



# «Recording Strong Growth During Transition Year»

SIX Half-Year Results 2018

4 September 2018

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# Selected Highlights in the First Half of 2018 (1/2)



SIX is pressing ahead as planned with **the strategic and organizational transformation «SIX2020»** including **launching “Innovation & Digital”**, a new business unit to further strengthen SIX’ innovative power



SIX is entering a **strategic partnership with Worldline**. SIX will bring the existing cards business (merchant acceptance & acquiring and international card processing) into the partnership and will receive a 27% stake in the French company Worldline. The transaction is expected to be completed in the fourth quarter of 2018



For the first time in the company’s history, **operating income** in the first six months of the year **exceeded the billion mark**, rising 8% year on year to CHF 1,000.7 million (including the discontinued Cards business unit). As expected, **Group net profit** remained below prior year’s figure but still amounted to a solid **CHF 100.7 million**

# Selected Highlights in the First Half of 2018 (2/2)



Totalling seven, the **number of IPOs** in the first half of 2018 **outnumbered those recorded for the whole of 2017 already**. The IPO of CEVA Logistics, one of the worlds leading logistics companies, is the largest listing in 2018 to date with a market capitalization of CHF 1,428 Mio



**SIX launched its new international microwave-based trading connections** in Europe. The new technology allows trade data for all securities listed at SIX to be transmitted more than twice as fast as connections based on commonly used fiber optic technology. It is connecting Zurich to London, Frankfurt and Milan as well as Milan to Frankfurt



SIX sweeps the board with **successes at multiple industry awards** – winning a total of eight awards categories including Best Provider of the Year at the Sell Side Technology ceremony

# Financials

# SIX Half-Year Results 2018: Accounting specifics due to Cards transaction

## Recap & Accounting specifics

On 14 May 2018 SIX and Worldline agreed to enter into a strategic partnership ("Signing"). SIX will bring the existing cards business (merchant acceptance & acquiring and international card processing) into the partnership and will receive a 27% stake in Worldline. The transaction is expected to be completed in the fourth quarter of 2018 ("Closing").<sup>1</sup>

International Financial Accounting Standards (IFRS) require that the assets and liabilities of the cards business are presented separately from other assets and liabilities in the balance sheet and the net profit of the business is presented as a single amount in the income statement.<sup>2</sup>

Accordingly, in the enclosed SIX Interim Condensed Consolidated Financial Statements 2018 the cards business together with its associated corporate functions is disclosed as

- "Profit for the period from discontinued operations, net of tax" in the Interim consolidated income statement (page 7)
- "Disposal groups and assets held for sale" in the Interim consolidated balance sheet (page 9)
- "Liabilities directly associated with disposal groups held for sale" (page 9)

However, as SIX was fully accountable for the cards business (Business Unit Cards) as well as the associated corporate functions in the entire first half of 2018 – and remains accountable until transfer of ownership ("Closing"), **financial figures presented include the cards business** (unless indicated otherwise).

## Effects on SIX Interim Financial Statements 2018

	Total SIX as of 30 June 2018	SIX discontinued operations	SIX continuing operations
in mCHF			
<b>Total operating income</b>	<b>1,000.7</b>	<b>428.2</b>	<b>572.5</b>
<b>Total operating expenses</b>	<b>-854.0</b>	<b>-393.7</b>	<b>-460.4</b>
<b>Operating profit</b>	<b>146.6</b>	<b>34.5</b>	<b>112.1</b>
Non-operational contributions	-7.6	2.3	-9.9
<b>Earnings before interest and tax (EBIT)</b>	<b>139.0</b>	<b>36.8</b>	<b>102.2</b>
Net interest and tax expenses	-38.3	-10.9	-27.3
<b>Profit from continuing operations</b>			<b>74.8</b>
<b>Profit from discontinued operations</b>		<b>25.9</b>	
<b>Group net profit</b>	<b>100.7</b>		

For the first half of 2018 total operating income of SIX amounted to 1,000.7 mCHF. As required by IFRS, financial figures are presented separately for the discontinued operations (Cards plus associated Corp. Functions) and the continuing operations. Earnings before interest and tax (EBIT) for the continuing operations stood at CHF 102.2 million. The business areas being discontinued accounted for CHF 36.8 million of overall EBIT of CHF 139.0 million. Consolidated profit after interest and tax totalled CHF 100.7 million. Once the transaction is completed SIX continues to participate in the profit of the cards business through its 27% strategic stake in Worldline.

