



Interim Condensed Consolidated Financial Statements 2020

30 June



SIX Key Figures

CHF million	For the six months ended 30 June		Change in %
	2020	2019	
Income statement			
Total operating income	624.1	551.7	13.1%
Total operating expenses	-472.5	-451.9	4.6%
Earnings before interest, tax, depreciation and amortization (EBITDA)	151.6	99.9	51.8%
Depreciation, amortization and impairment	-47.3	-44.1	7.2%
Net financial result	103.0	-28.8	n/a
Share of profit or loss of associates and joint ventures	8.8	31.9	-72.5%
Earnings before interest and tax (EBIT)	216.1	58.8	n/a
Net interest and tax expenses	-31.9	-26.4	20.8%
Group net profit	184.2	32.4	n/a
Cash flow statement			
Cash flow from operating activities	1,783.5	-719.6	n/a
Cash flow from investing activities	1,888.5	-285.8	n/a
Cash flow from financing activities	-211.3	-426.4	-50.4%

CHF million	30/06/2020	31/12/2019	Change in %
Balance sheet			
Total assets	20,842.2	12,656.5	64.7%
Total liabilities	15,958.9	7,825.1	103.9%
Total equity	4,883.3	4,831.4	1.1%
Equity ratio (in %, average) ¹	82.8%	87.6%	-4.8 pp
Return on equity (in %, average) ²	5.6%	2.4%	3.2 pp

	30/06/2020	30/06/2019	Change in %
Shareholders' key figures			
Earnings per share (in CHF)	9.74	1.70	n/a
Ordinary dividend paid per share (in CHF)	3.90	4.10	-4.9%
Extraordinary dividend paid per share (in CHF)	-	17.30	n/a
Operating key figures			
Workforce (full-time equivalents)	3,407.3	2,538.4	34.2%
Workforce (headcount)	3,534	2,649	33.4%
Stock exchange trading turnover (in CHF billions)	1,020.4	693.2	47.2%
Market share of trading in SLI stocks (in %, average)	99.9%	71.4%	39.9%
Deposit volume (in CHF billions, average)	3,435.7	3,326.3	3.3%
Number of SIC transactions (in 1,000s)	339,444	318,171	6.7%
Number of financial instruments (business unit Financial Information) (in millions)	33.0	31.5	4.7%

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

4	Mid-year Report of SIX as at 30 June 2020
7	Interim Consolidated Income Statement
8	Interim Consolidated Statement of Comprehensive Income
9	Interim Consolidated Balance Sheet
10	Interim Consolidated Statement of Changes in Equity
12	Interim Consolidated Statement of Cash Flows
13	Notes to the Interim Condensed Consolidated Financial Statements
13	1. General Information
13	2. Basis of Preparation and Changes to the Group's Accounting Policies
15	3. Significant Accounting Judgments, Estimates and Assumptions
16	4. Changes in the Composition of the Group
21	5. Segment Information
24	6. Operating Income
26	7. Financial Income and Expenses
26	8. Income Taxes
27	9. Cash and Cash Equivalents
27	10. Trade and Other Receivables
28	11. Receivables and Payables from Clearing & Settlement
29	12. Financial Instruments
36	13. Property, Plant and Equipment
36	14. Intangible Assets
37	15. Investments in Associates and Joint Ventures
37	16. Dividends Proposed and Paid
38	17. Related Parties
39	18. Events after the Balance Sheet Date

Mid-year Report of SIX as at 30 June 2020

SIX reports strong performance for first half of 2020 despite global market turmoil

- In the first six months of 2020, SIX generated CHF 624.1 million (+7.6%*) in operating income and CHF 151.6 million (+32.7%*) in earnings before interest, taxes, depreciation and amortization (EBITDA)
- Earnings before interest and tax (EBIT) amounted to CHF 216.1 million
- Group net profit amount to CHF 184.2 million for the first half of 2020
- SIX successfully completed the acquisition of a controlling stake in Bolsas y Mercados Españoles (BME)

In a globally challenging environment brought under turmoil by COVID-19, SIX generated CHF 624.1 million in operating income in the first half of 2020. Despite the turbulent market developments and the heightened market volatility, the balanced and diversified portfolio of SIX proved once again successful. On top of its strong operational performance, the financial result of SIX was significantly higher than that of the previous year's period. This is due to the completion of the 10.1 million Worldline shares sale, representing 5.5% of the Worldline share capital, by way of an accelerated bookbuild back in April.

Financial highlights

SIX mastered a challenging first half year thanks to its diversified portfolio. The total operating income increased by 7.6%*, mainly due to amplified trading activity in a time of heightened market volatility – a result of the uncertainty brought on by COVID-19. The exchange demonstrated its central responsibility in an unprecedented market turmoil. This was a result of the continuous effort that went into improving procedures and technology. Operating expenses increased slightly (2.0%*) because of higher M&A activity and increased revenues. In total, this resulted in a higher EBITDA than that of the corresponding period last year (+32.7%*).

Completion of acquisition of BME

On 16 June, SIX announced that it had completed the acquisition of a controlling stake in BME. SIX has acquired a total of 77,9 million BME shares for CHF 2,765.0 million, representing 93.16% of the equity share capital. The integration of BME and SIX, two leaders in their domestic

financial markets, creates a more diversified group with a strong presence across Europe, making it the third largest European financial market infrastructure group, and the 10th largest globally by revenue. The planning of the operational integration of BME into SIX has started and is ongoing.

On 30 July, the BME Board of Directors appointed Jos Dijsselhof as their new Chairman and ratified Daniel Schmucki, SIX CFO, and Marion Leslie, Head of the Financial Information business unit of SIX, as new members. BME's Board of Directors was also reduced to six members, three of which are of Spanish nationality. Prior to these board changes, on June 11, Javier Hernani Burzako, Business Head of BME, joined the SIX Executive Board as an equal member.

Business unit performances

Higher trading and post-trading activities led to a profit contribution by the business unit **Securities & Exchanges** of CHF 128.7 million, representing a 59.4% increase compared to the same period in the previous year. SIX recorded two company listings in the first half of 2020: V-ZUG Holding AG and Ina Invest Holding Ltd.

In March, SIX registered the highest weekly trading turnover in its history. The record-high volatility during that time was managed without any problems. Stable and secure financial market infrastructures are crucial, especially in highly volatile times. They guarantee that all participants of capital markets can rely on the orderly functioning of exchanges. This has never been more apparent than during COVID-19.

With CHF 10.0 million, the **Banking Services** business unit reported a decline in year-on-year profit contribution (-30.2%). Following the downswing in the cards and cash spheres resulting from the COVID-19 induced lockdown, the business unit saw a quick recovery. Card transactions stabilized in June re-bounding back to pre-COVID-19 levels. ATM transactions are still recovering from the pandemic and the corresponding travel restrictions.

