
Total operational expenses	**–324.8**	**–113.5**	**–291.0**	**–802.9**	**–1,532.3**	**–606.0**	**469.6**	**–1,668.7**	**–743.6**	**–925.1**
Operational profit	**187.5**	**45.4**	**107.6**	**116.5**	**457.1**	**–597.8**	**416.6**	**275.9**	**81.4**	**194.5**
Other income										3.6
Share of profit or loss of associates										–23.2
Financial income										19.8
Financial expenses										–12.3
Earnings before interest and tax (EBIT)										**182.3**
Interest income										3.7
Interest expenses										–5.8
Earnings before tax (EBT)										**180.2**
Income tax expenses										–39.9
Profit for the period from continuing operations										**140.3**

[1] Discontinued operations is included in Cards and Corporate & Others. See note 18 for further details.

Disclosures by geographical area

SIX operates mainly in Switzerland, and in 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	2018	2017	31/12/2018	31/12/2017
		restated		
Switzerland	897.5	907.5	3,018.6	615.0
France	52.1	50.0	3.8	3.8
United Kingdom	23.2	22.6	1.1	0.5
Luxembourg	19.8	19.1	0.7	53.6
Germany	19.3	18.7	0.3	0.1
Italy	16.1	14.6	0.4	0.0
Sweden	12.9	12.4	2.1	2.0
Denmark	12.4	10.2	0.4	0.0
Austria	–	–	–	46.0
Rest of Europe	21.8	20.6	0.5	0.1
North America	30.2	32.4	3.2	1.2
Asia/Pacific	9.0	10.0	0.6	0.2
North Africa	1.6	1.6	0.1	0.1
Total	**1,115.8**	**1,119.6**	**3,031.8**	**722.5**

Disclosures of major customers

SIX has a large number of customers. In 2018 and 2017, the revenue with one single external customer exceed 10% of the Group's revenue. The revenue totaled CHF 120.8 million (2017: CHF 130.2 million) and was generated by all business units.

5. Operating income

In the following table, revenue is disaggregated by revenue type and by major service lines:

CHF million	Transaction revenues	Service revenues	Net interest income from interest margin business	Other operating income	Total
					2018[1]
Securities & Exchanges					
Trading	146.1	14.9	–	0.2	161.2
Custody business	186.5	9.1	26.9	0.0	222.5
Data	–	33.0	–	–	33.0
CCP clearing	18.0	6.8	7.2	0.0	32.0
Other services	41.8	14.1	–	1.9	57.8
Total Securities & Exchanges	**392.4**	**77.9**	**34.1**	**2.1**	**506.5**
Banking Services					
E-billing, direct debit and interbank payments	44.2	8.5	–	0.0	52.7
ATM and debit processing	83.2	17.5	–	0.0	100.7
Other services	0.1	1.3	–	0.0	1.4
Total Banking Services	**127.6**	**27.2**	**–**	**0.1**	**154.8**
Financial Information					
Reference data & pricing	–	236.9	–	–	236.9
Market data & display	–	83.7	–	0.0	83.7
Tax & regulatory services	–	28.4	–	–	28.4
Indices	–	15.5	–	–	15.5
Other services	–	21.8	–	3.8	25.7
Total Financial Information	**–**	**386.3**	**–**	**3.8**	**390.2**
Cards					
Merchant services	717.7	20.9	–	54.8	793.3
Financial industry services	51.4	26.0	–	3.6	81.1
Other services	–	0.9	–	–	0.9
Total Cards[2]	**769.1**	**47.8**	**–**	**58.4**	**875.3**
Corporate & Others					
Other services	–	9.8	–	2.0	11.8
Total Corporate & Others	**–**	**9.8**	**–**	**2.0**	**11.8**
Total operating income (incl. discontinued operations)	**1,289.1**	**549.1**	**34.1**	**66.4**	**1,938.7**
of which discontinued operations	769.1	4.7	–	49.0	822.8
Total operating income	**520.0**	**544.3**	**34.1**	**17.5**	**1,115.8**

[1] Prior year was not restated and is therefore not presented.

[2] Differences versus the total operating income in the income statement for Cards in note 18 are due to the intercompany elimination practice for discontinued operations described in note 2.

Transaction price allocated to the remaining performance obligations

The following table includes operating income expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2018. Not included are customer contracts with an initial term of 12 months or less and customer contracts with variable revenues (i.e. transaction based revenue):

CHF million	31/12/2018
2019	79.9
2020	71.2
2021	65.3
thereafter	367.6
Total	**584.1**

Significant payment terms

Customers are generally invoiced on a monthly basis and considerations are payable within 30 days. Recurring annual fees are generally invoiced upfront. Annual volume rebates are considered in the invoicing of the month when the rebate levels are reached.

Transaction fees in the cards business were received (i.e. withhold) during settlement. Settlements generally occur within three days after the transaction date.

Development services are invoiced after a Customer's acceptance of the deliverables (i.e. milestones). Occasionally, development services are (partially) pre-financed by customers.

If services rendered by the Group exceed the payments received, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

Contract liabilities

The following table provides an overview of significant changes in the balances of contract liabilities:

CHF million	2018
Carrying amount at 1 January	**27.8**
Revenue recognized that was included in contract liabilities at 1 January	–24.6
Increases due to cash received, excluding amounts recognized as revenue during the period	67.1
Disposals due to changes in scope of consolidation	–6.3
Carrying amount at 31 December	**64.1**
of which current	*29.0*
of which non-current	*35.1*

6. Net interest income from interest margin business

CHF million	2018	2017 restated
Interest income from interest margin business	68.2	55.4
Interest expenses from interest margin business	–34.1	–30.2
Net interest income from interest margin business	**34.1**	**25.3**

In 2018, interest income from interest margin business included recharges of negative interest to customers in the amount of CHF 36.1 million (2017: CHF 32.0 million).

In 2018, interest expenses from interest margin business included interest arising from negative interest rates on financial assets in the amount of CHF 29.1 million (2017: CHF 26.4 million).

7. Personnel expenses

CHF million	2018	2017 restated
Salaries and wages	–361.0	–353.8
Social security expenses	–79.1	–90.0
Others	–28.1	–23.8
Total personnel expenses	**–468.2**	**–467.6**

Expenses recognized for defined contribution plans are included in social security expenses and amount to CHF 2.6 million (2017: CHF 3.0 million).

8. Other operating expenses

CHF million	2018	2017 restated
Commission and transaction-related expenses	–96.5	–91.9
Service-related expenses	–254.9	–214.6
Expenses for IT infrastructure	–30.4	–32.5
Expenses for building infrastructure	–27.3	–33.6
Professional fees	–9.8	–6.7
Travel and representation expenses	–10.1	–10.1
Marketing and advertising expenses	–10.9	–11.3
Value adjustments and losses	–0.3	–0.9
Others	–27.0	–23.3
Own work capitalized	24.1	32.2
Total operating expenses	**–443.1**	**–392.9**

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

CHF million	2018	2017 restated
Total expenses for software development	49.1	59.8
of which capitalized	*24.1*	*32.2*

In 2018, 49.1% of the costs incurred for the development and implementation of software were capitalized (2017: 53.8%). The capitalization ratio mainly depends on the nature of the costs incurred.

9. Financial income and expenses

CHF million	2018	2017
		restated
Income from financial instruments at fair value	30.1	17.2
Foreign exchange rate gains	7.5	2.4
Others	0.2	0.2
Total financial income	**37.9**	**19.8**
Expenses from financial instruments at fair value	–19.6	–0.0
Expenses from financial instruments at amortized cost	–1.2	–2.0
Foreign exchange rate losses	–11.9	–7.1
Others	–1.3	–3.3
Total financial expenses	**–33.9**	**–12.3**

In 2018, income from financial instruments at fair value included dividend income in the amount of CHF 7.5 million (2017: CHF 7.2 million).

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 2018, the net foreign exchange rate loss from financial instruments at amortized cost was CHF 0.1 million (2017: net gain of CHF 7.8 million).

10. Interest income and expenses

CHF million	2018	2017
		restated
Debt instruments	3.0	3.2
Cash and cash equivalents	0.5	0.3
Others	0.2	0.1
Total interest income	**3.7**	**3.7**
Debt instruments	–0.9	–0.1
Cash and cash equivalents	–5.4	–5.7
Others	–0.1	–0.0
Total interest expenses	**–6.3**	**–5.8**

In 2018, interest income mainly consisted of income from interest received or accrued on investments in debt instruments in the amount of CHF 3.0 million (2017: CHF 3.2 million). Interest expenses from the amortization of premiums on debt instruments totaled CHF 0.9 million (2017: CHF 0.1 million).

In 2018, total interest expenses included interest charges arising from negative interest rates on financial assets in the amount of CHF 5.4 million (2017: CHF 5.7 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	2018	2017
Net profit attributable to shareholders of SIX (in CHF million)		2,881.8	206.4
Weighted average number of shares outstanding	24	18,914,041	18,914,041
Basic earnings per share (in CHF)		**152.36**	**10.91**
Profit for the period from continuing operations (in CHF million)		95.0	140.3
Weighted average number of shares outstanding	24	18,914,041	18,914,041
Basic earnings per share from continuing operations (in CHF)		**5.02**	**7.42**

There was no dilution of earnings per share in 2018 or 2017. For the earnings per share from discontinued operations, see note 18.

Income Taxes

12. Income taxes

Income tax expenses

The major components of income tax expenses for the years ending 31 December 2018 and 31 December 2017 were:

CHF million	2018	2017
		restated
Current tax		
Current tax on profits for the year	–38.1	–41.9
Adjustments in respect of prior years	4.1	0.9
Total current tax expenses	**–34.1**	**–41.0**
Deferred tax		
Origination and reversal of temporary differences	–0.2	–3.8
Deferred tax on tax losses	–1.7	5.1
Other changes in deferred tax	–1.4	–0.3
Total deferred tax expenses	**–3.3**	**1.0**
Total income tax expenses	**–37.4**	**–39.9**

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		2018		2017
				restated
Income from operating activities, gross of tax expenses		132.3		180.2
Group’s weighted average applicable tax rate/ Group’s expected tax expenses	**24.8%**	**–32.9**	**25.1%**	**–45.2**
Impact of differences in tax rates and tax bases	1.1%	–1.5	0.9%	–1.7
Utilization of previously unrecognized tax losses	–0.6%	0.9	–3.0%	5.4
Deferred tax recognized for tax losses of prior years	–2.6%	3.4	–3.5%	6.3
Deferred tax not recognized for tax losses of the year	2.7%	–3.6	3.5%	–6.4
Write-down of deferred tax for tax losses of prior years	3.9%	–5.1	0.0%	–
Impact of permanent differences	4.6%	–6.1	4.9%	–8.8
Adjustments for current tax and other items	–2.9%	3.8	–0.7%	1.3
Intercompany effects	–2.8%	3.7	–5.0%	9.1
Group’s effective tax rate/tax expenses	**28.2%**	**–37.4**	**22.2%**	**–39.9**

In 2018, 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 and by reversing intercompany effects. 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	2018	2017
Carrying amount at 1 January	**23.6**	**13.4**
Disposals due to changes in the scope of consolidation	–39.7	–
Amount recognized in income statement	–0.4	1.7
Income taxes received	1.7	–2.6
Reclassifications	38.6	10.7
Translation adjustments	–0.2	0.4
Carrying amount at 31 December	**23.7**	**23.6**

Income tax payables

CHF million	2018	2017
Carrying amount at 1 January	**23.1**	**31.2**
Business combinations	–	2.5
Disposals due to changes in the scope of consolidation	–0.1	–
Amount recognized in income statement	54.8	61.1
Income taxes paid	–88.9	–80.1
Reclassifications	38.6	7.7
Translation adjustments	–0.0	0.7
Carrying amount at 31 December	**27.5**	**23.1**

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.