6 (1) For further details please refer to slide 20

(2) For further details please refer to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

# SIX Half-Year Results 2018

## Key Financial Figures

**1'000.7**

Total operating income  
in mCHF

**+8%**

Total operating income  
vs. 2017

**100.7**

Group net profit  
in mCHF



SIX can look back on a financially successful first half of 2018. Operating income increased 8% year-on-year to exceed the billion mark for the first time in the company's history



Rising income partially compensated for the increase in operating expenses incurring mainly from the strategic realignment «SIX2020» including intensified M&A activities



Impaired further by special effects Group net profit remained as expected below prior year's figure but still amounts to respectable 100.7 mCHF

# SIX Key Financial Figures HY 2018

in mCHF	Total SIX HY2018	Total SIX HY2017	Δ 2017 (%)
<b>Total operating income</b>	<b>1'000.7</b>	<b>929.7</b>	<b>8</b>
<b>Total operating expenses</b>	<b>-854.0</b>	<b>-769.3</b>	<b>11</b>
<b>Operating profit</b>	<b>146.6</b>	<b>160.4</b>	<b>-9</b>
Net financial income	0.9	9.1	
Income from associates	-8.6	-5.4	
<b>EBIT</b>	<b>139.0</b>	<b>164.0</b>	<b>-15</b>
Net interest and tax expenses	-38.3	-39.5	
<b>Group net profit</b>	<b>100.7</b>	<b>124.5</b>	<b>-19</b>
<b>Total assets</b>	<b>10'675</b>	<b>9'918</b>	<b>8</b>
<b>Equity ratio<sup>1</sup></b> (in %, average)	<b>81.0%</b>	<b>77.6%</b>	<b>3.4pp</b>
<b>Return on equity<sup>2</sup></b> (in %, average)	<b>6.8%</b>	<b>8.4%</b>	<b>-1.6pp</b>
<b>Operating profit margin</b>	<b>14.7%</b>	<b>17.3%</b>	<b>-2.6pp</b>
<b>FTEs</b>	<b>3'691</b>	<b>3'721</b>	<b>-1</b>

SIX can look back on a financially successful first half of 2018: Operating income improved YTD by 8% compared to previous year and exceeded budget by 3%.

The good revenue performance partially offsets the expected increase in operational expenses mainly caused by the strategic realignment «SIX2020» as well as the intensified M&A activities.

As a result, EBIT amounts to 139.0 mCHF in the first six months of 2018. Comparison to previous year's EBIT is further impaired by special effects such as lower gains from Net financial income (mainly caused by weakly performing strategic assets and FX losses) and a negative contribution from Income from associates.

(1) Equity ratio = avg. equity prev. 12 months / (avg. adj. liabilities prev. 12 months + avg. equity prev. 12 months)

(2) Return on equity = profit prev. 12 months / avg. equity prev. 12 months



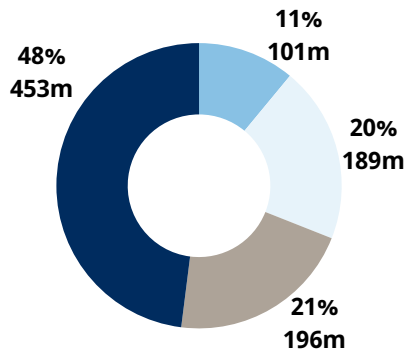
# Contributions by Operating areas before and after «SIX2020»