In mid-May, SIX launched b.Link, a central platform for the standardized sharing of data between financial institutions and third-party providers. The launch was

* Year-on-year comparisons are excluding BME contribution since closing.

supported by KLARA as well as Credit Suisse, Neue Aargauer Bank and UBS.

In June, the new QR-bill was launched in Switzerland, modernizing and making Swiss payment transactions easier, faster and more efficient. The new QR-bill will gradually replace the current payment slips.

The business unit **Financial Information** increased its profit contribution to CHF 53.2 million (+8.6%). This was partially due to lower operating expenses. A slight decrease in revenues was the result of unfavorable foreign currency exchange effects. This decrease was almost counter-balanced by the sharp growth in the indices business and in tax and regulatory services.

In January, Marion Leslie started as the new head of the business unit. A strategic review was also conducted in the first quarter of 2020 to make the business unit more competitive for the future, and to define key growth areas. The review has been completed and the implementation of the new strategy has started.

As a newly acquired company within SIX, **Bolsas y Mercados Españoles'** financial figures were only accounted for in the period since closing. Profit contribution was CHF 15.1 million for the period after closing until the end of June. As with the Swiss Exchange in Switzerland, the markets and systems managed by BME in Spain remained open and continued to operate normally during the State of Alarm decreed in Spain as a consequence of COVID-19.

Three new companies joined the Alternative Stock Market (MAB) in the first half of 2020: GAVARI PROPERTIES SOCIMI, Home Capital Rentals, Making Science. On 4 June, the Latam Exchanges Data – a joint initiative of BME and the Mexican Stock Exchange – was launched to promote the generation, distribution and sale of benchmark information for Latin American financial markets.

Balance sheet as at 30 June 2020

As at 30 June 2020, total assets stood at CHF 20,842.2 million, which constitutes an increase of CHF 8,185.7 million compared to 31 December 2019.

Liabilities amounted to CHF 15,958.9 million in total as at the balance sheet date, which constitutes an increase of CHF 8,133.8 million. These changes were significantly impacted by the acquisition of BME, which had a material effect on the following positions: cash and cash equivalents (CHF +3,561.5 million), current financial assets (CHF +1,925.6 million), intangible assets (CHF +2,841.5), payables from clearing & settlement (CHF +3,306.5 million), current financial liabilities (CHF +1,926.9 million) and deferred tax liabilities (CHF +294.5 million).

Aside from this, the movements in current assets (CHF +6,343.5 million) were mainly due to the ordinary movements in receivables from clearing & settlement (CHF +456.0 million) and in disposal groups and assets held for sale (CHF +354.2 million). The latter is related to financial assets that will be disposed of to finance the acquisition of BME. Aside from the acquisition of BME, the movements in non-current assets (CHF +1,842.1 million) are mainly related to the decrease in investments in associates and joint ventures (CHF –511.4 million) and non-current financial assets (CHF –625.0 million). These movements are primarily due to the sale of the Worldline collar shares and of additional 10.1 million shares in Worldline.

The movements in current liabilities (CHF +7,851.5 million) relate mainly to the acquisition of BME, as mentioned above, to the ordinary movements in payables from clearing & settlement (CHF +709.4 million) and to the current financial liabilities (CHF 1,763.7 million) which increased mainly due to the bridge facility to finance the BME transaction and the liabilities due to minority shareholders of BME. Aside from the acquisition of BME, the movements in non-current liabilities (CHF 282.3 million) are due to the decrease in non-current financial liabilities (CHF –94.6 million), which is mainly linked to the termination of the equity collar related to the Worldline collar shares.

Equity increased by CHF 51.9 million to CHF 4,883.3 million during the reporting period. This increase was mainly driven by the dividends paid (CHF –73.8 million) and by the total comprehensive income for the first half of 2020 (CHF +124.8 million).

Interim Consolidated Income Statement

CHF million	Notes [*]	For the six months ended 30 June	
		2020	2019
Transaction revenues		313.7	251.4
Service revenues		278.2	267.8
Net interest income from interest margin business		25.2	26.3
Other operating income		7.0	6.2
Total operating income	6	624.1	551.7
Employee benefit expenses		-249.2	-234.9
Other operating expenses		-223.3	-217.0
Total operating expenses		-472.5	-451.9
Earnings before interest, tax, depreciation and amortization (EBITDA)		151.6	99.9
Depreciation, amortization and impairment		-47.3	-44.1
Operating profit		104.3	55.8
Financial income	7	190.7	55.5
Financial expenses	7	-87.6	-84.3
Share of profit or loss of associates and joint ventures	15	8.8	31.9
Earnings before interest and tax (EBIT)		216.1	58.8
Interest income		1.6	1.5
Interest expenses		-6.8	-6.2
Earnings before tax (EBT)		210.9	54.2
Income tax expenses	8	-26.7	-21.7
Group net profit		184.2	32.4
<i>of which attributable to shareholders of SIX Group Ltd</i>		<i>184.2</i>	<i>32.2</i>
<i>of which attributable to non-controlling interests</i>		<i>-0.0</i>	<i>0.3</i>
Earnings per share (CHF)			
Basic profit for the period attributable to shareholders of SIX Group Ltd		9.74	1.70
Diluted profit for the period attributable to shareholders of SIX Group Ltd		9.74	1.70

^{*} The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income

CHF million	For the six months ended 30 June	
	2020	2019
Group net profit	184.2	32.4
Change in actuarial gains/(losses) on defined benefit plans recognized in the reporting period	-47.0	-41.5
Income taxes on changes in actuarial gains/(losses) on defined benefit plans	9.4	8.9
Share of other comprehensive income of associates and joint ventures	-2.7	-
Total items that will not be reclassified to income statement	-40.2	-32.6
Translation adjustment of foreign operations recognized in the reporting period	-23.2	-4.4
Changes in fair value of cash flow hedges recognized in the reporting period	42.1	-
Fair value of cash flow hedges reclassified to balance sheet	-42.1	-
Changes in fair value of financial instruments measured at FVtOCI	-0.1	-
Income taxes on changes in fair value of financial instruments measured at FVtOCI	-0.0	-
Translation adjustment of associates and joint ventures recognized in the reporting period	-32.3	-39.5
Gains/(losses) on net investment hedge	4.1	-
Accumulated translation adjustments of associates and joint ventures reclassified to income statement	35.2	2.1
Share of other comprehensive income of associates and joint ventures	1.3	-
Accumulated share of other comprehensive income of associates and joint ventures reclassified to income statement	-4.2	-
Total items that are or may subsequently be reclassified to income statement	-19.2	-41.8
Total other comprehensive income, net of tax	-59.4	-74.3
Total comprehensive income for the period	124.8	-41.9
<i>of which attributable to shareholders of SIX Group Ltd</i>	<i>124.8</i>	<i>-42.2</i>
<i>of which attributable to non-controlling interests</i>	<i>-0.1</i>	<i>0.3</i>