The amounts recognized in the income statement include both continuing and discontinued operations. Further details on the tax effects recognized in income statement related to the continuing operations are disclosed in the tables above.

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	31/12/2018 Assets	Liabilities	Net amount	31/12/2017 Assets	Liabilities	Net amount
Trade and other receivables	0.6	1.0	–0.4	0.1	8.4	–8.2
Financial assets	–	12.3	–12.3	–	16.4	–16.4
Inventories	–	–	–	–	0.4	–0.4
Other assets	0.0	0.9	–0.9	0.0	0.8	–0.8
Property, plant and equipment	0.1	5.4	–5.4	0.1	5.1	–5.0
Intangible assets	0.9	15.8	–14.9	1.6	31.7	–30.1
Investments in subsidiaries and associates	–	–	–	0.0	1.7	–1.7
Assets from pension fund benefits	–	–	–	–	3.3	–3.3
Provisions	1.2	2.3	–1.2	7.1	5.1	2.0
Other liabilities	2.7	0.5	2.1	3.0	0.2	2.8
Pension fund liabilities	11.6	–	11.6	2.5	–	2.5
Tax loss carryforwards	5.2	–	5.2	11.4	–	11.4
Total deferred tax assets/liabilities	**22.2**	**38.2**	**–16.0**	**25.8**	**73.0**	**–47.2**
Offsetting	–10.9	–10.9		–13.8	–13.8	
Deferred tax assets/liabilities on the balance sheet	**11.3**	**27.3**		**12.1**	**59.3**	

Net deferred tax assets and liabilities changed as follows:

CHF million	2018	2017
Carrying amount at 1 January	**–47.2**	**–22.9**
Impact of changes in accounting policies	–1.5	–
Adjusted carrying amount at 1 January	**–48.7**	**–22.9**
Business combinations	–	–10.3
Disposals due to changes in the scope of consolidation	30.7	–
Changes affecting the income statement	–5.8	–4.2
Changes affecting OCI	7.9	–10.4
Reclassifications	–	–0.1
Translation adjustments	–0.1	0.6
Carrying amount at 31 December	**–16.0**	**–47.2**

The changes effecting the income statement include both from continuing and discontinued operations. Further details on the tax effects recognized in income statement related to the continuing operations are disclosed in note 12.

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	31/12/2018 Not recognized	31/12/2018 Recognized	31/12/2018 Total	31/12/2017 Not recognized	31/12/2017 Recognized	31/12/2017 Total
One year	0.0	0.1	0.1	0.0	0.4	0.4
Two years	1.1	2.6	3.6	1.8	2.3	4.1
Three years	22.5	1.2	23.7	2.9	2.6	5.5
Four years	15.5	2.0	17.5	25.2	9.2	34.4
Five years	18.7	–	18.7	15.1	6.0	21.1
Six years	19.9	–	19.9	18.6	12.0	30.6
More than six years	20.8	14.1	35.0	132.3	20.6	153.0
Total	**98.5**	**20.0**	**118.5**	**196.0**	**53.1**	**249.0**
Potential tax saving	21.2		21.2	48.6		48.6

No deferred tax assets have been recognized for tax loss carryforwards of CHF 98.5 million (31 December 2017: CHF 196.0 million), as it is uncertain whether the losses will be utilized in the future. The decrease results mainly from tax loss carryforwards that related to the cards business. As at 31 December 2018, the potential tax saving from the unrecognized tax loss carryforwards was CHF 21.2 million (31 December 2017: CHF 48.6 million).

As at 31 December 2018, based on the above-mentioned estimates, tax loss carryforwards of CHF 20.0 million (31 December 2017: CHF 53.1 million) were recognized, resulting in deferred tax assets of CHF 5.2 million (31 December 2017: CHF 11.4 million).

Assets

14. Cash and cash equivalents

CHF million	31/12/2018	31/12/2017
Cash at bank and on hand	5,476.3	4,389.7
Short-term bank deposits	20.6	72.9
Cash and cash equivalents	**5,496.9**	**4,462.6**

Cash at bank includes giro balances with the Swiss National Bank (SNB) of CHF 4,087.2 million (31 December 2017: CHF 3,128.3 million) and giro balances with clearing houses approved by the SNB of CHF 850.0 million (31 December 2017: CHF 570.0 million).

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

CHF million	31/12/2018	31/12/2017
Cash and cash equivalents	5,496.9	4,462.6
Bank overdrafts	–	–1.0
Cash and cash equivalents in the statement of cash flows	**5,496.9**	**4,461.6**

15. Trade and other receivables

CHF million	31/12/2018	31/12/2017
Trade receivables due from banks	73.2	89.3
Trade receivables due from others	35.9	162.7
Unbilled receivables	17.2	–
Other receivables	4.3	11.3
Total trade and other receivables	**130.6**	**263.4**

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

The exposure of SIX in relation to credit risk and expected credit losses 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.

16. Receivables and payables from clearing & settlement

CHF million	31/12/2018	31/12/2017
Receivables from clearing & settlement	1,110.8	699.4
Receivables from reverse repurchase agreements	1,352.8	1,406.2
Fed funds placements	–	122.3
Total receivables from clearing & settlement – Securities & Exchanges	**2,463.6**	**2,227.8**
Total receivables from clearing & settlement – Banking Services & Cards	**236.0**	**1,339.1**
Total receivables from clearing & settlement	**2,699.6**	**3,566.9**
Payables from clearing & settlement	2,249.4	1,869.6
Payables from settled suspense	863.9	353.6
Collateral	3,389.3	3,272.9
Total payables from clearing & settlement – Securities & Exchanges	**6,502.5**	**5,496.1**
Total payables from clearing & settlement – Banking Services & Cards	**222.9**	**1,365.4**
Total payables from clearing & settlement	**6,725.4**	**6,861.5**

Receivables and payables from clearing & settlement – Securities & Exchanges

Receivables and payables from clearing & settlement in the Securities & Exchanges business unit 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 1,354.4 million (31 December 2017: CHF 1,410.9 million). As at 31 December 2018, SIX has repledged securities received as collateral under reverse repurchase agreements of CHF 320.8 million (31 December 2017: CHF 350.9 million).

SIX SIS Ltd places sometimes 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 2018, cash collateral received totaled CHF 3,389.3 million (31 December 2017: CHF 3,272.9 million). For further information about the collateral received, see note 27.

Receivables and payables from clearing & settlement – Banking Services & Cards

Receivables from clearing & settlement include receivables due from issuers of debit cards. Payables from clearing & settlement include payables due to ATM providers, card schemes and acquirers. In 2017, the receivables from clearing & settlement also included receivables due from card schemes and issuers of credit cards. Additionally, the payables from clearing & settlement included liabilities due to merchants instead of payables due to acquirers.

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 at amortized cost	Total
			2018
Carrying amount at 1 January	**750.8**	**264.0**	**1,014.9**
Impact of changes in accounting policies	–	–0.3	–0.3
Adjusted carrying amount at 1 January	**750.8**	**263.7**	**1,014.5**
Additions	150.7	139.3	290.0
Change in value recognized in profit and loss	12.1	–5.2	6.9
Change in forward contracts from clearing & settlement	51.4	–	51.4
Impairments, net	–	0.0	0.0
Disposals/matured financial assets	–53.4	–87.9	–141.3
Disposals due to changes in the scope of consolidation	–33.9	–9.8	–43.7
Translation adjustments	–0.2	0.2	0.0
Carrying amount at 31 December	**877.6**	**300.2**	**1,177.9**
of which current	*711.3*	*112.5*	*823.8*
of which non-current	*166.3*	*187.8*	*354.0*

CHF million	Financial assets measured at FVtPL	Financial assets at amortized cost	Total
			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*

In 2018, financial assets measured at FVtPL increased by CHF 126.8 million (2017: increase of CHF 131.5 million), which is mainly related to the sale of the cards business and to the increase in fair value of forward contracts from the clearing and settlement business.

As of 31 December 2018, the fair value of the contingent considerations received in connection with the sale of the cards business was CHF 127.1 million. On the other hand, SIX derecognized financial assets classified at fair value in amount of CHF 33.9 million in connection with the transaction (for further details refer to note 18).

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 2018, the increase in the fair value of the forward contracts from clearing and settlement was CHF 51.4 million (2017: increase of CHF 3.8 million).

During 2018, CHF 87.9 million of debt securities matured or were disposed of (2017: CHF 80.9 million). On derecognition of the financial assets at amortized cost, a net loss of CHF 1.2 million (2017: net loss of CHF 1.9 million) was recognized within the net financial result (see note 9). In addition, SIX derecognized CHF 9.8 million financial assets at amortized cost in connection with the sale of the cards business (for further details refer to note 18).

18. Disposal groups and assets held for sale

On 15 May 2018, SIX and Worldline announced that they had signed a binding agreement to enter into a strategic partnership. The closing of the transaction was on 30 November 2018. SIX has brought the existing cards business (merchant acceptance & acquiring and international card processing) into the partnership and received a 26.6% stake in Worldline SA. The cards business included the following entities:

- CETREL Securities SA
- SIX Austria Holding GmbH
- SIX Payment Services Ltd
- SIX Payment Services (Europe) SA
- SIX Payment Services (Germany) GmbH
- SIX Payment Services (Luxembourg) SA

The provisional total consideration is CHF 3,145.8 million and includes:

- 49.1 million newly issued Worldline SA shares
- cash consideration of CHF 337.9 million, subject to customary net debt and working capital adjustments
- a contingent consideration of up to CHF 166.0 million depending on Worldline SA share price development, to be paid in the second quarter of 2020

The amount of cash and cash equivalents upon derecognition was CHF 343.9 million. The gain from the transaction recognized in 2018 was CHF 2,722.1 million, and this is included in profit for the period from discontinued operations, net of tax. The provisional income tax impact from the transaction is CHF 1.9 million; the amount is subject to possible adjustments in the final tax assessment.

In the first half of 2018, the cards business was classified as a disposal group held for sale and as discontinued operations. The cards business is included in the Cards operating segment (entire segment) and in Corporate & Others.

The results of discontinued operations for 2018 (11 months) and 2017 are presented below. Intercompany transactions between continuing and discontinued operations which will continue to exist post-disposal have been eliminated against discontinued operations. Total operating income (i.e. charges from SIX to discontinued operations) of CHF 53.1 million (2017: CHF 58.0 million) and operating expenses (i.e. charges from discontinued operations to SIX) of CHF 29.0 million (2017: CHF 31.7 million) related to continuing operations have been eliminated against discontinued operations. Accordingly, operating income and operating expenses totaled CHF 905.0 million (2017: CHF 914.6 million) and CHF 821.2 million (2017: CHF 832.2 million) prior intercompany elimination, respectively.