## HY 2017

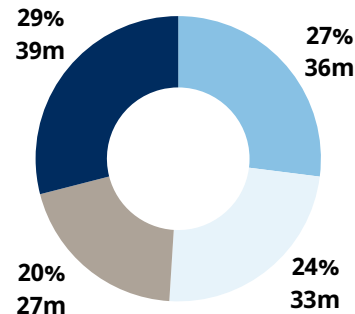
### Divisions



### Operating income



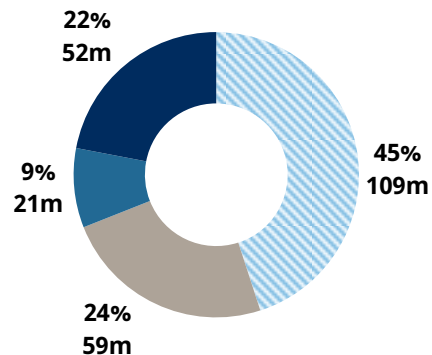
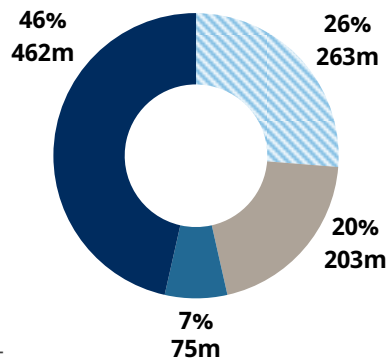
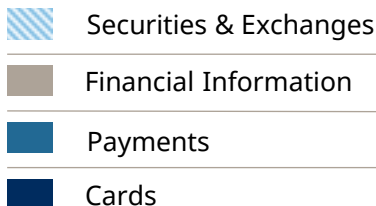
### EBIT / Operational profit<sup>1</sup>



(1) Starting from 1 April 2018, performance of the reportable segments is measured **based on operational profit** instead of earnings before interest and tax (EBIT). Operational profit includes costs which can be influenced and controlled by the reportable segment only.

## HY 2018

### Business Units<sup>2</sup>



(2) After the organizational realignment («SIX2020») **no year-on-year comparison** is published in the interim report at business unit level, as the previous year's figures are not yet available according to the new organizational structure. SIX will report according to the new structure from financial year 2018, including the previous year's figures.

# Securities & Exchanges (BXS) – Financials & Business Highlights

Financials HY 2018	
in mCHF	HY 2018
<b>Operating income</b>	<b>262.8</b>
<b>Total operational expenses</b>	<b>-156.8</b>
<b>Operational profit</b>	<b>109.2</b>

Other BU statistics HY 2018			
	HY 2017	Δ 2017 (%)	HY 2018
Trading volume (CHF billion)	722.5	2	733.7
Trading transactions (million)	25.9	22	31.6
Market Share Eq. Blue-Chips (%)	67.0	7	71.4
Clearing transactions (million)	158.5	51	238.9
Deposit volume (billion YTD avg)	3'289	-3	3'197
FTEs	553	-11	494

Favorable market environment in Q1 (market uncertainty due to stock market falls in USA and Asia) lead to increases in Trading as well as Deposit volumes. Additionally, regulatory changes (e.g. MiFID II) caused a rise in number of transactions.

## Business Highlights

With **seven listings** in the first six months of 2018 SIX has already welcomed one more company on the SIX Swiss Exchange than in the whole of last year.

**Volumes at the SIX Swiss Exchange rose on a YoY basis.** At the same time, SIX could also increase its market share compared to the previous year.

**SwissAtMid**, a service offering the opportunity for mid-point execution on Swiss equity instruments directly within the largest source of liquidity, became the largest non-displayed venue for Swiss equities.

Through its new Zurich-based joint-venture 12H **SIX launched new international microwave-based trading connections** in Europe allowing trade data to be transmitted more than twice as fast as connections based on commonly used fiber optic technology.

# Payments (BPY) – Financials & Business Highlights

Financials HY 2018			
in mCHF			HY 2018
<b>Operating income</b>			<b>74.8</b>
<b>Total operational expenses</b>			<b>-54.8</b>
<b>Operational profit</b>			<b>20.5</b>
Other BU statistics HY 2018			
	HY 2017	Δ 2017 (%)	HY 2018
Number of Cards (tsnd)	9'844	2	<b>10'063</b>
Processing transactions (million)	530	6	<b>561</b>
FTEs	98	14	<b>112</b>

Volume increases due to SIC-migration of PostFinance as well as more eBill-providers/users are partly compensating the granted price reductions of the ATM Services and Debit Processing.