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

Interim Consolidated Balance Sheet

CHF million	Notes*	30/06/2020	31/12/2019
Assets			
Cash and cash equivalents	9	7,260.5	3,805.2
Trade and other receivables	10	208.0	141.5
Receivables from clearing & settlement	11	3,244.2	2,695.8
Financial assets	12	2,616.0	709.5
Current income tax receivables		81.6	24.4
Other current assets		68.8	113.5
Disposal groups and assets held for sale	12	354.2	–
Current assets		13,833.3	7,489.8
Property, plant and equipment	13	451.3	390.3
Intangible assets	14	3,012.0	133.5
Investments in associates and joint ventures	15	1,458.4	1,959.5
Financial assets	12	2,045.7	2,654.7
Other non-current assets		17.1	22.0
Deferred tax assets		24.3	6.8
Non-current assets		7,008.8	5,166.7
Total assets		20,842.2	12,656.5
Liabilities			
Bank overdrafts		–	0.7
Trade and other payables		31.6	24.4
Payables from clearing & settlement	11	11,133.2	7,117.3
Financial liabilities	12	3,766.3	75.8
Provisions		1.0	1.5
Contract liabilities		100.7	23.8
Current income tax payables		81.2	27.2
Other current liabilities		210.0	202.0
Current liabilities		15,324.0	7,472.5
Financial liabilities	12	174.9	247.4
Provisions		16.8	12.5
Contract liabilities		42.8	40.4
Other non-current liabilities		95.9	27.9
Deferred tax liabilities		304.6	24.3
Non-current liabilities		634.9	352.6
Total liabilities		15,958.9	7,825.1
Equity			
Share capital		19.5	19.5
Capital reserves		234.1	234.1
Other reserves		–146.7	–130.5
Retained earnings		4,774.7	4,707.3
Shareholders' equity		4,881.6	4,830.4
Non-controlling interests		1.7	1.0
Total equity		4,883.3	4,831.4
Total liabilities and equity		20,842.2	12,656.5

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

Interim Consolidated Statement of Changes in Equity

CHF million	Share capital	Capital reserves	Other reserves
Balance at 1 January 2020	19.5	234.1	-130.5
Group net profit			
Total other comprehensive income			-16.2
Total comprehensive income for the year			-16.2
Dividends paid			
Share of other changes in equity of associates			
Non-controlling interest arising on business combination			
Acquisition of non-controlling interests			
Balance at 30 June 2020	19.5	234.1	-146.7

CHF million	Share capital	Capital reserves	Other reserves
Balance at 1 January 2019	19.5	234.1	-54.0
Changes in accounting policies through adoption of new standards			
Adjusted balance at 1 January 2019	19.5	234.1	-54.0
Group net profit			
Total other comprehensive income			-41.8
Total comprehensive income for the year			-41.8
Dividends paid			
Acquisition of non-controlling interests			
Balance at 30 June 2019	19.5	234.1	-95.8

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

Other reserves		Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Treasury shares	Translation reserves				
-23.3	-107.2	4,707.3	4,830.4	1.0	4,831.4
		184.2	184.2	-0.0	184.2
	-16.2	-43.2	-59.4	-0.0	-59.4
	-16.2	141.0	124.8	-0.1	124.8
		-73.8	-73.8	-0.1	-73.9
		1.7	1.7		1.7
				2.5	2.5
		-1.5	-1.5	-1.6	-3.2
-23.3	-123.3	4,774.7	4,881.6	1.7	4,883.3

Other reserves		Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Treasury shares	Translation reserves				
-23.3	-30.7	5,175.9	5,375.5	9.5	5,385.0
		-15.8	-15.8		-15.8
-23.3	-30.7	5,160.1	5,359.7	9.5	5,369.3
		32.2	32.2	0.3	32.4
	-41.8	-32.6	-74.3	-0.0	-74.3
	-41.8	-0.4	-42.2	0.3	-41.9
		-404.8	-404.8	-1.0	-405.8
		-4.3	-4.3	-7.6	-11.9
-23.3	-72.5	4,750.6	4,908.5	1.2	4,909.6

Interim Consolidated Statement of Cash Flows

CHF million	Notes*	For the six months ended 30 June	
		2020	2019
Group net profit (incl. non-controlling interests)		184.2	32.4
Adjustments for:			
Depreciation, amortization and impairment		47.3	44.1
Increase/(decrease) in provisions		-0.8	-2.3
Increase/(decrease) in pension fund assets and liabilities		7.3	5.2
Share of profit or loss of associates and joint ventures		-8.8	-31.9
Net financial result		-50.6	50.8
(Gain)/loss on sale of property, plant, equipment and intangible assets		0.0	0.1
Income tax expense		26.7	21.7
Changes in:			
Trade and other receivables		-23.4	-32.6
Trade and other payables		5.2	3.9
Receivables from clearing & settlement		-478.0	-284.2
Payables from clearing & settlement		668.4	-480.1
Financial assets		126.4	61.2
Financial liabilities		-17.5	-0.1
Other assets		49.9	-73.7
Other liabilities		-69.1	-42.7
Contract liabilities		55.3	57.7
Interest paid		-6.2	-5.7
Interest received		1.6	1.4
Income tax (paid)/received	8	-48.8	-44.8
Net cash flow from/(used in) operating activities		469.2	-719.6
Investments in subsidiaries (net of cash acquired)		878.1	-172.3
Investments in associates and joint ventures		-10.2	-2.0
Disposal of subsidiaries and associates (net of cash disposed)		643.8	-
Purchase of property, plant, equipment and intangible assets	13, 14	-42.8	-37.7
Investments in financial assets		-228.6	-81.8
Divestments of financial assets		643.9	2.5
Investments in other assets		-	-0.1
Divestments of other assets		-	0.7
Dividends received and other financial income		4.3	4.9
Net cash flow from/(used in) investing activities		1,888.5	-285.9
Proceeds from financial liabilities		2,749.4	-
Payment of financial liabilities		-1,562.5	-0.3
Payment of lease liabilities		-10.1	-8.3
Net change in other liabilities		-0.0	-0.1
Acquisition of non-controlling interests		-	-11.9
Dividends paid to shareholders of the parent company	16	-73.8	-404.8
Dividends paid to non-controlling interests		-0.1	-1.0
Net cash flow from/(used in) financing activities		1,102.9	-426.4
Net impact of foreign exchange rate differences on cash		-4.7	-13.4
Net change in cash and cash equivalents		3,456.0	-1,445.3
Balances of cash and cash equivalents			
Cash and cash equivalents at 1 January	9	3,804.5	5,496.9
Cash and cash equivalents at 30 June	9	7,260.5	4,051.6

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

Notes to the Interim Condensed Consolidated Financial Statements

1. General Information

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

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 122 national and international financial institutions.