CHF million	2018	2017
Total operating income	**822.8**	**825.0**
Personnel expenses	–153.3	–158.5
Other operating expenses	–575.8	–559.4
Depreciation, amortization and impairment	–9.9	–24.6
Total operating expenses	**–739.0**	**–742.5**
Operating profit	**83.8**	**82.4**
Financial income	2,728.7	23.0
Financial expenses	–0.6	–14.6
Earnings before interest and tax (EBIT)	**2,811.9**	**90.8**
Interest income	0.4	0.3
Interest expenses	–1.0	–0.4
Earnings before tax (EBT)	**2,811.3**	**90.7**
Income tax expenses	–23.6	–23.7
Profit for the period from discontinued operations, net of tax	**2,787.7**	**67.0**
Total other comprehensive income from discontinued operations, net of tax	3.3	27.4
Total comprehensive income from discontinued operations, net of tax	**2,791.0**	**94.4**
Earnings per share (CHF)		
Basic profit for the period from discontinued operations	147.39	3.54
Diluted profit for the period from discontinued operations	147.39	3.54

The net cash flows incurred by the disposal group are as follows:

CHF million	2018	2017
Cash flow from operating activities	202.8	415.6
Cash flow from investing activities	0.6	–161.6
Cash flow from financing activities	–88.5	–126.6
Net cash flows for the period	**114.9**	**127.4**

19. Inventories

CHF million	31/12/2018	31/12/2017
Payment terminals and components	–	13.9
Mobile vouchers	–	2.9
Finished goods	–	0.7
Total inventories	**–**	**17.4**

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	31/12/2018	31/12/2017
Accrued revenues and prepaid expenses		33.9	52.5
Receivables from other taxes		62.2	165.6
Total other current assets		**96.1**	**218.1**
Assets from pension fund benefits	36	–	16.0
Costs to obtain a contract		7.9	–
Other long-term assets		8.7	12.0
Total other non-current assets		**16.6**	**28.0**

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	Total
					2018
Historical cost at 1 January	**407.2**	**197.2**	**219.6**	**39.9**	**863.9**
Additions	4.6	8.5	25.1	2.5	40.6
Disposals	–5.0	–0.5	–15.2	–3.8	–24.6
Disposals due to change in consolidation	–1.8	–3.5	–76.7	–9.5	–91.4
Reclassifications	0.6	–1.1	0.3	0.2	–
Translation adjustments	–0.1	–0.1	–2.7	–0.2	–3.1
Historical cost at 31 December	**405.6**	**200.5**	**150.3**	**29.0**	**785.5**
Accumulated depreciation at 1 January	**–251.2**	**–143.9**	**–162.1**	**–29.0**	**–586.3**
Annual depreciation	–7.6	–6.1	–20.2	–2.6	–36.5
Disposals	4.9	0.1	12.8	3.8	21.6
Disposals due to changes in the scope of consolidation	1.1	2.8	44.8	7.7	56.4
Reclassifications	–	–	–0.0	0.0	–
Translation adjustments	0.0	0.1	2.1	0.2	2.4
Accumulated depreciation at 31 December	**–252.7**	**–147.0**	**–122.7**	**–19.9**	**–542.3**
Net carrying amount at 31 December	**152.9**	**53.5**	**27.6**	**9.1**	**243.1**

CHF million	Land, buildings and leasehold improvements	Technical installations	IT hardware	Other tangible assets	Total
					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**

Additions

During 2018, SIX acquired items of property, plant and equipment at a cost of CHF 40.6 million (2017: CHF 61.4 million). Investments in property, plant and equipment primarily relate to midrange and mainframe servers, leasehold improvements and the expansion of technical installations. The total of property, plant and equipment under construction as at 31 December 2018 was CHF 2.1 million (31 December 2017: CHF 1.7 million).

Disposals

In 2018, due to the sale of the cards business (for further details refer to note 18) property, plant and equipment with a carrying amount of CHF 35.0 million were recognized as a disposal.

22. Intangible assets and goodwill

Reconciliation of carrying amount

CHF million	Goodwill	Acquired software	Internally generated software	Other intangible assets	Total
					2018
Historical cost at 1 January	**185.6**	**123.5**	**595.8**	**153.7**	**1,058.7**
Additions	–	7.0	26.3	0.0	33.3
Disposals	–	–2.0	–3.2	–0.0	–5.3
Disposals due to changes in the scope of consolidation	–169.3	–28.1	–80.0	–139.3	–416.7
Translation adjustments	–0.7	–1.3	–0.9	–2.4	–5.2
Historical cost at 31 December	**15.7**	**99.2**	**537.9**	**12.0**	**664.8**
Accumulated amortization at 1 January	**–9.1**	**–106.6**	**–492.9**	**–56.7**	**–665.3**
Annual amortization	–	–6.4	–27.6	–4.5	–38.5
Impairments, net	–	–	–1.8	–	–1.8
Disposals	–	2.0	3.2	0.0	5.3
Disposals due to changes in the scope of consolidation	–	25.2	73.8	49.2	148.2
Translation adjustments	–0.0	1.2	0.9	1.4	3.4
Accumulated amortization at 31 December	**–9.1**	**–84.6**	**–444.5**	**–10.6**	**–548.7**
Net carrying amount at 31 December	**6.6**	**14.6**	**93.4**	**1.4**	**116.0**

CHF million	Goodwill	Acquired software	Internally generated software	Other intangible assets	Total
					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**

Software and other intangible assets

Additions

Expenses for certain development projects have been capitalized because they satisfy the recognition criteria. Intangible assets under construction as at 31 December 2018 totaled CHF 25.4 million (31 December 2017: CHF 53.1 million).

Disposals

In 2018, due to the sale of the cards business (for further details refer to note 18) intangible assets with a carrying amount of CHF 268.5 million were recognized as disposals. The disposals included in particular the goodwill related to SIX Payment Ltd (31 December 2017: CHF 132.7 million), SIX Payment Services (Austria) GmbH (31 December 2017: CHF 21.5 million), SIX Payment Services (Europe) SA (31 December 2017: CHF 10.6 million) and acquired customer lists (31 December 2017: CHF 91.8 million).

Indefinite useful life

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

Goodwill

CHF million	31/12/2018	31/12/2017
SIX Payment Ltd (Aduno SA)	–	132.7
SIX Payment Services (Austria) GmbH	–	21.5
SIX Payment Services (Europe) SA	–	10.6
SIX Structured Products Exchange Ltd [1]	4.0	4.0
VÖB-ZVD Processing GmbH	–	5.1
Others	2.6	2.6
Goodwill, net	**6.6**	**176.5**

[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.

Impairment test for CGUs containing goodwill

The goodwill items are subject to an annual impairment test 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					31/12/2018
Cash-generating unit	**Goodwill, net**	**Projection period**	**Long-term growth rate**	**Discount rate**	**Method**
Trading business	4.0	4 years	1.5%	13.8%	DCF
SIX Structured Products Exchange Ltd	**4.0**				

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.

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 2018 resulted in value in use that exceed the carrying amounts of the CGU.

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

SIX capital management ensures adequate equity to maintain shareholder and market confidence, as well as sufficient capital to drive the future development of the business, while complying with regulatory capital requirements.

Standard & Poor's reviewed the ratings for SIX and its subsidiaries in the context of other Financial Market Infrastructure (FMI) providers. Standard & Poor's continues to see SIX as a financially solid leading European FMI player and recognizes the Group's exceptionally strong liquidity profile. In 2018, SIX Group Ltd was re-rated from an AA- to an A+ credit rating. The rating of SIX SIS AG and SIX x-clear AG, two companies active in the securities services business, were also re-rated from AA- to A+.

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 Executive Board and the Board of Directors regularly by internal financial reporting.

The ratios are shown in the following table:

CHF million	2018	2017
Group net profit for the year adjusted by gain of disposal of cards business	160.5	207.2
Total equity (average)	3,164.9	2,632.6
Return on equity in %	**5.1**	**7.9**
Total equity (average)	**3,164.9**	**2,632.6**
Total liabilities (average)	7,741.0	7,527.6
– Payables from clearing & settlement (average)	6,882.3	6,767.2
– Negative replacement values from clearing & settlement (average)	157.5	101.4
Total adjusted liabilities (average)	**701.2**	**659.0**
Equity ratio in %	**81.9**	**80.0**

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

On 23 May 2018, the Annual General Meeting approved the distribution of a dividend of CHF 7.00 (2017: CHF 7.30) per registered share. The total amount distributed to holders of outstanding shares was CHF 132.4 million (2017: CHF 138.1 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 2018 or 2017.

For the year ending 31 December 2018, the Board of Directors has proposed an ordinary dividend of CHF 4.10 and an extraordinary dividend of CHF 17.30 per registered share, corresponding to a total of CHF 417.80 million for 2018. 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 2019.

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 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. To calculate the capital requirements for credit risks, market risks and operational risks, FMIs 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 2018, 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	31/12/2018	31/12/2017
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 2018, together with the 2017 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 2018, 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 2017.

Translation reserve

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

Retained earnings

The total amount of dividends distributed to holders of outstanding shares was CHF 132.4 million (2017: CHF 138.1 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	2018 Total	2017 Total
Carrying amount at 1 January		**17.9**	**25.6**	**4.7**	**2.3**	**11.3**	**62.0**	**68.1**
Increase in provisions		0.0	0.9	0.0	0.5	2.8	4.2	17.3
Business combinations	32	–	–	–	–	–	–	0.4
Financial cost related to the unwinding of discount rates		–	–	0.0	–	–	0.0	0.0
Dissolution		–2.7	–0.5	–0.1	–1.2	–3.0	–7.6	–5.1
Usage		–0.0	–15.6	–	–	–5.1	–20.7	–21.6
Disposals due to changes in the scope of consolidation	18	–11.9	–3.4	–	–1.7	–1.2	–18.1	–
Translation adjustments		–0.1	–0.5	–0.0	–0.0	–0.2	–0.9	2.9
Carrying amount at 31 December		**3.2**	**6.6**	**4.6**	**–**	**4.5**	**19.0**	**62.0**
of which current		*–*	*3.8*	*–*	*–*	*1.1*	*5.0*	*33.6*
of which non-current		*3.2*	*2.8*	*4.6*	*–*	*3.4*	*14.0*	*28.4*

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. In 2018, the provision was derecognized due to the deconsolidation of the entities belonging to the cards business (for further details refer to note 18).

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.

Restructuring provisions

In 2016, the Group recognized a provision for restructuring related to the Financial Information business in France. As at 31 December 2018, the provision for restructuring amounted to CHF 6.6 million (31 December 2017: CHF 20.6 million). The decrease mainly related to usage of the provision in 2018.

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. In 2018, the provision was derecognized due to the sale of the cards business (for further details refer to note 18).

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 were recognized for expected warranty claims on payment terminals sold. The key assumptions used to calculate the provisions for warranties were the levels of repairs and returns. Account was taken of past experience and information available on returns for maintenance, based on the country-specific warranty periods for terminals sold. In 2018, the provisions for warranties were derecognized due to the sale of cards business (for further details refer to note 18).

Other provisions

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

26. Other liabilities (current and non-current)

Other liabilities have been separated into current and non-current as at 31 December 2018 and 31 December 2017.