## Business Highlights

**Strategic repositioning** of the business unit Payments was communicated. The new strategy systematically focuses on **the development and operation of integrated payment systems (“ecosystems”), their infrastructures and associated services for Swiss banks**. The new organization will be renamed to Banking Service and go live in operational terms on 1<sup>st</sup> October 2018.

Successful introduction of new **eBill** infrastructure and migration of first banks to the eBill-portal. Roll-out continues, eBill will be introduced with over 100 banks by the end of 2018.

The **ATM Business Process Outsourcing** (ATM BPO) service was signed with Credit Suisse. By the end of June SIX's newly created **ATM Service Center** monitored and managed already approximately 100 ATMs of Credit Suisse – and continues growing.

The first phase of project **ATMfutura** has successfully been completed and clients are rolling out new software or starting migration to new platform.

# Financial Information (BFI) – Financials & Business Highlights

Financials HY 2018			
in mCHF			HY 2018
<b>Operating income</b>			<b>202.7</b>
<b>Total operational expenses</b>			<b>-146.8</b>
<b>Operational profit</b>			<b>58.9</b>
Other BU statistics HY 2018			
	HY 2017	Δ 2017 (%)	HY 2018
FTEs	677	-13	<b>588</b>

Operating income was driven by positive development of Valordata Feed (VDF) services and tax & regulatory services. The lower FTE base is mostly related to some fluctuations and the restricted re-hiring.

## Business Highlights

Highest growth coming from **tax & regulatory services** driven by Regulatory Hub, MiFID II and tax data packages.

**SIX Regulatory Hub** marketplace growing rapidly with **17 million regulatory documents** containing leading global contributors.

Investments in **enhanced data and services**

- Enhanced **sanctions service** in support of the Russian Oligarchs and Iran Secondary Sanctions which **added 6,000+ securities** to the sanctioned or potentially sanctioned scope
- SIX iD release 10 offers a new user experience.

SIX sweeps the board with successes at multiple industry awards – **winning a total of eight awards** categories including Best Provider of the Year at the Sell Side Technology ceremony.

# Cards (BCA) – Financials & Business Highlights

Financials HY 2018			
in mCHF			HY 2018
<b>Operating income</b>			<b>461.7</b>
<b>Total operational expenses</b>			<b>-428.2</b>
<b>Operational profit</b>			<b>52.1</b>
Other BU statistics HY 2018			
	HY 2017	Δ 2017 (%)	HY 2018
Acquiring MSV (CHF million)	38'851	37	53'135
Card transactions (million)	1'332	22	1'629
Number of cards (million)	16.0	-13	13.9
FTEs	913	3	943

Operating income has developed positively due to MSV-driven organic growth as well as the VÖB and Aduno integration. However, both developments result in higher interchange- and scheme-fees and therefore in a higher cost base as well.

## Business Highlights

SIX will bring the cards business (merchant acceptance & acquiring and international card processing) together with the associated corporate functions into a **partnership with the French company Worldline**. The respective carve-out is proceeding as planned. The transaction is expected to be completed in the fourth quarter of 2018.

Operating income has developed positively this year due to **organic YoY growth in the Swiss and European Merchant Sales Volume (MSV)**. High terminal sales additionally support the business unit's organic growth. Further MSV-growth is driven by the integration of VÖB and Aduno which is partly counterbalanced by the sale of the Commercial Issuing in Austria.

The **post-merger integration of Aduno** into SIX is progressing well. The timeline for the migration of customers is advancing according to plan.

# Innovation & Digital (BID) – Business Highlights

**Drive innovation at SIX** by continuously exploring novel ideas and enhancing the financial infrastructure

**Cooperate with Swiss banks** to develop new services and drive digital transformation



**Boost startup ideas** through F10 acceleration program and direct investments (CVC)

**Thought leadership** through expertise and competence in relevant technological and methodical fields

## Business Highlights

Following the Innovation & Digital's strategy announced earlier this year, the new Business Unit **strengthens and intensifies the collaboration with the Swiss banks** to develop new products and services for the Swiss financial center, like the SIX Cyber Security monitoring offering or the development of the Swiss electronic identity (e-ID). Rethinking the industry's value chain will lead to new ecosystems and SIX services.