The interim condensed consolidated financial statements of SIX as at and for the six months ended 30 June 2020 relate to SIX Group Ltd (referred to as "Company"), which is the parent company, its subsidiaries and its interests in associates (together referred to as "Group" or "SIX").

2. Basis of Preparation and Changes to the Group's Accounting Policies

Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all the information required for full annual consolidated financial statements. Accordingly, these interim financial statements of the Group are regarded as condensed and should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2019. Selected explanatory notes are included to explain events and transactions significant to understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

Foreign currency translation

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

Currency	30/06/2020	31/12/2019
EUR	1.0689	1.0846
GBP	1.1699	1.2693
USD	0.9520	0.9678

The main average exchange rates were the following:

Currency	For the six months ended 30 June	
	2020	2019
EUR	1.0643	1.1294
GBP	1.2185	1.2937
USD	0.9661	0.9996

Group accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the changes and amendments outlined below.

Changes and amendments to existing accounting policies

Goodwill approach

For each business combination, SIX may measure non-controlling interest either at fair value (i.e. full goodwill method) or the proportionate share in the recognized amounts of the acquiree's identifiable net assets (i.e. partial goodwill method). SIX has applied the partial goodwill method for the business combinations that occurred in the reporting period.

Call and put options related to non-controlling interests

SIX has decided to account for the initial acquisition of the controlling stake and the subsequent mandatory tender offer to the non-controlling shareholders as a single linked transaction. The acquisition of non-controlling interests is a linked transaction when it arises from the same transaction as that by which control has been gained. This will generally be the case when legal or regulatory requirements lead to the offer being extended through the creation of a shareholder put.

For put options held by non-controlling shareholders other than those accounted for as a single linked transaction, SIX has decided to apply IFRS 10.

The accounting for call and put options depends on the terms of the arrangement. The key terms of such options and the corresponding accounting treatment is described in note 4.

Hedge Accounting

SIX may designate certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. Furthermore, SIX may designate non-derivative financial liabilities as hedging instruments to hedge foreign exchange risk on a net investment in a foreign operation.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized as cash flows hedge reserve in OCI, while any ineffective portion is recognized immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the cash flow hedge reserve is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability.

Hedges of a net investment

Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized within OCI while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

FVtOCI financial instruments

In 2020, SIX acquired a portfolio of bonds to fulfil its interoperability collateral requirements, with the objective to optimize the P&L impact. The business model objective shall be achieved by both collecting contractual cash flows and selling. Such financial assets are classified as fair value through other comprehensive income (FVtOCI). Interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the income statement and determined in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

New standards, interpretations and amendments adopted by the Group

The adoption of the following amendments has no impact, or at least no significant impact, on the interim condensed consolidated financial statements of the Group as at 30 June 2020.

- Conceptual Framework for Financial Reporting
- Definition of Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- IFRS Taxonomy 2019, Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7)
- Covid-19 Related Rent Concessions (Amendment to IFRS 16)

New IFRS standards and amendments that have been issued but not yet applied

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 interim condensed consolidated financial statements.

Standard/interpretation	Effective date	Date planned for adoption by SIX
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2022	1 January 2022 ¹
Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022	1 January 2022 ¹
Property, Plant and Equipment: Proceeds before Inherited Use (Amendments to IAS 16)	1 January 2022	1 January 2022 ¹
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	1 January 2022 ¹
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	1 January 2022 ¹
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined by the IASB	To be determined by SIX ²

¹ The adoption of the amendment is not expected to have any significant impact on the interim condensed consolidated financial statements of SIX.

² The impact on the interim condensed consolidated financial statements of SIX has not yet been fully assessed.

3. Significant Accounting Judgments, Estimates and Assumptions

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. The assumptions and estimates are continually reviewed and based upon historical experience and other factors, including anticipated developments arising from probable future events. Actual results may differ from these assumptions and estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019, with the exception of those related to discontinued operations, as herein the allocation between continuing and discontinued operations is no longer applicable.

4. Changes in the Composition of the Group

Changes in the composition of the Group during 2020

12H Ltd

On 28 February 2020, SIX obtained control of 12H Ltd by acquiring an additional stake of 40.1%. Since then SIX owns 90.0% of the capital and voting rights. Previously, SIX had held an interest of 49.9% and accounted for the investment by applying the equity method. The fair value of the interest previously held was CHF 20.3 million. The remeasurement gain recognized in financial income was CHF 0.3 million.

The purpose of 12H business is to provide low-latency access to Swiss securities trading via radio-frequency technology.

The primary reason for the business combination is to provide trading participants from around the world with equal access to SIX Swiss Exchange, enabling them all to obtain the same benefits. Additionally, this helps SIX to create the best possible trading conditions in order to attract liquidity in Swiss securities and strengthen its position as their reference market.

At closing, SIX transferred a cash consideration of CHF 8.0 million. The purchase agreement also includes three milestone payments totaling CHF 4.3 million that are contingent on the finalization of an additional radio-frequency link.

Both SIX and the minority shareholder have an option to either buy or sell the remaining stake in 12H Ltd two years after the closing. The minority shareholder may sell the remaining stake for CHF 3.2 million. As of the closing, SIX has decided to recognize first the non-controlling interests of CHF 1.6 million by applying the partial goodwill method. Secondly, the non-controlling interests have been derecognized by recognizing a financial liability of CHF 3.2 million and by reducing retained earnings by CHF 1.5 million. Dividends relating to the remaining stake in 12H Ltd are recognized as an expense in the income statement. If the put option is exercised, the payment will be recognized against the financial liability. If the put option expires unexercised, the financial liability will be derecognized and the non-controlling interests will be reinstated. Any difference between the liability and the non-controlling interest will be recognized in equity. SIX may acquire the remaining stake for CHF 4.3 million. The call option does not provide SIX present access to returns. The option is classified as equity instrument. Should the option be exercised, the non-controlling interest will be derecognized and the difference to the payment will be recognized in equity. If the option elapses unexercised, there will be no impact on the financial statements.

From the date of acquisition, the business has contributed CHF 2.0 million of revenues and positively impacted Group profit before tax by CHF 0.3 million in the first half of 2020. Assuming that the acquisition had taken place on 1 January 2020, the management estimates that Group revenues and profit would have been CHF 3.1 million and CHF 0.2 million higher, respectively.