CHF million	Notes	31/12/2018	31/12/2017
Accruals for staff-related costs		81.0	96.6
Accrued expenses		41.9	66.2
Deferred revenues		–	11.1
Prepayments received		–	13.0
Liabilities from other taxes		17.7	34.9
Other short-term liabilities		66.6	25.2
Total other current liabilities		**207.2**	**247.1**
Pension fund liabilities	36	53.1	6.6
Other employee benefit liabilities		23.9	33.8
Other long-term liabilities		0.1	0.2
Total other non-current liabilities		**77.1**	**40.6**

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.

Other short-term liabilities in 2018 include open positions related to the closing of the transaction with Worldline (for further details on this transaction refer to note 18).

Financial Instruments

27. Financial risk management

Risk governance
The Board of Directors (BoD) of SIX bears the ultimate responsibility for the supervision of the overall risk situation, approves the overall risk policy and decides on risk appetite limits.

The Risk Committee of the BoD acts as a representative of the BoD and approves risk governance, organization and methodologies, as well as reviewing their implementation, adequacy and effectiveness.

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

The Executive Board of SIX Group Ltd (ExB) has the ultimate operational decision-making authority concerning risk matters. As a member of the ExB, the Chief Risk Officer is responsible for the independent oversight of the overall risk situation. He has managerial responsibility for “second line of defense” functions Risk Management, Security and Compliance.

The Head Risk Management has oversight of the risks described below and reports the risk situation to the ExB, the Risk Committee and the BoD on a quarterly basis.

Supported by the risk management organization, the management committees of the different business units are responsible for risk management performance. At SIX SIS Ltd and SIX x-clear Ltd in particular, management of counterparty limits, margin requirements and risk model parameterization are performed by the risk management organization. SIX-wide balance sheet risks and liquidity are managed by Treasury and supervised by the Chief Financial Officer.

A “three lines of defense” governance model forms the basis of the risk governance framework. Each line has its specific role and responsibilities. Close collaboration between all lines ensures the identification, assessment and mitigation of risks.

Senior executives form the “first line of defense” and are accountable for managing the specific risks faced by business management. They maintain effective processes and manage their risks with care, including comprehensive controls and documented procedures.

Within the “second line of defense”, risk control measures are defined by the Head Risk Management and dedicated Risk Management Teams. The Head Risk Management reports to the Chief Risk Officer and is not part of the line management structure of business units.

Independent assurance providers such as Internal and External Audit form the “third line of defense”, supervising the overall risk situation, internal controls and risk management. They monitor risk management and controlling to evaluate their effectiveness, including an assessment of how the first and second lines of defense meet their risk objectives.

Pursuant to the National Bank Act and the Financial Market Infrastructure Act, Financial Market Infrastructures within Business Unit Securities & Exchanges are supervised by the Swiss Financial Market Supervisory Authority and the Swiss National Bank. The Legal and Compliance functions within SIX are responsible for implementing the instructions and requirements issued by the legislator, the supervisor and other relevant institutions. They ensure that the business management of SIX complies with due diligence and meets the current rules, regulations and obligations of a financial intermediary.

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 post trading area of business unit Securities & Exchange, credit exposures mainly relate to short-term interim financing undertaken for the purpose of settling securities transactions. With the exception of the Swiss National Bank and SIX affiliates, all short-term financing for settlement purposes is fully covered by collateral in the form of cash and securities eligible for SNB repos.

Business unit Securities & Exchange 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 review. No credit limits are granted without prior risk assessment and rating assignment. Credit limits are monitored constantly to ensure that the risk profile is always in line with the risk appetite and the credit risk policy. Based on the amount of risk-equivalent limits and the creditworthiness, each counterparty is assigned to a risk group which defines the depth and frequency of the review. Counterparties in higher risk groups (high "risk equivalent limits", low credit rating) are reviewed more often and monitored more closely than those in lower risk groups.

In businesses other than post trading, counterparty credit risk arises in particular from investments of SIX's operating liquidity, which to a large extent takes the form of cash deposits with banks. As in the post trading business area, such credit exposures are limited by investment limits that vary in size, depending on the credit ratings of internationally recognized rating agencies. Risk Management, working together with 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. 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.

Aggregated credit risk exposures are closely monitored against SIX risk appetite thresholds and regularly reported to the ExB and the BoD.

The gross carrying amounts of financial assets and the related credit ratings of the counterparties are summarized in the following table. The net carrying amounts (net of loss allowances) represent the maximum exposure to credit risk.

						31/12/2018
CHF million	**Investment grade**	**Non-investment grade**	**Not rated**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Exposure for which loss allowance equals 12 months' ECL						
Cash at bank and short-term deposits [1]	5,496.0	0.2	0.0	5,496.2	–0.0	5,496.2
Receivables from clearing & settlement	2,492.1	15.5	192.1	2,699.6	–0.0	2,699.6
Bonds	295.4	–	–	295.4	–0.2	295.2
Others	1.3	–	3.9	5.1	–0.1	5.1
Total	**8,284.8**	**15.6**	**195.9**	**8,496.4**	**–0.4**	**8,496.0**

[1] The balances exclude cash on hand.

						31/12/2017
CHF million	**Investment grade**	**Non-investment grade**	**Not rated**	**Gross carrying amount [1]**	**Loss allowance [2]**	**Net carrying amount**
Exposure for which loss allowance equals 12 months' ECL						
Cash at bank and short-term deposits [3]	4,459.3	0.2	2.8	4,462.3	–	4,462.3
Receivables from clearing & settlement	2,473.8	5.3	1,087.8	3,566.9	–	3,566.9
Debt instruments	233.7	–	–	233.7	–	233.7
Others	25.5	–	4.8	30.3	–	30.3
Total	**7,192.3**	**5.4**	**1,095.4**	**8,293.2**	**–**	**8,293.2**

[1] Prior year's figures have been adjusted to match the current year's presentation. The exposures from non-banks of CHF 1,024.5 million related receivables from clearing & settlement were added to match the current year's presentation. These are presented as "not rated". Prior year's receivables due from banks of CHF 90.0 million are presented in the table below within trade and other receivables. Derivative instruments of CHF 61.0 million are no longer presented, as the carrying amount (i.e. fair value) represents the maximum exposure to credit risk.

[2] In 2017, the incurred loss model according to IAS 39 was applied. Therefore, no loss allowance was recognized for the respective financial assets.

[3] The balances exclude cash on hand.

The following table shows the gross carrying amounts of trade and other receivables and the related past due status. The net carrying amounts (net of loss allowances) represent the maximum exposure to credit risk.

						31/12/2018
		Lifetime ECL	Lifetime ECL credit impaired			
CHF million	Not past due	Within 6 months	From 6 to 12 months	More than 12 months	Receivables with objective evidence of impairment	Total
Trade and other receivables	118.9	10.2	2.1	0.8	0.2	132.2
Contract assets [1]	0.3	–	–	–	–	0.3
Gross carrying amount	**119.2**	**10.2**	**2.1**	**0.8**	**0.2**	**132.5**
Loss allowance	–0.0	–0.0	–0.6	–0.8	–0.1	–1.6
Net carrying amount	**119.1**	**10.2**	**1.6**	**–**	**0.1**	**130.9**

[1] Contract assets are presented within other current assets.

						31/12/2017
		Lifetime ECL	Lifetime ECL credit impaired			
CHF million	Not past due	Within 6 months	From 6 to 12 months	More than 12 months	Receivables with objective evidence of impairment	Total [1]
Trade and other receivables	232.1	26.9	0.6	0.6	8.1	268.3
Gross carrying amount	**232.1**	**26.9**	**0.6**	**0.6**	**8.1**	**268.3**
Loss allowance	–	–0.1	–0.3	–0.6	–3.9	–4.9
Net carrying amount	**232.1**	**26.8**	**0.3**	**–**	**4.2**	**263.4**

[1] In 2017, the incurred loss model according to IAS 39 was applied. Prior year's figures were not restated, but are presented under the new requirements to increase comparability.

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.

The following table shows the fair value of the collateral received:

CHF million	Notes	31/12/2018	31/12/2017
Cash collateral	16	3,389.3	3,272.9
Fair value of securities received with a right to repledge or sell		3,498.2	4,993.2
of which are related to securities lending		*29.0*	*33.6*
of which are related to reverse repurchase agreements		*1,354.4*	*1,410.9*
Total fair value of collateral received [1]		**6,887.4**	**8,266.0**

[1] For related positions for which collateral was received see note 30.

Due to the collateral received and the potential to pass on losses to market participants in the CSD business, the Group has not recognized expected credit losses on receivables from clearing and settlement in the Securities & Exchange business.

Expected credit losses measurement

Significant increase in credit risk

In order to assess a significant increase in credit risk, the Group applies a low credit risk threshold equivalent to "investment grade" and past due status information. When the credit risk increases significantly the loss allowance is measured at an amount equal to lifetime ECL (i.e. Stage 2).

Definition of default

SIX considers a financial asset to be in default when a counterparty is unable or likely to be unable to fully meet its financial obligation when due.

In assessing if a counterparty is in default the following information is considered:
- qualitative, e.g. the counterparty has been declared to be in default; and/or
- quantitative, i.e. overdue status

The assessment as to whether a financial asset is in default may vary by instrument type. The following reasons give rise to a default event for the respective financial assets:
- Trade and other receivables: A default situation occurs when receivables are more than 180 days past due. The Group performs an analysis that shows that 90 days past due is not an appropriate default definition for trade and other receivables and rebuts the 90 days past due presumption. This rebuttal will be monitored and reviewed on an annual basis.
- Debt instruments: A default situation occurs when (re-) payments of interests and/or notional amounts are not received in full on time.

Management's view is that the above events best depict the default situations of the respective financial assets. A default event results in a transfer to the credit impaired financial asset category (i.e. stage 3).

Measuring expected credit losses

The measurement of expected credit losses for financial assets at amortized costs – except for trade and other receivables and contract assets – is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD):

- The PD represent the likelihood of a counterparty defaulting on its financial obligation either over 12 months or over the remaining lifetime of the obligation. The PDs are generally derived from internally developed statistical models and are updated at least annually. The Group has established global PDs per rating classes which are applied to the exposures based on the counterparty rating (i.e. exposures are grouped by counterparty-rating). PDs are based on credit default swaps (CDS) spreads observed in the market. These CDS spreads include market expectation of default (i.e. forward-looking information). The 12-month PDs are adjusted when the contractual period is less than 12 months (i.e. on demand deposits have a contractual period of 1 day). If no rating is available for the counterparty, the PD level is assumed to be in the sub-investment grade area.
- EAD is based on the amounts outstanding at the time of the default. SIX assumes that the EAD is equal to the gross carrying amount.
- LGD represents SIX's expectation of the extend of loss on a defaulted exposure. LGD considers the availability of collaterals received and the potential to pass on losses to market participants in the CSD business.

The expected credit losses for trade and other receivables and contract assets are based on historical loss rate data adjusted by current conditions and future expectation. The historical loss rate is applied to the gross carrying amount of these assets. Trade and other receivables more than 180 days past due are considered as C-rating-equivalent and the corresponding PD is applied to those exposures in order to calculate the impairment amount. Exposures which are more than 360 days past due are considered as D-rating-equivalent. D-rated assets are fully credit impaired.