**F10 acceleration program** operated by SIX run the third batch early 2018, during which 13 start-ups worked on new products and ideas. Various start-ups with potentially high impact on the Swiss financial market were identified. The next start-up batch will be launched in the fourth quarter of 2018.

The **SIX Corporate Venture Capital Fund (CVC)**, funded in April 2018, has already invested into new promising companies. Negotiations with several exciting ventures are ongoing.

In parallel, I&D is intensively working with internal and external stakeholders on the **Picture of the Future (PoF)** to capture and outthink upcoming future scenarios on what financial markets could look like in five to ten years time and especially how SIX could significantly contribute to the market place.

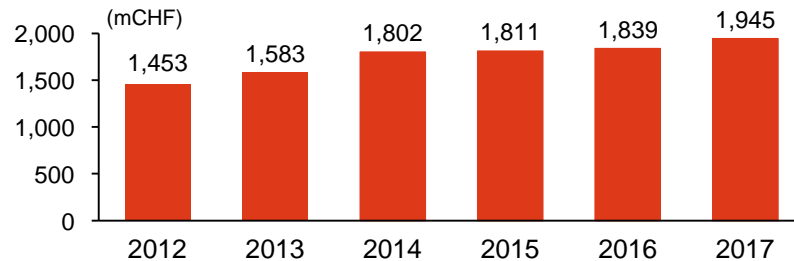
# Mandate «SIX2020»

# SIX' positive development since its foundation

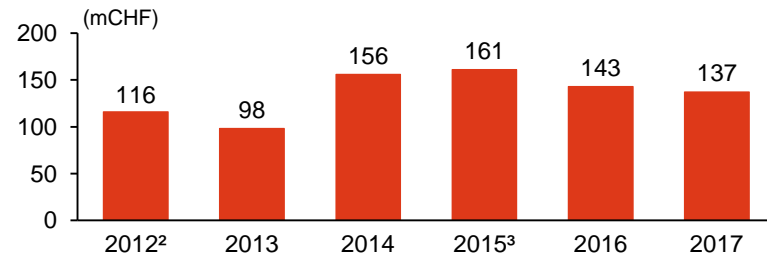
Since its merger in 2008 SIX has helped to strengthen the Swiss financial center and offered its shareholders a solid return:

- As user-owned/user-governed, SIX has a strong relation to the participants of the Swiss financial center and jointly developed innovative solutions with a footprint (e.g. Target2-Securities, Terravis, TWINT)
- SIX' diversified business model has allowed SIX to generate growth as well as stable dividends for its shareholders over time (dividend payout ratio at an average of 65% over the last four years).

## SIX Operating Income (2012<sup>1</sup> - 17)



## SIX Ordinary Dividend (2012<sup>1</sup> - 17)





# New challenges, new opportunities, new SIX Mandate

Market changes and evolving shareholder needs pose new challenges as well as open new opportunities for SIX, such as:

- Banks have new, changing needs (e.g. Mobile Payment, Cloud, KYC-/Identity-Services)
- High cost pressure at banks leads to the need to outsource services that have no differentiation potential
- Low level of service bundling (realization synergies) in individual areas of the Swiss market, esp. in payment transactions
- Digital transformation as well as Dynamic FinTech / Venture Capital environment opens up opportunities for SIX to generate significant added value for banks



## New SIX Mandate

SIX develops and operates infrastructure services for the Swiss financial center and Swiss banks in the areas of payment services, securities, financial information and digital infrastructure with the aim of increasing efficiency, quality and innovative capacity along the entire Swiss banking value chain.