Identifiable assets acquired and liabilities assumed

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

CHF million	Fair value recognized on acquisition
Cash and cash equivalents	5.4
Trade and other receivables	0.6
Current income tax receivables	0.3
Other current assets	0.2
Current assets	6.5
Property, plant and equipment	10.4
Intangible assets	5.4
Non-current assets	15.8
Total assets	22.3
Trade and other payables	0.2
Financial liabilities	0.2
Other current liabilities	0.3
Current liabilities	0.6
Financial liabilities	4.4
Deferred tax liabilities	1.1
Non-current liabilities	5.4
Total liabilities	6.1
Net assets acquired	16.2
Goodwill	17.9
Fair value of pre-existing interest	-20.3
Non-controlling interests	-1.6
Total purchase price for the additional stake	12.2
<i>of which contingent considerations</i>	4.3
<i>of which cash considerations</i>	8.0

Trade and other receivables

Trade and other receivables comprised gross contractual amounts of CHF 0.6 million, none of which were expected at the date of acquisition to be uncollectible.

Customer relationships

The multi-period excess earnings method (MEEM) was applied to assess the fair value of customer relationships. The aggregate fair value of customer relationships constitutes the total of CHF 5.4 million.

Goodwill

SIX decided to apply the partial goodwill method. The recognized goodwill of CHF 17.9 million comprises the value of expected synergies arising from the acquisition. The goodwill is allocated entirely to the trading business area. None of the goodwill recognized is expected to be deductible for income tax purposes.

Bolsas y Mercados Españoles

In November 2019, SIX made an all-cash voluntary tender offer for 100% of the share capital of Bolsas y Mercados Españoles, Spain (BME). On 16 June 2020, SIX acquired 93.16% of the shares in BME.

BME is the operator of all stock markets and financial systems in Spain. It trades shares, ETFs, warrants, certificates and many other instruments and is one of the four major European stock exchange and market operators. BME is a listed company at the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The primary reason for the business combination is to strengthen the Swiss and Spanish ecosystems by bringing new capabilities and offering attractive and cross border services to the entire value chain. SIX and BME have created the third largest financial market infrastructure group in Europe.

Until 16 June 2020, 77.9 million shares had been tendered at a price of EUR 32.98, resulting in a total consideration of CHF 2,765.0 million. SIX financed the acquisition

through a bridge facility. For further details about the bridge facility, refer to note 12.

Due to legal requirements, the initial offer is being extended until 5 September 2020 for the non-controlling shareholders. The mandatory extension of the offer has been accounted for as a single linked transaction. As of the closing, SIX has recognized a liability of CHF 202.9 million for the purchase price of the remaining stake of 6.84%. Should the non-controlling shareholders not exercise the put option, the liability will be derecognized and non-controlling interest will be recognized. The difference between the liability and the non-controlling interest will be recorded against goodwill.

SIX used foreign currency forward contracts, foreign currency swaps and the foreign currency component of reverse repurchase agreements as hedging instruments to hedge its exposure to foreign currency risk. The payment of the consideration was considered to be a highly probable transaction when the regulatory approvals for the business combination were obtained. At this point in time, SIX started to apply hedge accounting. As of the closing of the business combination, the accumulated gain of CHF 42.1 million recognized in OCI as cash flow hedge reserve was removed from equity and included in the initial cost of the investment in BME (i.e. reduction of initial costs).

From the date of acquisition, the business has contributed CHF 30.7 million of revenues and positively impacted Group profit before tax by CHF 14.6 million in the first half of 2020. Assuming that the acquisition had taken place on 1 January 2020, the management estimates that Group revenues and profit would have been CHF 169.5 million and CHF 35.3 million higher, respectively.

The transaction costs of the acquisition amounted to CHF 51.1 million, CHF 31.6 million of which are included in other operating expenses and personnel expenses in the first half of 2020.

Identifiable assets acquired and liabilities assumed

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

CHF million	Fair value recognized on acquisition
Cash and cash equivalents	3,659.3
Trade and other receivables	44.1
Receivables from clearing & settlement	71.0
Financial assets	2,133.3
Current income tax receivables	48.8
Other current assets	5.8
Current assets	5,962.3
Property, plant and equipment	64.3
Intangible assets	1,184.7
Investments in associates and joint ventures	10.8
Financial assets	16.8
Deferred tax assets	12.3
Non-current assets	1,288.9
Total assets	7,251.3
Trade and other payables	1.9
Payables from clearing & settlement	3,394.2
Financial liabilities	2,135.2
Contract liabilities	19.5
Current income tax payables	56.2
Other current liabilities	50.1
Current liabilities	5,657.2
Financial liabilities	22.2
Provisions	4.7
Contract liabilities	4.9
Other non-current liabilities	17.5
Deferred tax liabilities	297.2
Non-current liabilities	346.5
Total liabilities	6,003.7
Net assets acquired	1,247.6
Goodwill	1,679.1
Non-controlling interests of BME	-0.9
Total purchase price	2,925.8
<i>of which payable to non-controlling shareholders</i>	202.9
<i>of which cash considerations</i>	2,765.0
<i>of which cash flow hedges reserve reclassified to the investment</i>	-42.1

Fair values measured on a provisional basis

The fair value of intangible assets (customer relationships, brand, software and license), tangible assets (land and building) and BME's investments in associates and joint ventures have been measured provisionally, pending completion of a final valuation.

The accounting of the acquisition will be revised if new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition.

Trade and other receivables

The fair value of acquired trade and other receivables is CHF 44.1 million. The gross contractual amount for trade and other receivables due is CHF 47.6 million, CHF 3.5 million of which is expected to be uncollectible.

Customer relationships

The multi-period excess earnings method (MEEM) was applied to assess the fair value of customer relationships. The provisional aggregate fair value of customer relationships constitutes the total of CHF 601.5 million.

Other intangible assets

The relief from royalty method was applied to assess the provisional fair value of brands and software. The aggregate provisional fair value of brands amounts to CHF 218.8 million and the provisional fair value of software totaled CHF 273.6 million. The cost approach was applied to the provisional fair value of licenses. The aggregate provisional fair value of licenses amounts to CHF 87.6 million.

Goodwill

The recognized goodwill of CHF 1,679.1 million comprises the value of expected synergies arising from the acquisition. The goodwill is allocated entirely to the BME business unit. None of the goodwill recognized is expected to be deductible for income tax purposes.