The expected credit losses as at 31 December 2018 are presented in the General section above.

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 post trading 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 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 2018 was CHF 275.0 million (31 December 2017: CHF 175.0 million). There are additional credit lines with banks in Norway in the amount of CHF 67.6 million (31 December 2017: CHF 67.6 million). As at 31 December 2018, these credit facilities had not been utilized (31 December 2017: 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 2018 was CHF 5,496.9 million (31 December 2017: CHF 4,462.6 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. Treasury is responsible for the management of the cash pool. The liquidity in excess of operational liquidity required by the subsidiaries is provided by treasury to cover any short to medium-term structural liquidity requirements. SIX has invested funds with a carrying amount of

CHF 597.2 million (31 December 2017: CHF 608.4 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 2018 totaled CHF 5,056.9 million (31 December 2017: CHF 3,803.5 million). Liquidity management is one of the main operating activities in the settlement business. Liquidity risk in the post trading 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 Chief Financial Officer and approved by the Board of Directors. 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.

	31/12/2018			31/12/2017		
CHF million	Within 3 months	Between 3 and 12 months	Total	Within 3 months	Between 3 and 12 months	Total
Liabilities						
Bank overdrafts	–	–	–	1.0	–	1.0
Trade and other payables	24.9	0.3	25.2	261.6	0.5	262.1
Payables from clearing & settlement	6,725.4	–	6,725.4	6,861.5	–	6,861.5
Non-derivative financial liabilities	**6,750.3**	**0.3**	**6,750.6**	**7,124.1**	**0.5**	**7,124.6**
Derivative financial instruments, net [1]	–	–	–	0.9	–	0.9
Derivative financial liabilities	**–**	**–**	**–**	**0.9**	**–**	**0.9**
Total financial liabilities	**6,750.3**	**0.3**	**6,750.6**	**7,125.0**	**0.5**	**7,125.5**

[1] Derivative financial instruments are considered on a net basis. The net amount is only included if it is a liability.

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 carry 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. Treasury controls the exposure to foreign currency risk by using forwards and monitoring the hedging level of the portfolio managed by the asset manager. SIX SIS Ltd hedges its exposure in foreign currencies directly with local banks. Other foreign and Swiss entities enter into foreign exchange rate contracts with treasury. 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 2018 and 2017 are based on historical volatility. Positive figures represent an increase in earnings before tax.

	2018			2017		
	Change in exchange rate	Effect on earnings before tax		Change in exchange rate	Effect on earnings before tax	
Amounts in CHF million	+/–	+	–	+/–	+	–
CHF/EUR	6.6%	–0.9	0.9	12.1%	8.1	–8.1
CHF/USD	7.6%	–3.0	3.0	7.3%	–4.8	4.8
CHF/GBP	10.1%	–0.2	0.2	8.8%	–0.4	0.4
Total		**–4.1**	**4.1**		**2.8**	**–2.8**

At 31 December 2018, if the Swiss franc had strengthened by 6.6% against the euro, 7.6% against the US dollar and 10.1% against the pound sterling with all other variables unchanged, earnings before tax would have been CHF 4.1 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 points parallel shift in yield curves. Positive figures represent an increase in earnings before tax.

	2018			2017		
	Change in interest rate	Effect on earnings before tax		Change in interest rate	Effect on earnings before tax	
Amounts in CHF million	+/–	+	–	+/–	+	–
CHF	50 bps	3.7	–3.7	50 bps	4.5	–4.5
EUR	50 bps	0.2	–0.2	50 bps	2.1	–0.9
USD	50 bps	4.8	–4.8	50 bps	5.4	–5.4
GBP	50 bps	0.2	–0.2	50 bps	0.2	–0.2
Total		**8.8**	**–8.8**		**12.2**	**–11.0**

According to the simulation, with a 50 bps rise in interest rates in each currency, earnings before tax would have been CHF 8.8 million higher (31 December 2017: CHF 12.2 million higher). With a 50 bps drop in interest rates, earnings before tax would have been CHF 8.8 million lower (31 December 2017: CHF 11.0 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.

	2018			2017		
	Change in index	Effect on earnings before tax		Change in index	Effect on earnings before tax	
Amounts in CHF million	+/–	+	–	+/–	+	–
Index						
SPI®	11.3%	12.6	–12.6	7.3%	10.3	–10.3
SBI®	2.1%	5.1	–5.1	2.3%	6.0	–6.0
SXI®	7.0%	4.6	–4.6	6.1%	4.1	–4.1
Total		**22.3**	**–22.3**		**20.4**	**–20.4**

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 2018, earnings before tax would have been CHF 22.3 million higher (31 December 2017: CHF 20.4 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	31/12/2018 Carrying amount	31/12/2018 Fair value	31/12/2018 Deviation	31/12/2017 Carrying amount	31/12/2017 Fair value	31/12/2017 Deviation
Assets						
Equity instruments at FVtPL	47.5	47.5	–	44.5	44.5	–
Units in investment funds at FVtPL	391.8	391.8	–	416.6	416.6	–
Financial instruments from settlement business [1]	194.2	194.2	–	198.9	198.9	–
Derivative financial instruments at FVtPL	111.0	111.0	–	61.0	61.0	–
Debt instruments at FVtPL	133.0	133.0	–	29.9	29.9	–
Financial assets at fair value	**877.6**	**877.6**	**–**	**750.8**	**750.8**	**–**
Cash and cash equivalents	5,496.9	5,496.9	–	4,462.6	4,462.6	–
Trade and other receivables	130.6	130.6	–	263.4	263.4	–
Receivables from clearing & settlement	2,699.6	2,699.6	–	3,566.9	3,566.9	–
Bonds	295.2	296.2	1.0	233.7	235.2	1.5
Other debt instruments	5.1	5.0	−0.0	30.3	30.3	–
Financial assets at amortized cost	**8,627.3**	**8,628.3**	**1.0**	**8,556.9**	**8,558.4**	**1.5**
Total financial assets	**9,504.9**	**9,505.9**	**1.0**	**9,307.8**	**9,309.3**	**1.5**
of which current	*9,150.9*			*9,047.7*		
of which non-current	*354.0*			*260.1*		
Liabilities						
Derivative financial instruments at FVtPL	110.1	110.1	–	61.9	61.9	–
Other financial liabilities at FVtPL	–	–	–	7.0	7.0	–
Financial liabilities at fair value	**110.1**	**110.1**	**–**	**68.9**	**68.9**	**–**
Bank overdrafts	–	–	–	1.0	1.0	–
Trade and other payables	25.2	25.2	–	262.1	262.1	–
Payables from clearing & settlement	6,725.4	6,725.4	–	6,861.5	6,861.5	–
Financial liabilities at amortized cost	**6,750.6**	**6,750.6**	**–**	**7,124.6**	**7,124.6**	**–**
Total financial liabilities	**6,860.7**	**6,860.7**	**–**	**7,193.5**	**7,193.5**	**–**
of which current	*6,860.7*			*7,193.5*		
of which non-current	–			–		

[1] 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.

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.
- The fair value of unquoted shares – which may be classified as equity or debt instruments depending on the rights attached to the instrument – is derived from the proportionate net asset value of the entity. Such investments are categorized within level 3 of the fair value hierarchy. If the net asset value were to increase, the price per share would increase proportionally.
- 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.
- For contingent considerations which are connected to a share price of a reference period, 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. As described above, the historical volatility represents a level 3 input and therefore the contingent considerations 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

				31/12/2018
	Listed market prices	Valuation methods based on market data	Valuation methods not based on market data	
CHF million	Level 1	Level 2	Level 3	Total
Equity instruments at FVtPL	43.5	–	4.0	47.5
Units in investment funds at FVtPL	382.2	9.6	–	391.8
Financial instruments from settlement business	194.2	–	–	194.2
Derivative financial instruments at FVtPL	–	80.3	30.7	111.0
Debt instruments at FVtPL	–	–	133.0	133.0
Financial assets at fair value	**620.0**	**89.8**	**167.8**	**877.6**
Bonds	296.2	–	–	296.2
Financial assets for which fair values are disclosed	**296.2**	**–**	**–**	**296.2**
Derivative financial instruments at FVtPL	–	–79.4	–30.7	–110.1
Financial liabilities at fair value	**–**	**–79.4**	**–30.7**	**–110.1**

				31/12/2017
	Listed market prices	Valuation methods based on market data	Valuation methods not based on market data	
CHF million	Level 1	Level 2	Level 3	Total
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	–	–	–7.0	–7.0
Financial liabilities at fair value	**–**	**–44.0**	**–25.0**	**–68.9**

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 2018, there were no transfers between level 1 and level 2 or between level 2 and level 3. 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. In 2017, there were no transfers into or out of level 3.

Movements in level 3 financial assets

The movements in level 3 instruments since 31 December 2017 mainly relate to the contingent consideration (debt instruments at FVtPL) in connection with the Worldline transaction described in note 18. 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	2018	2017
Carrying amount at the beginning of the year	**51.1**	**40.7**
Additions	112.9	3.5
Disposals	–2.2	–1.2
Change in forward contracts from clearing & settlement	12.8	–0.8
Losses recognized in the income statement	–0.4	–0.1
Gains recognized in the income statement	27.6	9.0
Disposals due to changes in scope of consolidation	–33.9	–
Translation adjustments	–0.1	–
Carrying amount at closing	**167.8**	**51.1**
Income on holdings at closing		
Unrealized losses recognized in the income statement	–0.4	–0.1
Unrealized gains recognized in the income statement	26.1	9.0

In 2018, additions are mainly related to the contingent considerations of CHF 110.4 million in connection with the Worldline transaction.

Gains recognized in the income statement during 2018 included the fair value changes of the contingent considerations of CHF 16.7 million and fair value changes related to the Visa Inc. debt instruments of CHF 8.9 million (2017: CHF 8.5 million). The Visa Inc. debt instrument was derecognized in connection with the sale of the cards business.

As at 31 December 2018, SIX had CHF 30.7 million (31 December 2017: CHF 17.9 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 increase in the fair value of the option contracts from clearing and settlement in derivative trading of CHF 12.8 million (31 December 2017: decrease of CHF 0.8 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:

	31/12/2018			31/12/2017		
CHF million	Positive replacement values	Negative replacement values	Contract volumes	Positive replacement values	Negative replacement values	Contract volumes
Trading derivatives						
Forward contracts	110.6	109.9	13,185.1	60.0	60.2	13,108.2
Foreign currency	*0.1*	*0.1*	*95.6*	*0.9*	*1.3*	*140.3*
Clearing & settlement business	*110.5*	*109.8*	*13,089.6*	*59.1*	*58.9*	*12,967.9*
Swaps	0.4	0.2	118.3	0.9	1.7	550.0
Foreign currency	*0.4*	*0.2*	*118.3*	*0.9*	*1.7*	*550.0*
Total trading derivatives	**111.0**	**110.1**	**13,303.4**	**61.0**	**61.9**	**13,658.2**
Total derivative financial instruments	**111.0**	**110.1**	**13,303.4**	**61.0**	**61.9**	**13,658.2**

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.