# Main achievements in the implementation of «SIX2020»



## Organization

### **One-SIX focused on customers and innovation**

- Targeted organization implemented and approved by regulators (live since April 1)
- New «Innovation & Digital» unit created



## Innovation

### **SIX increases innovative capacity along the entire Swiss banking value chain**

- First three innovation initiatives defined and scheduled to be launched in 2018
- Intensified collaboration with customers to drive innovation initiatives

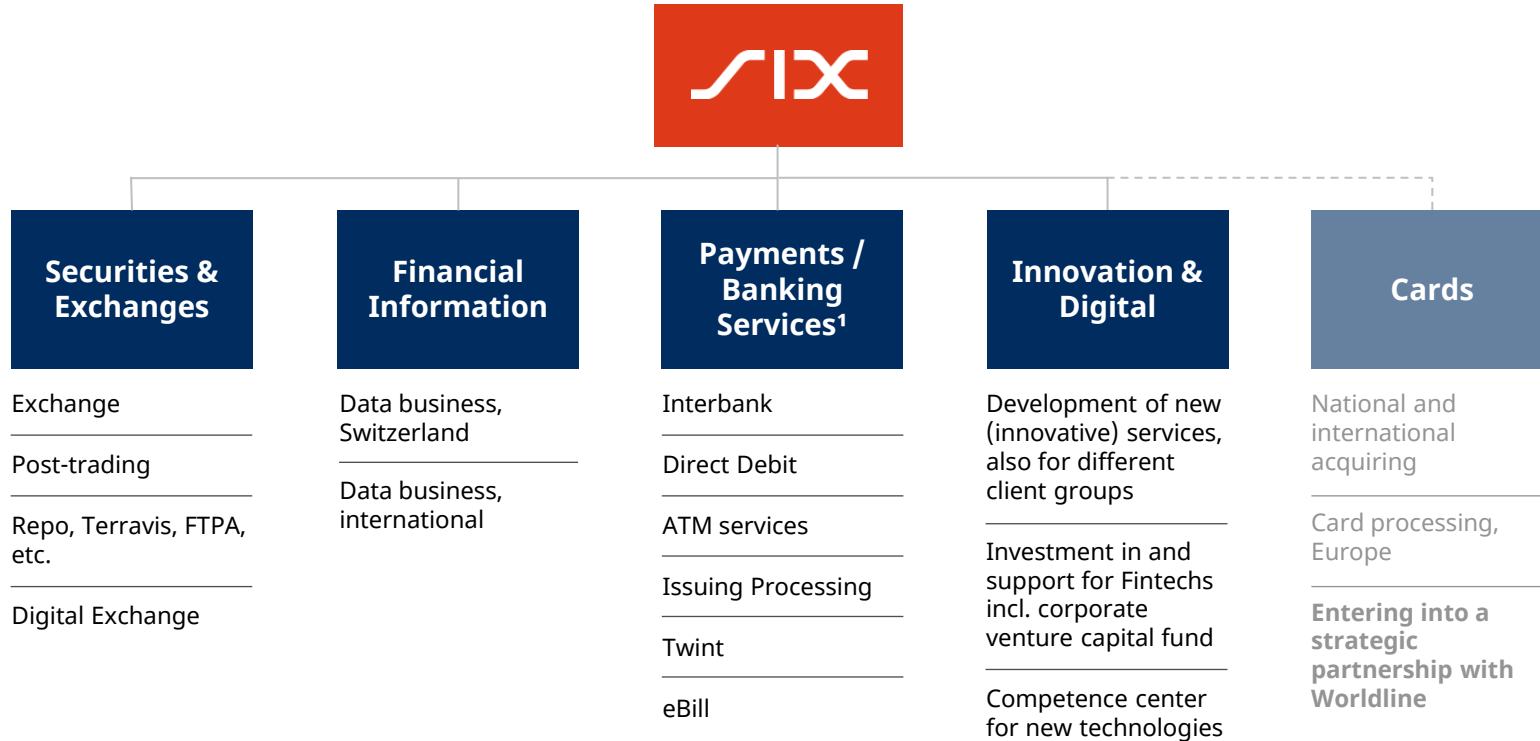


## Pricing & Dividends

### **SIX offers competitive pricing and strives to continue distributing attractive dividends**

- New pricing system for domestic business elaborated, approved by BoD and communicated to customers
- Dividends: Guiding principles for new dividend policy under way