5. Segment Information

In the first half of 2020, SIX has changed the allocation of some income and expense items in internal management reports, which are reviewed regularly by the chief operating decision maker. First, depreciation, amortization and impairment are now fully included in the profit contribution. Previously, only the influenceable portion of these expenses was considered in the profit contribution. Second, own work capitalized is now included in the operating expenses. Previously, own work capitalized was included in "other income" as a reconciliation item. Third, income from other business units and Corporate is also presented for Corporate &

Others. Previously, this item of income was not separately disclosed. Corporate & Others continue to be measured based on the operating expenses and the reportable segments on the profit contribution. The prior year segment information has been adjusted accordingly.

Since the acquisition of BME, SIX is broken down into four reportable segments and Corporate & Others. The BME business has been fully allocated to the new reportable segment "Bolsas y Mercados Españoles". This segment comprises the following services:

Service	Service description
Trading	BME generates transaction revenues by providing a cash market for trading in shares, warrants, funds, private and public debt securities as well as financial and electricity derivatives on the Spanish equity, fixed income and derivatives exchanges and multilateral trading systems. Transaction revenues are invoiced on a monthly basis. The trading business also generates service revenues for access, admission of securities to trading and ongoing listing.
Custody business	Operating as the central securities depository (CSD), BME generates service revenues with the maintenance of book-entry registry – covering issuer services, corporate action and tax services – next to transaction revenues with the management of securities settlement systems, encompassing asset servicing, cash management, queries and reporting. Revenues from custody business are billed monthly.
Clearing	BME is acting as CCP through its legal entity BME Clearing SA and as a consequence conducting clearing services for the Spanish equity and derivatives exchanges and others in equity instruments, financial, gas, electricity and OTC interest rates derivatives, government debt repos and the maintenance of positions in all segments. Further revenues are recognized from transfers and the management of pledges on securities and access charges for infrastructures and other facilities. Transaction revenues from clearing are billed monthly and/or quarterly. Interest income from interest margin business is generated from repo transactions.
Data	BME generates service revenues mainly from the distribution of primary data via BME Market Data. Those services are invoiced monthly and quarterly.

CHF million	For the six months ended 30 June 2020							
	Securities & Exchanges	Banking Services	Financial Information	Bolsas y Mercados Españoles	Total business units	Corporate & Others	Elimination	Total SIX
Revenues from external customers	295.2	82.7	179.5	30.5	587.9	36.2	–	624.1
Income from other business units and Corporate	–0.9 ¹	3.3	2.0	0.2	4.7	148.3	–152.9	–
Total operating income	294.3	86.0	181.5	30.7	592.5	184.5	–152.9	624.1
Total operating expenses	–160.7	–68.9	–124.3	–11.6	–365.4	–260.0	152.9	–472.5
Earnings before interest, tax, depreciation and amortization (EBITDA)	133.7	17.2	57.2	19.1	227.1	–75.5	–	151.6
Depreciation, amortization and impairment	–4.9	–7.2	–4.0	–3.9	–20.1	–27.2	–	–47.3
Profit contribution	128.7	10.0	53.2	15.1	207.0	–102.7	–	104.3
Financial income								190.7
Financial expenses								–87.6
Share of profit or loss of associates and joint ventures								8.8
Earnings before interest and tax (EBIT)								216.1
Interest income								1.6
Interest expenses								–6.8
Earnings before tax (EBT)								210.9
Income tax expenses								–26.7
Profit for the period								184.2

¹ Includes recharge of negative interest included in “net interest income from margin business”.

CHF million	For the six months ended 30 June 2019						
	Securities & Exchanges	Banking Services	Financial Information	Total business units	Corporate & Others	Elimination	Total SIX
Revenues from external customers	246.7	84.9	182.4	514.0	37.7	–	551.7
Income from other business units and Corporate	–0.2 ¹	3.0	1.8	4.7	147.0	–151.7	–
Total operating income	246.6	87.9	184.2	518.7	184.7	–151.7	551.7
Total operating expenses²	–159.2	–65.6	–132.0	–356.8	–246.8	151.7	–451.9
Earnings before interest, tax, depreciation and amortization (EBITDA)²	87.4	22.3	52.3	161.9	–62.1	–	99.9
Depreciation, amortization and impairment ²	–6.6	–8.0	–3.3	–18.0	–26.2	–	–44.1
Profit contribution²	80.8	14.3	49.0	144.0	–88.2	–	55.8
Financial income							55.5
Financial expenses							–84.3
Share of profit or loss of associates and joint ventures							31.9
Earnings before interest and tax (EBIT)							58.8
Interest income							1.5
Interest expenses							–6.2
Earnings before tax (EBT)							54.2
Income tax expenses							–21.7
Profit for the period							32.4

¹ Includes recharge of negative interest included in “net interest income from margin business”.

² Prior-year figures have been reclassified to match the current year’s presentation. See description above.

6. Operating Income

CHF million	For the six months ended 30 June 2020				Total
	Transaction revenues	Service revenues	Net interest income from interest margin business	Other operating income	
Securities & Exchanges					
Trading	99.9	8.6	–	0.0	108.6
Custody business	99.0	4.9	12.7	–	116.6
Data	–	17.1	–	–	17.1
CCP clearing	11.6	3.9	6.3	0.0	21.8
Other services	23.8	6.6	–	0.7	31.1
Total Securities & Exchanges	234.2	41.2	19.0	0.7	295.2
Banking Services					
Billing and payments	26.2	3.9	6.3	0.0	36.4
ATM processing and services	14.6	3.1	–	0.2	17.8
Debit processing and services	21.0	5.7	–	–	26.7
Other services	–	1.8	–	–	1.8
Total Banking Services	61.7	14.4	6.3	0.2	82.7
Financial Information					
Reference data & pricing	–	109.9	–	–	109.9
Market data & display	–	36.8	–	–	36.8
Tax & regulatory services	–	17.3	–	–	17.3
Indices	–	9.7	–	–	9.7
Other services	–	5.9	–	0.0	5.9
Total Financial Information	–	179.5	–	0.0	179.5
Bolsas y Mercados Españoles					
Trading	11.9	3.3	–	–	15.2
Custody business	2.7	3.8	–	–	6.4
Data	–	3.0	–	–	3.0
Clearing	2.7	0.2	–	–	2.9
Other services	0.5	2.5	–0.1	0.1	3.0
Total Bolsas y Mercados Españoles	17.7	12.7	–0.1	0.1	30.5
Corporate & Others					
Other services	–	30.3	–	5.8	36.2
Total Corporate & Others	–	30.3	–	5.8	36.2
Total operating income	313.7	278.2	25.2	7.0	624.1