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:

31/12/2018

	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 consider-ation of netting potential**	**Assets not subject to enforce-able netting arrange-ments[1]**	**Balance sheet total[1]**
Receivables from C&S	1,486.9	–	1,486.9	–	–1,486.9	–	1,212.7	2,699.6
Receivables from C&S	*134.0*	–	*134.0*	–	*–134.0*	–	*1,212.7*	*1,346.8*
Reverse repurchase agreements	*1,352.8*	–	*1,352.8*	–	*–1,352.8*	–	–	*1,352.8*
Financial assets (current)	128.5	–17.9	110.5	–79.8	–30.7	–	713.3	823.8
Forward contracts from C&S business	*128.5*	*–17.9*	*110.5*	*–79.8*	*–30.7*	–	–	*110.5*
Other financial assets (current)	–	–	–	–	–	–	*713.3*	*713.3*
Total assets	**1,615.3**	**–17.9**	**1,597.4**	**–79.8**	**–1,517.6**	**–**	**1,926.0**	**3,523.4**

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 consider-ation of netting potential**	**Assets not subject to enforce-able netting arrange-ments[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**

[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.

31/12/2018

CHF million	Liabilities subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
	Gross liabilities before balance sheet netting	Balance sheet netting with gross assets	**Net liabilities reported on the balance sheet**[1]	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	1,432.9	–	1,432.9	–	–	1,432.9	5,292.4	6,725.4
Payables from C&S	*1,432.9*	*–*	*1,432.9*	*–*	*–*	*1,432.9*	*5,292.4*	*6,725.4*
Financial liabilities (current)	127.8	–17.9	109.8	–79.8	–	30.0	0.3	110.1
Forward contracts from C&S business	*127.8*	*–17.9*	*109.8*	*–79.8*	*–*	*30.0*	*–*	*109.8*
Other financial liabilities (current)	*–*	*–*	*–*	*–*	*–*	*–*	*0.3*	*0.3*
Total liabilities	**1,560.7**	**–17.9**	**1,542.8**	**–79.8**	**–**	**1,462.9**	**5,292.7**	**6,835.5**

31/12/2017

CHF million	Liabilities subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			Related amounts not offset				
	Gross liabilities before balance sheet netting	Balance sheet netting with gross assets	**Net liabilities reported on the balance sheet**[1]	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**

[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 2018 in comparison with 31 December 2017.

Fully consolidated participations

Name of entity	Principal place of business	Principal activities		Share capital in 1,000	31/12/2018 Equity interest in %	31/12/2017 Equity interest in %
SIX Group Ltd	Zurich	Holding company	CHF	19,522	–	–
CETREL Securities SA	Luxembourg	Financial information services	EUR	–	–	100.0
Finaccess SIX Financial Information SA	Casablanca	Financial information services	MAD	8,548	55.0	55.0
SIX Austria Holding GmbH	Vienna	Holding company	EUR	–	–	100.0
SIX Corporate Bonds Ltd	Zurich	Stock exchange services	CHF	5,100	100.0	100.0
SIX Digital Exchange Ltd	Zurich	Digital exchange services	CHF	100	100.0	–
SIX Exchange Regulation Ltd	Zurich	Exchange regulation	CHF	100	100.0	100.0
SIX Exfeed Ltd	Zurich	Distribution of financial information	CHF	1,100	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	–	–	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 Ltd	Zurich	Financial information services	CHF	5,400	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	–	–	100.0
SIX Financial Information Singapore Pte Ltd	Singapore	Financial information services	SGD	25	100.0	100.0
SIX Financial Information Nordic 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
SIX Global Services Ltd	Zurich	Services for Group companies or third parties	CHF	100	100.0	100.0
SIX Group Services Ltd	Zurich	IT services	CHF	11,550	100.0	100.0
SIX Interbank Clearing Ltd	Zurich	Interbank payment services	CHF	1,000	75.0	75.0
SIX Management Ltd	Zurich	Management services	CHF	100	100.0	100.0

Name of entity	Principal place of business	Principal activities		Share capital in 1,000	31/12/2018 Equity interest in %	31/12/2017 Equity interest in %
SIX Payment Ltd	Bedano	Integrated payment solutions	CHF	–	–	100.0
SIX Payment Services (Austria) GmbH	Vienna	Integrated payment solutions	EUR	–	–	100.0
SIX Payment Services (Europe) SA	Luxembourg	Integrated payment solutions	EUR	–	–	100.0
SIX Payment Services (Germany) GmbH	Norderstedt	Integrated payment solutions	EUR	–	–	100.0
SIX Payment Services (Luxembourg) SA	Leudelange	Integrated payment solutions	EUR	–	–	100.0
SIX Payment Services Ltd	Zurich	Integrated payment solutions	CHF	–	–	100.0
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 Swiss Exchange Ltd	Zurich	Stock exchange and stock exchange services	CHF	10,000	100.0	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
STK Nordic AB	Stockholm	Inactive	SEK	–	–	100.0
Swisskey Ltd	Zurich	Banking services	CHF	100	100.0	100.0
SWISSTRADINGBOX Ltd	Zurich	IT services	CHF	800	50.1	50.1

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 2018

In January 2018, SIX Financial Information Sweden AB was merged with STK Nordic AB. The merger had no impact on the Group's consolidated figures as at 31 December 2018. After the merger, the company was renamed SIX Financial Information Nordic AB.

In May 2018, SIX Payment Ltd was merged with SIX Payment Services Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2018.

In June 2018, SIX Digital Exchange Ltd was established with fully paid-up share capital of CHF 0.1 million.

In October 2018, SIX Payment Services (Austria) GmbH was merged with SIX Payment Services (Europe) SA. The merger had no impact on the Group's consolidated figures as at 31 December 2018.

In November 2018, SIX entered in a strategic partnership with Wordline. SIX has brought the existing cards business (merchant acceptance & acquiring and international card processing) into the partnership and received a 26.6% stake in Worldline SA. For further detail see note 18. The cards business included the following entities:

- CETREL Securities SA
- SIX Austria Holding GmbH
- SIX Payment Services Ltd
- SIX Payment Services (Europe) SA
- SIX Payment Services (Germany) GmbH
- SIX Payment Services (Luxembourg) SA

In December 2018, SIX Financial Information Finland Oy and SIX Financial Information Norway AS were liquidated.

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 July 2017, SIX Swiss Exchange Securities Matcher Ltd was renamed SIX Global Services Ltd.

In August 2017, SIX acquired Aduno SA, which included the terminal and acquiring business of Aduno Group. See note 32. 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.

Non-controlling interests in subsidiaries

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

	31/12/2018		
CHF million	**SIX Interbank Clearing Ltd**	**Other**	**Total**
NCI percentage	**25.0%**		
Current assets	29.8	4.7	34.4
Non-current assets	10.2	1.0	11.2
Current liabilities	6.2	1.9	8.1
Non-current liabilities	1.0	0.0	1.0
Net assets	**32.8**	**3.7**	**36.4**
NCI equity	**8.2**	**1.3**	**9.5**
Revenues	**33.3**	**4.8**	**38.0**
Net profit	3.5	0.9	4.4
Other comprehensive income	−0.6	−0.0	−0.7
Total comprehensive income	**2.8**	**0.9**	**3.8**
NCI total comprehensive income	**0.7**	**0.0**	**0.8**
Cash flows from operating activities	3.3	−0.5	2.8
Cash flows from investing activities	–	−0.0	−0.0
Cash flows from financing activities, before dividends to NCI	−2.4	0.9	−1.5
Cash flows from financing activities, dividends to NCI	−1.0	−0.1	−1.1
Net increase/decrease in cash and cash equivalents	**−0.0**	**0.2**	**0.2**

CHF million	SIX Interbank Clearing Ltd	Other	Total
			31/12/2017
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 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**

Associates and joint ventures

Name of entity	Principal place of business	Principal activities	Share capital in 1,000		Equity interest in % 31/12/2018	Equity interest in % 31/12/2017
12H Ltd	Zurich	Provider of low-latency solutions	CHF	100	49.9	–
SECB Swiss Euro Clearing Bank GmbH	Frankfurt a. M.	Clearing services	EUR	30,000	25.0	25.0
SwissSign Group Ltd	Glattbrugg	Identity and certificate services	CHF	12,500	13.5	–
TWINT Ltd	Zurich	Mobile payment solutions	CHF	12,750	26.7	33.3
Worldline SA	Bezons	Electronic payment and transactional services	EUR	124,137	26.6	–

In February 2018, SIX founded SwissSign Group Ltd, together with other major Swiss companies. As at 31 December 2018, SIX held 13.5% of the shares. SwissSign Group Ltd is developing a solution for the issuance of digital identities. SIX has representation in the Board of Directors and can significantly influence its financial and operating policies. Therefore, the investment is classified as an associate and is accounted for using the equity method.

In May 2018, SIX acquired 49.9% of the shares in 12H Ltd. 12H Ltd provides low-latency access for Swiss securities trading via radio-frequency technology. The participation in 12H Ltd is classified as a joint venture according to IFRS 11 and is accounted for using the equity method. The total purchase price was CHF 17.9 million.

In November 2018, in connection with the sale of the Cards business SIX acquired 26.6% of the shares in Worldline SA. Worldline SA is a listed company at the Euronext stock exchange in Paris and is the European leader in the payment and transactional services industry. The participation in Worldline SA is classified as an associate and is accounted for using the equity method. The total purchase price was CHF 2,625.8 million plus transaction costs of CHF 0.7 million.

The following table presents the carrying amount and share of profit and other comprehensive income of the individually material associates, and in aggregate for the individually non-material associates and joint ventures:

			31/12/2018		31/12/2017
CHF million	**Worldline SA**	**Others**	**Total**	**Others**	**Total**
Carrying amount	**2,606.6**	**49.5**	**2,656.1**	**23.5**	**23.5**
Share of profit	1.8	–8.3	–6.4	–23.2	–23.2
Share of other comprehensive income incl. currency translation adjustments	–21.8	–0.9	–22.6	1.8	1.8
Share of total comprehensive income	**–19.9**	**–9.1**	**–29.1**	**–21.4**	**–21.4**

The following table summarizes financial information for material associates.

CHF million	31/12/2018 Worldline SA
Current assets	2,185.2
Non-current assets	4,973.1
Current liabilities	2,358.5
Non-current liabilities	512.3
Net assets	**4,287.5**
Percentage held	26.6%
SIX share of associates' net assets	1,140.6
Proportionate PPA assets, net of tax [1]	277.1
Goodwill [1]	1,210.6
Currency translation adjustment	–21.8
Total carrying amount	**2,606.6**
Revenues	**1,986.8**
Profit before tax	**213.3**
Income tax expenses	–52.3
Net profit	**161.0**
of which attributable to shareholders of Worldline SA	*116.1*
Other comprehensive income	–36.0
Total comprehensive income [2]	**125.0**
of which attributable to shareholders of Worldline SA	*79.3*
SIX share of associates' net profit	3.5
Depreciation of proportionate PPA assets, net of tax [1]	–1.6
SIX share of profit	**1.8**
Fair value of investment [3]	2,331.2

[1] Amounts related to PPA assets are preliminary.

[2] Represents Worldline SA total comprehensive income for FY 2018 (12 months) as reported by Worldline SA in its 2018 consolidated financial statements. Based on the acquisition date, 30 November 2018, SIX's share of profit for 2018 relates only to Worldline SA income for the month ending 31 December 2018. As the figures for only the month December are not published by Worldline SA, the full year results are disclosed here.