# SIX' new organizational structure after «SIX2020»



19 (1) Business Unit Payments will be renamed to Banking Services as of 1<sup>st</sup> of October 2018

# Details of the strategic partnership with Worldline

## Overview

- On 14 May 2018 SIX and Worldline agreed to enter into a strategic partnership (“Signing”) where SIX will receive 27% of Worldline
- Transaction creates the leading and largest Payments Service Provider in Europe

## Short profile Worldline

- European leader in the payments and transactional services industry
- Worldline generates c. EUR 1.6bn revenue and employs more than 9,400 people worldwide
- France-based, listed on Euronext and majority-owned by IT company Atos

## Key transaction terms

- Total consideration: CHF 2,750m, consisting of
  - 49.1 million newly issued Worldline shares (resulting in a 27% stake for SIX)
  - and a cash consideration of CHF 338m, subject to customary net debt and working capital adjustments

## Timing

- 14 May 2018: Signing
- Q4 2018 (expected): «Closing», subject to a successful reorganisation and regulatory approvals

# Appendix

# SIX Half-Year Results 2018 – Balance sheet as at 30 June 2018

<b>Assets</b>	<b>Total SIX</b>	<b>Total SIX</b>		<b>Liabilities &amp; equity</b>	<b>Total SIX</b>	<b>Total SIX</b>	
mCHF	<b>30.06.2018</b>	<b>31.12.2017</b>	$\Delta$	mCHF	<b>30.06.2018</b>	<b>31.12.2017</b>	$\Delta$
Cash & cash equivalents - SNB	3'351	3'128	223	Trade and other payables	20	262	-242
Cash & cash equivalents - SECB	363	570	-207	Payables from C&S - BXS	6'074	5'496	578
Cash & cash equivalents - others	537	764	-227	Payables from C&S - BPY&BCA	125	1'365	-1'241
Trade and other receivables	147	263	-116	Financial liabilities current	163	69	94
Receivables from C&S - BXS	2'458	2'228	230	Other current liabilities	254	305	-51
Receivables from C&S - BPY&BCA	318	1'339	-1'021	Liabilities associated with disposal groups HFS	1'302	0	1'302
Financial assets current	970	755	215	<b>Current liabilities</b>	<b>7'938</b>	<b>7'497</b>	441
Other current assets	286	259	27	Deferred tax liabilities	40	59	-19
Disposal groups and assets HFS	1'565	0	1'565	Other non-current liabilities	24	41	-16
<b>Current assets</b>	<b>9'996</b>	<b>9'307</b>	690	Provisions non-current	19	28	-9
Financial assets non-current	229	260	-32	<b>Non-current liabilities</b>	<b>83</b>	<b>128</b>	-45
Intangible assets	121	393	-273	<b>Total liabilities</b>	<b>8'022</b>	<b>7'626</b>	396
Property, plant and equipment	244	278	-33	<b>Total equity</b>	<b>2'654</b>	<b>2'676</b>	-22
Other non-current assets	85	64	22	<b>Total liabilities &amp; equity</b>	<b>10'675</b>	<b>10'302</b>	374
<b>Non-current assets</b>	<b>679</b>	<b>995</b>	-316				
<b>Total assets</b>	<b>10'675</b>	<b>10'302</b>	374				

The movements of the single assets and liabilities positions are mainly driven by the reclassification of the assets and liabilities related to the cards business as "held for sale".

Besides the reclassification, the increase in current assets (689.5 mCHF) is additionally caused by the increase of the financial assets from settlement business (+78.3 mCHF) and of the fair value of forward contracts from open clearing & settlement transactions (+106.9 mCHF). The increase in current liabilities (+441.1 mCHF) is mainly due to the ordinary movements in payables from clearing & settlement in the in the post trading area (+577.7 mCHF). The net decrease of the payables from clearing & settlement (-662.9 mCHF) resulted from the reclassification as held for sale described above.

Equity decreased by 22.0 mCHF in the reporting period. The decrease is mainly driven by the dividends paid (-133.5 mCHF) and is partially offset by the net profit for the first half of 2018 (100.7 mCHF).

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