For the six months ended 30 June 2019					
CHF million	Transaction revenues	Service revenues	Net interest income from interest margin business	Other operating income	Total
Securities & Exchanges					
Trading	67.1	7.8	–	0.0	74.9
Custody business	89.7	4.5	17.5	–	111.7
Data	–	16.2	–	–	16.2
CCP clearing	10.1	3.1	4.4	0.0	17.6
Other services	19.1	7.1	0.0	0.2	26.4
Total Securities & Exchanges	186.0	38.7	21.9	0.2	246.7
Banking Services					
Billing and payments ¹	27.0	3.8	4.4	0.1	35.3
ATM processing and services ¹	15.7	2.7	–	–	18.4
Debit processing and services ¹	22.7	6.3	–	–	29.0
Other services	–	2.2	–	–	2.2
Total Banking Services	65.4	15.0	4.4	0.1	84.9
Financial Information					
Reference data & pricing	–	112.4	–	–	112.4
Market data & display	–	39.7	–	0.0	39.7
Tax & regulatory services	–	14.9	–	–	14.9
Indices	–	7.3	–	–	7.3
Other services	–	8.1	–	0.0	8.1
Total Financial Information	–	182.4	–	0.0	182.4
Corporate & Others					
Other services	–	31.7	–	6.0	37.7
Total Corporate & Others	–	31.7	–	6.0	37.7
Total operating income	251.4	267.8	26.3	6.2	551.7

¹ Prior year's figures have been adjusted to match the current year's presentation.

7. Financial Income and Expenses

CHF million	For the six months ended 30 June	
	2020	2019
Income from financial instruments at fair value	40.6	34.8
Foreign exchange rate gains	7.9	2.4
Other financial income	142.1	18.3
Total financial income	190.7	55.5
Expenses from financial instruments at fair value	-47.0	-78.8
Expenses from financial instruments at amortized cost	-0.4	-0.7
Foreign exchange rate losses	-21.1	-1.2
Other financial expenses	-19.1	-3.6
Total financial expenses	-87.6	-84.3

In the first half of 2020, the net expenses from financial instruments at fair value and the net foreign exchange rate losses mainly included the net gain resulting from the sale of the Worldline collar shares amounting to CHF 16.5 million and the net loss from the termination of the equity collar amounting to CHF 32.4 million (for further details, see note 12). Other financial income included in particular the net gain from the disposal of the additional stake in Worldline SA of CHF 141.7 million (for further details, see note 15). Other financial expenses

included in particular banking fees for hedging and financing transactions.

In the previous period, other financial income included mainly the gain from the bargain purchase of SECB amounting to CHF 18.0 million. Expenses from financial instruments included in particular the expenses related to the contingent consideration associated with the sale of the cards business in 2018.

8. Income Taxes

As at 30 June 2020, the total income tax expenses were CHF 26.7 million, which resulted in an effective tax rate of 12.7%, compared to the income tax expenses of CHF 21.7 million and an effective tax rate of 40.1% in the previous year.

The decrease in the effective tax rate was mainly due to the tax-exempt gain from the sale of shares in Worldline SA. For further details about the transaction, see note 15.

9. Cash and Cash Equivalents

CHF million	30/06/2020	31/12/2019
Cash at central banks	6,541.7	3,242.6
Cash at other banks and on hand	684.1	542.7
Short-term bank deposits	34.8	20.0
Cash and cash equivalents	7,260.5	3,805.2

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

CHF million	30/06/2020	31/12/2019
Cash and cash equivalents	7,260.5	3,805.2
Bank overdrafts	-	-0.7
Cash and cash equivalents in the statement of cash flows	7,260.5	3,804.5

10. Trade and Other Receivables

CHF million	30/06/2020	31/12/2019
Trade receivables	167.8	118.1
Unbilled receivables	39.1	19.2
Other receivables	7.5	6.0
Trade and other receivables, gross	214.4	143.2
Lifetime expected credit losses	-6.4	-1.8
Total trade and other receivables, net	208.0	141.5

11. Receivables and Payables from Clearing & Settlement

CHF million	30/06/2020	31/12/2019
Receivables from clearing & settlement	1,099.1	623.1
Receivables from reverse repurchase agreements	1,731.0	1,859.4
Total receivables from clearing & settlement – Securities & Exchanges and BME	2,830.0	2,482.5
Receivables from ATM and debit processing	410.5	208.6
Receivables from euro clearing business	3.7	4.8
Total receivables from clearing & settlement – Banking Services	414.2	213.3
Total receivables from clearing & settlement	3,244.2	2,695.8
Payables from clearing & settlement	4,672.0	1,656.3
Payables from settled suspense	402.0	87.4
Cash collateral received	4,183.7	3,478.3
Total payables from clearing & settlement – Securities & Exchanges and BME	9,257.6	5,222.1
Payables from ATM and debit processing	317.1	304.2
Payables from euro clearing business	1,558.5	1,591.0
Total payables from clearing & settlement – Banking Services	1,875.5	1,895.2
Total payables from clearing & settlement	11,133.2	7,117.3

Receivables and payables from clearing & settlement – Securities & Exchanges and BME

Receivables and payables from clearing & settlement in the post-trading area – included in Securities & Exchanges respectively BME – derive from SIX acting as a central counterparty (CCP) or central securities depository (CSD) for securities trading. The CCP steps into contracts as intermediary and represents the buyer to each seller and the seller to each buyer. To fulfill the contract, SIX must settle cash and securities from one trading party to another.

Receivables and payables from clearing & settlement – Banking Services

Receivables from clearing & settlement include receivables due from issuers of debit cards and receivables from the euro clearing business. Payables from clearing & settlement include payables due to ATM providers, card schemes, acquirers and participants in the euro clearing business, where SIX acts through its subsidiary SECB serving as a correspondent bank.

12. Financial Instruments

The following table shows the financial assets and liabilities per class:

CHF million	30/06/2020	31/12/2019
Current and non-current financial assets		
Bonds	2,158.6	2,182.4
Other debt instruments at amortized cost ¹	56.7	46.1
Debt instruments at FVtPL	4.8	5.5
Equity instruments at FVtPL	22.4	650.4
Units in investment funds at FVtPL	285.8	413.4
Financial instruments from settlement business	18.2	14.3
Derivatives	2,245.9	52.1
Financial instruments at FVtOCI	223.6	-
Total	5,016.0	3,364.2
<i>of which current</i>	<i>2,616.0</i>	<i>709.5</i>
<i>of which disposal groups and assets held for sale</i>	<i>354.2</i>	<i>-</i>
<i>of which non-current</i>	<i>2,045.7</i>	<i>2,654.7</i>
Current and non-current financial liabilities		
Lease liabilities	179.8	158.8
Borrowings	1,335.9	10.2
Derivatives	2,221.1	154.2
Other financial liabilities	204.3	-
Total	3,941.2	323.2
<i>of which current</i>	<i>3,766.3</i>	<i>75.8</i>
<i>of which non-current</i>	<i>174.9</i>	<i>247.4</i>
Carrying amount of financial assets not derecognized		
Securities lending agreements	213.5	707.3

¹ Other debt instruments mainly include fixed deposits.