[3] Worldline SA is a listed company at Euronext Paris (ticker code: WLN). The fair value based on the share price as at 31 December 2018 (EUR 42.20).

32. Acquisitions of subsidiaries and non-controlling interests

Acquisitions after the balance sheet date

SECB Swiss Euro Clearing Bank GmbH

On 31 January 2019, SIX obtained control of SECB Swiss Euro Clearing Bank GmbH (SECB) by acquiring the remaining 75% of the shares and voting interests in the company. Previously, SIX had held a 25% stake in SECB and accounted the investment as an associate by applying the equity method. The other shareholders were the Swiss banks UBS, Credit Suisse and PostFinance, each with a 25% holding. The cash considerations paid for the 75% stake amounted to EUR 71.3 million (CHF 81.4 million). The fair value of the previously held 25% stake was CHF 27.1 million. The remeasurement (including recycling of currency translation adjustment) will result in a gain of CHF 0.2 million, which will be recognized in financial income in the 2019 consolidated financial statements.

The purpose of SECB's business is to support the Swiss euroSIC system and to provide access to TARGET2 and SEPA, primarily for banks and financial institutions in Switzerland and Liechtenstein. SECB will be part of the Banking Services business unit.

The acquisition is part of SIX's strategy to underpin its role as a competence center for the operations, development and innovation of the Swiss payment system. The transaction lays the foundations for realizing new services and strengthening the role of the Banking Services business unit as an infrastructure provider for banks.

The analysis of the acquired assets and assumed liabilities and the disclosures for goodwill / badwill will be performed at a later stage and presented in the 2019 Interim Report, as the transaction was closed shortly before the authorization of these financial statements.

Acquisitions in 2017

The acquisitions made in Aduno SA and VÖB-ZVD Processing GmbH were part of the cards business that has been brought into the strategic partnership with Worldline by the end of November 2018 (see note 18).

Aduno SA

On 6 August 2017, SIX obtained control of Aduno SA by acquiring 100% of the shares and voting interests in the company. Previously, 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 provided economies of scale and ensured that SIX could offered premier services at attractive conditions to merchants in its home market Switzerland and across Europe. In addition, through the acquisition of Aduno SA, SIX had consolidated 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 in 2017. 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 was 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 included 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 offered 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 was a primary target market for SIX in the payment services business. The ownership of a technical network service provider was an essential component for SIX’s positioning and growth in Germany. The acquisition provided SIX access to and generated 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 in 2017. 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 was 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	31/12/2018	31/12/2017
Cash and cash equivalents	0.6	0.6
Financial assets at amortized cost	41.1	37.4
Total	**41.7**	**38.0**

SIX has pledged assets and provided cash deposits as security for operating lease agreements. 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 2018, SIX x-clear Ltd has pledged debt instruments of CHF 39.6 million for the interoperability and the intraday credit facility used in connection with the Norwegian equities settlement (31 December 2017: CHF 21.0 million).

As at 31 December 2017, SIX also provided cash deposits as security for card schemes.

34. Contingent liabilities

SIX provided guarantees to third parties in the amount of CHF 226.1 million (31 December 2017: CHF 203.0 million). Of this figure, CHF 119.0 million related to credit facilities granted to entities of SIX Group (31 December 2017: CHF 156.0 million), CHF 47.0 million related to the Group's cash pooling (31 December 2017: CHF 47.0 million) and CHF 60.1 million related to credit facilities granted for the cards business (for further details refer to note 18), which will be canceled in 2019.

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	31/12/2018	31/12/2017
Within one year	15.6	20.8
Between one and five years	59.8	62.9
More than five years	114.8	132.4
Total	**190.2**	**216.1**

Payments for operating leases relate mainly to rent for business premises, vehicles and IT equipment. Some of the leased business premises have been sublet to third parties by the Group. The prior year figures also include the discontinued operations.

During the year CHF 17.0 million was recognized as an expense in the income statement in respect of operating leases (2017: CHF 24.2 million). SIX did not recognize contingent rents as an expense in the income statement in either 2018 or 2017.

SIX as lessor

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

CHF million	31/12/2018	31/12/2017
Within one year	7.9	17.0
Between one and five years	31.9	16.9
More than five years	22.7	–
Total	**62.6**	**33.9**

Future receivables from operating leases include payments that SIX will receive in future as income from renting out business premises and, only in the prior year, payment terminals. 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 and France. In 2018, the defined benefit plans in Luxembourg, Austria and Germany were derecognized due to the sale of the cards business (for further details refer to note 18). Independent actuarial valuations for the plans are performed as required for the defined benefit plans. 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 not elected 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 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.

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 2019 are CHF 35.2 million.

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. SIX is 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.

The plan assets comprise:

CHF million	31/12/2018	31/12/2017
Equity instruments	406.0	501.4
of which listed	*406.0*	*501.4*
Debt instruments	572.7	714.9
of which listed	*572.7*	*714.9*
Real estate	272.4	328.5
of which indirect investments	*272.4*	*328.5*
Cash and cash equivalents	27.1	33.2
Other financial investments	73.5	78.0
Total plan assets	**1,351.8**	**1,656.0**

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 57.0% debt instruments (neutral: 47.0%); and 17.0% to 36.0% (neutral: 26.0%) 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	2018	2017
Present value of obligation at 1 January	**–1,646.5**	**–1,540.1**
Effect of business combinations and disposals	264.4	–19.8
Interest expenses on defined benefit obligation	–11.7	–11.1
Current service costs (employer)	–58.0	–57.4
Employee contributions	–33.4	–32.8
Benefits paid	40.1	25.1
Plan curtailments and settlements	–	15.0
Actuarial gains or (losses)	40.4	–23.5
Administration costs	–0.8	–0.8
Translation adjustments	0.5	–1.2
Present value of obligation at 31 December	**–1,404.9**	**–1,646.5**

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

CHF million	2018	2017
Fair value of plan assets at 1 January	**1,656.0**	**1,517.2**
Effect of business combinations and disposals	–276.5	15.8
Employer contributions	45.4	44.5
Employee contributions	33.4	32.8
Interest income on assets	11.6	10.8
Return on plan assets (excl. contributions in interest income)	–77.8	71.7
Assets distributed on settlement	–	–12.2
Benefits paid	–40.1	–25.1
Translation adjustments	–0.2	0.5
Present value of plan assets at 31 December	**1,351.8**	**1,656.0**

Amounts recognized in the balance sheet:

CHF million	31/12/2018	31/12/2017
Present value of defined benefit obligation	–1,404.9	–1,646.5
Fair value of plan assets	1,351.8	1,656.0
Recognized pension assets/(liabilities)	**–53.1**	**9.5**
of which presented as pension assets	*–*	*16.0*
of which presented as other liabilities	*–53.1*	*–6.6*

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 2017: 16 years).

The following table provides information on pension costs for defined benefit plans. These costs include continuing and discontinued operations.

CHF million	2018	2017
Current service costs	–58.0	–57.4
Plan curtailments and settlements	–	2.7
Net interest expenses	0.0	–0.2
Administration costs	–0.8	–0.8
Total pension expense for the period	**–58.8**	**–55.7**

Components recognized in other comprehensive income:

CHF million	2018	2017
Actuarial gains/(losses)	40.4	–23.5
Return on plan assets excl. interest income	–77.8	71.7
Total income/(expense) recognized in OCI	**–37.3**	**48.2**

The actuarial gains/(losses) arising from changes in financial assumptions totaled CHF 22.5 million (2017: CHF -16.1 million).

Assumptions used to determine the defined benefit obligation

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

	31/12/2018	31/12/2017
Discount rate	0.8%	0.7%
Salary trend	1.0%	1.0%
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.

	31/12/2018			31/12/2017		
	Change in actuarial assumption	Effect on defined benefit obligation		Change in actuarial assumption	Effect on defined benefit obligation	
CHF million	+/–	+	–	+/–	+	–
Discount rate	0.50%	102.0	–117.6	0.50%	122.6	–141.7
Salary trend	0.25%	–6.3	6.2	0.25%	–8.6	8.4
Interest rate on retirement savings capital	0.50%	–29.4	28.0	0.50%	–36.3	34.5
Life expectancy	1 year	–30.8	31.2	1 year	–35.1	35.4

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation in 2018 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

125 banks hold shares in SIX, but no bank holds more than 20% of the Group´s shares issued. 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 12.0 million are collateralized (31 December 2017: CHF 8.9 million).

No impairment allowances of receivables relating to amounts owed by related parties were recorded as at 31 December 2018 or 31 December 2017.

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 2018 and 31 December 2017. The figures in the income statement table include continuing and discontinued operations.

CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
				2018
Income statement				
Operating income	329.3	6.1	–	335.4
Other operating expenses	–1.2	–2.3	–	–3.5
Net interest income	–1.1	–	–	–1.1
Contributions	–	–	–45.3	–45.3

CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
				31/12/2018
Balance sheet				
Cash and cash equivalents	409.7	850.0	–	1,259.7
Trade receivables/receivables from clearing & settlement	81.7	6.0	–	87.7
Other current assets	0.0	1.6	–	1.6
Trade payables/payables from clearing & settlement	1,667.1	123.5	0.1	1,790.7
Other liabilities	0.1	93.2	–	93.3

CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
				2017
Income statement				
Operating income	362.2	0.8	–	363.0
Other operating expenses	–1.3	–0.9	–	–2.2
Net interest income	–1.9	–	–	–1.9
Contributions	–	–	–44.5	–44.5

CHF million	Qualifying shareholders	Associates	Post-employment benefit plans	Total
				31/12/2017
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

Compensation paid to key management personnel

Key management personnel are defined as members of the Board of Directors and the 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 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	2018	2017
Salaries and other short-term employee benefits	–13.0	–14.8
Other long-term benefits	–2.6	–2.8
Total compensation to key management	**–15.6**	**–17.7**

38. Events after the balance sheet date

On 31 January 2019, SIX obtained control of SECB Swiss Euro Clearing Bank GmbH (SECB) by acquiring the remaining 75% of the shares and voting interests in the company. For further details refer to note 32.

As at 11 March 2019, the date of approval for issue of the financial statements by the Board of Directors, the Group had undergone no other 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, 12 March 2019

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 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, 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 31 to 123) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 2018

1. Balance sheet

CHF million	Notes	31/12/2018	31/12/2017
Assets			
Cash and cash equivalents	3.2.2	340.5	348.9
Financial assets with quoted market price	3.2.3	402.3	431.7
Current financial assets	3.2.6	34.3	29.3
Trade receivables	3.2.4	19.2	17.7
Other receivables	3.2.5	995.7	743.4
Positive replacement values of derivatives		0.6	1.9
Accrued income and prepaid expenses		1.8	1.5
Current assets		**1,794.4**	**1,574.3**
Non-current financial assets	3.2.6	327.9	230.6
Investments in subsidiaries and other investments	3.2.7	3,926.8	1,478.0
Non-current assets		**4,254.7**	**1,708.6**
Total assets		**6,049.1**	**3,282.9**
Liabilities			
Trade payables	3.2.8	24.4	3.5
Current interest-bearing liabilities	3.2.9	321.2	402.3
Other current liabilities	3.2.10	49.3	0.0
Short-term provisions		–	0.6
Negative replacement values of derivatives		0.3	3.0
Accrued expenses and deferred income		24.5	10.8
Current liabilities		**419.8**	**420.3**
Other non-current liabilities	3.2.11	35.1	–
Non-current provisions		3.2	5.0
Non-current liabilities		38.3	5.0
Total liabilities		**458.1**	**425.3**
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	3.2.14	23.3	23.3
Free reserves			
Profit carried forward		2,447.9	2,191.3
Profit for the year		2,870.0	393.3
Treasury shares	3.2.14	−0.0	−0.0
Total equity		**5,591.0**	**2,857.7**
Total liabilities and equity		**6,049.1**	**3,282.9**

2. Income statement

CHF million	Notes	2018	2017
Dividend income from investments		130.1	290.6
Service revenues		26.1	25.9
Other trade revenues		1.9	–
Total operating income		**158.1**	**316.5**
Service-related expenses		–8.2	–
Consulting and other professional fees		–53.1	–21.1
Depreciation and amortization	3.2.16	–5.4	–46.0
Valuation adjustments and losses		0.0	0.0
Other operating expenses		–1.3	–0.9
Total operating expenses		**–68.0**	**–68.1**
Operating profit before interest and tax		**90.2**	**248.4**
Financial income	3.2.17	67.3	66.3
Financial expenses	3.2.17	–86.9	–55.3
Earnings before tax and extraordinary items		**70.6**	**259.4**
Extraordinary income	3.2.19	2,834.2	154.0
Extraordinary expenses	3.2.19	–30.3	–10.7
Earnings before tax		**2,874.6**	**402.7**
Taxes		–4.5	–9.3
Profit for the year		**2,870.0**	**393.3**

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	31/12/2018	31/12/2017
EUR	1.1259	1.1695
GBP	1.2497	1.3170
SEK	10.9750	11.8694
USD	0.9853	0.9782

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 which 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 (2017: nil).

3.2.2 Cash and cash equivalents

CHF million	31/12/2018	31/12/2017
Due from shareholders	340.5	348.9
Cash and cash equivalents	**340.5**	**348.9**

3.2.3 Financial assets with quoted market price

CHF million	31/12/2018	31/12/2017
Money market funds	63.3	67.0
Equities	12.7	17.3
Funds	326.4	347.4
Financial assets with quoted market price	**402.3**	**431.7**

3.2.4 Trade receivables

CHF million	31/12/2018	31/12/2017
Due from third parties	1.2	0.1
Due from Group and associated entities	17.9	17.6
Trade receivables	**19.2**	**17.7**

3.2.5 Other receivables

CHF million	31/12/2018	31/12/2017
Due from third parties	42.8	132.1
Due from Group and associated entities	952.9	611.2
Other receivables	**995.7**	**743.4**

3.2.6 Financial assets

CHF million	31/12/2018	31/12/2017
Loans due from third parties	3.1	4.0
Loans due from Group and associated entities	159.5	75.7
Bonds	194.7	179.6
Other financial assets	5.0	0.6
Financial assets	**362.2**	**259.9**
of which current	*34.3*	*29.3*
of which non-current	*327.9*	*230.6*

3.2.7 Investments in subsidiaries and other investments

Fully consolidated participations

Name	Place	Currency	31/12/2018 Share capital in 1,000	31/12/2018 Share in %[2]	31/12/2017 Share capital in 1,000	31/12/2017 Share in %[2]
CETREL Securities SA[1]	Luxembourg	EUR	–	–	5,500	100.0
Finaccess SIX Financial Information SA[1]	Casablanca	MAD	8,548	55.0	8,548	55.0
SIX Austria Holding GmbH	Vienna	EUR	–	–	35	100.0
SIX Corporate Bonds Ltd[1]	Zurich	CHF	5,100	100.0	5,100	100.0
SIX Digital Exchange Ltd	Zurich	CHF	100	100.0	–	–
SIX Exchange Regulation Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Exfeed Ltd	Zurich	CHF	1,100	100.0	1,100	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
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
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 Ltd	Zurich	CHF	5,400	100.0	5,400	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
SIX Financial Information Singapore Pte Ltd	Singapore	SGD	25	100.0	25	100.0
SIX Financial Information Nordic AB	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	USD	0	100.0	0	100.0
SIX Global Services Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Group Services Ltd	Zurich	CHF	11,550	100.0	52,500	100.0
SIX Interbank Clearing Ltd	Zurich	CHF	1,000	75.0	1,000	75.0
SIX Management Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Payment Ltd	Bedano	CHF	–	–	120	100.0
SIX Payment Services (Austria) GmbH[1]	Vienna	EUR	–	–	13,235	100.0
SIX Payment Services (Europe) SA	Luxembourg	EUR	–	–	1,820	100.0
SIX Payment Services (Germany) GmbH[1]	Norderstedt	EUR	–	–	25	100.0
SIX Payment Services (Luxembourg) SA	Leudelange	EUR	–	–	255	100.0
SIX Payment Services Ltd	Zurich	CHF	–	–	6,500	100.0
SIX Paynet Ltd	Zurich	CHF	100	100.0	100	100.0
SIX Repo Ltd	Zurich	CHF	1,000	100.0	1,000	100.0

[1] Investments held indirectly

[2] Equity interest and voting rights

Fully consolidated participations (continued)

Name	Place	Currency	31/12/2018 Share capital in 1,000	31/12/2018 Share in %[2]	31/12/2017 Share capital in 1,000	31/12/2017 Share in %[2]
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 Swiss Exchange Ltd	Zurich	CHF	10,000	100.0	10,000	100.0
SIX Terravis Ltd	Zurich	CHF	4,100	100.0	4,100	100.0
SIX Trade Repository Ltd	Zurich	CHF	500	100.0	500	100.0
SIX x-clear Ltd[1]	Zurich	CHF	30,000	100.0	30,000	100.0
STK Nordic AB	Stockholm	SEK	–	–	100	100.0
Swisskey Ltd	Zurich	CHF	100	100.0	100	100.0
SWISSTRADINGBOX Ltd[1]	Zurich	CHF	800	50.1	800	50.1

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

Associated companies

Name	Place	Currency	31/12/2018 Share capital in 1,000	31/12/2018 Share in %[2]	31/12/2017 Share capital in 1,000	31/12/2017 Share in %[2]
12H Ltd	Zurich	CHF	100	49.9	–	–
SECB Swiss Euro Clearing Bank GmbH	Frankfurt a. M.	EUR	30,000	25.0	30,000	25.0
Swiss Fund Data Ltd[1]	Zurich	CHF	850	29.4	850	29.4
SwissSign Group Ltd	Glattbrugg	CHF	12,500	13.5	–	–
TWINT Ltd[1]	Zurich	CHF	12,750	26.7	10,200	33.3
Worldline SA	Bezons	EUR	124,137	26.6	–	–

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

3.2.8 Trade payables

CHF million	31/12/2018	31/12/2017
Due to third parties	0.3	–
Due to Group and associated entities	24.2	3.5
Trade payables	**24.4**	**3.5**

3.2.9 Current interest-bearing liabilities

CHF million	31/12/2018	31/12/2017
Due to third parties	0.1	0.2
Due to Group and associated entities	321.1	402.2
Current interest-bearing liabilities	**321.2**	**402.3**

3.2.10 Other current liabilities

CHF million	31/12/2018	31/12/2017
Due to third parties	0.4	–
Due to Group and associated entities	48.9	0.0
Other current liabilities	**49.3**	**0.0**

3.2.11 Other non-current liabilities

CHF million	31/12/2018	31/12/2017
Due to Group and associated entities	35.1	–
Other non-current liabilities	**35.1**	**–**

3.2.12 Liabilities due to pension fund

CHF million	31/12/2018	31/12/2017
Liabilities due to pension fund	0.1	0.1

3.2.13 Contingent liabilities

CHF million	31/12/2018	31/12/2017
Total amount of guarantees and warranty obligations		
In favor of third parties	226.1	211.1
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 (2017: CHF 47.0 million) guarantee in the event of insolvency of a cash pooling member
- CHF 5.6 million (2017: CHF 48.9 million) contingent liability related to credit facilities granted to Group entities
- CHF 159.8 million (2017: CHF 115.2 million) guarantee related to an intraday credit limit in the cards business
- CHF 3.5 million (2017: nil) guarantee related to the VISA license for Swisskey
- CHF 10.1 million (2017: nil) guarantee related to the disposal of the Issuing Business at SPS Austria

3.2.14 Treasury shares including treasury shares held by Group entities

	31/12/2018		31/12/2017	
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.

3.2.15 Securities in favor of third parties

CHF million	31/12/2018	31/12/2017
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.

3.2.16 Depreciation of non-current assets

CHF million	2018	2017
Financial assets	–5.4	–46.0
Depreciation of non-current assets	**–5.4**	**–46.0**

In the reporting year, loans due from Group entities in the amount of CHF 18.4 million were impaired and allowances in the amount of CHF 13.0 million were released (2017: impairment on loans due from Group entities in the amount of CHF 46.0 million).

3.2.17 Financial result

CHF million	2018	2017
Foreign exchange gains	54.7	39.5
Income from financial assets	7.3	21.1
Interest income	5.1	5.5
Other financial income	0.2	0.3
Financial income	**67.3**	**66.3**
Foreign exchange losses	–59.0	–43.5
Expenses from financial assets	–20.6	–5.8
Interest expenses	–6.4	–5.1
Other financial expenses	–1.0	–0.9
Financial expenses	**–86.9**	**–55.3**

3.2.18 Hidden reserves released

Hidden reserves in the amount of CHF 3.0 million were released in the reporting year (2017: nil).

3.2.19 Explanations of extraordinary positions in the income statement

In the reporting year, investments in subsidiaries were valued individually. As a result, a reversal of impairment of CHF 65.5 million was recognized in extraordinary income (2017: CHF 154.0 million). An impairment of investments of CHF 29.8 million has been included in extraordinary expenses (2017: CHF 10.7 million). Furthermore, in 2018 SIX Payment Services entities were sold for CHF 2,768.8 million to Worldline SA.

3.2.20 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 2017	**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**
Dividends paid	–	–	–	–136.7	–	–136.7
Profit for the year	–	–	–	2,870.0	–	2,870.0
Balance at 31 December 2018	**19.5**	**230.2**	**23.3**	**5,318.0**	**–0.0**	**5,591.0**

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

A dividend of CHF 7.00 per registered share of CHF 1 nominal value was paid during the reporting period.

5. Appropriation of profit

CHF million	2018	2017
Profit carried forward from previous year	**2,447.9**	**2,191.3**
Profit for the year	2,870.0	393.3
Available profit carried forward	**5,318.0**	**2,584.6**

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

CHF million	2018	2017
Available profit carried forward from previous year	**5,318.0**	**2,584.6**
Dividend of CHF 4.10 per registered share of CHF 1.00 nominal value (previous year CHF 7.00)	80.0	136.7
Extraordinary dividend of 17.30 per registered share	337.7	–
Profit carried forward to the following year	**4,900.2**	**2,447.9**

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 12 March 2019

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 127 to 136), for the year ended 31 December 2018.

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 2018 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
Licensed audit expert
(Auditor in charge)

Slaven Cosic
Licensed audit expert

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