The acquisition of BME is partly financed with existing resources. Therefore, some financial assets will be disposed of. The disposal is expected to be completed in the second half of 2020. The following financial assets are classified as disposal groups and assets held for sale:

CHF million	30/06/2020
Bonds	165.8
Units in investment funds at FVtPL	188.4
Disposal groups and assets held for sale	354.2

Bonds

During 2020, CHF 113.0 million of debt securities matured or were disposed of (2019: CHF 293.1 million). On derecognition, a net loss of CHF 0.3 million (2019: net loss of CHF 1.6 million) was recognized as financial expenses. Additionally, bonds totaling CHF 41.6 million were sold in connection with the financing of BME's acquisition (for further details on the business combination, see note 4). The additions during the interim reporting period totaled CHF 121.2 million (2019: CHF 161.4 million).

Equity instruments at FVtPL

Equity instruments at FVtPL comprise listed and unlisted shares held by SIX. The decrease during the interim reporting period mainly relates to the disposal of the Worldline collar shares of CHF 644.0 million. In 2019, SIX entered into an equity collar transaction with 9.2 million Worldline SA underlying shares. The fair value of the Worldline collar shares as of 31 December 2019 amounted to CHF 627.5 million. The gain of CHF 16.5 million was recognized in financial income.

Units in investment funds at FVtPL

The decrease in units in investment funds is mainly related to the disposal of the financial assets in connection with the financing of BME's acquisition.

Financial instruments from settlement business

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.

Financial instruments at FVtOCI

The increase of CHF 223.6 million in financial instruments at FVtOCI is related to the bond portfolio SIX has acquired to fulfill its interoperability requirements (for further information, see note 2).

Borrowings

At the acquisition of BME, the amount drawn under the bridge facility totaled CHF 2,765.0 million. Subsequently, the bridge facility has been partially repaid. As at 30 June 2020, the amount used under the bridge facility amounted to CHF 1,332.0 million. The initial term of the bridge facility expires in November 2020, with two possible extensions of six months each. The interest payable on the bridge facility increases over time up to EURIBOR + 90bp.

The Group designated the bridge facility as a hedging instrument to hedge its exposure to foreign exchange risk on its investments in BME. During 2020, the accumulated gain of CHF 4.2 million was recognized in OCI as net investment hedge reserve.

Lease liabilities

The increase in lease liabilities results mainly from the business combinations completed during the reporting period. For further details on the business combinations, see note 4.

Derivatives (positive and negative replacement values)

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. The increase during the interim reporting period mainly relates to the acquisition of BME. For further details on the business combination, see note 4.

Upon the disposal of the Worldline collar shares, SIX also terminated the equity collar related to those shares. At termination, the negative fair value of the equity collar amounted to CHF 130.9 million (31 December 2019: CHF 98.5 million). The loss at termination of the equity collar amounted to CHF 32.4 million and was recognized within financial expenses.

Other financial liabilities

The other financial liabilities result from the business combinations completed during the interim reporting period and include liabilities due to non-controlling interests of BME and 12H Ltd, amounting to CHF 196.9 million and CHF 7.5 million, respectively, as at 30 June 2020. For further details on the business combinations, see note 4.

Fair value of financial instruments

The table below shows the estimated fair values of financial instruments, including those accounted for at amortized cost. The fair values are based on the valuation methods and assumptions explained below.

30/06/2020						
CHF million	At fair value				At amor- tized cost	Total
	Level 1	Level 2	Level 3	Total		
Assets						
Cash and cash equivalents					7,260.5	7,260.5
Trade and other receivables					208.0	208.0
Receivables from clearing & settlement					3,244.2	3,244.2
Current and non-current financial assets	530.4	2,237.7	32.6	2,800.6	2,215.3	5,016.0
<i>Bonds</i>					2,158.6	2,158.6
<i>Other debt instruments at amortized cost</i>					56.7	56.7
<i>Debt instruments at FVtPL</i>	–	–	4.8	4.8	–	4.8
<i>Equity instruments at FVtPL</i>	12.5	–	9.9	22.4	–	22.4
<i>Units in investment funds at FVtPL</i>	276.1	9.7	–	285.8	–	285.8
<i>Financial instruments from settlement business</i>	18.2	–	–	18.2	–	18.2
<i>Derivatives</i>	–	2,228.0	17.9	2,245.9	–	2,245.9
<i>Financial instruments at FVtOCI</i>	223.6	–	–	223.6	–	223.6
Total carrying amounts	530.4	2,237.7	32.6	2,800.6	12,928.0	15,728.7
Bonds	2,039.0	139.0	–	2,178.0		
Fair values for financial assets measured at amortized cost	2,039.0	139.0	–	2,178.0		
Liabilities						
Trade and other payables					31.6	31.6
Payables from clearing & settlement					11,133.2	11,133.2
Current and non-current financial liabilities	–	2,203.2	22.2	2,225.4	1,715.8	3,941.2
<i>Lease liabilities</i>					179.8	179.8
<i>Borrowings</i>					1,335.9	1,335.9
<i>Derivatives</i>	–	2,203.2	17.9	2,221.1	–	2,221.1
<i>Other financial liabilities</i>	–	–	4.3	4.3	200.1	204.3
Total carrying amounts	–	2,203.2	22.2	2,225.4	12,880.6	15,106.0

31/12/2019

CHF million	At fair value				At amor- tized cost	Total
	Level 1	Level 2	Level 3	Total		
Assets						
Cash and cash equivalents					3,805.2	3,805.2
Trade and other receivables					141.5	141.5
Receivables from clearing & settlement					2,695.8	2,695.8
Current and non-current financial assets	1,063.4	53.9	18.4	1,135.7	2,228.5	3,364.2
<i>Bonds</i>					2,182.4	2,182.4
<i>Other debt instruments at amortized cost</i>					46.1	46.1
<i>Debt instruments at FVtPL</i>	–	–	5.5	5.5	–	5.5
<i>Equity instruments at FVtPL</i>	645.4	–	5.0	650.4	–	650.4
<i>Units in investment funds at FVtPL</i>	403.7	9.7	–	413.4	–	413.4
<i>Financial instruments from settlement business</i>	14.3	–	–	14.3	–	14.3
<i>Derivatives</i>	–	44.2	7.9	52.1	–	52.1
Total carrying amounts	1,063.4	53.9	18.4	1,135.7	8,870.9	10,006.6
Bonds	2,060.2	143.3	–	2,203.5		
Fair values for financial assets measured at amortized cost	2,060.2	143.3	–	2,203.5		
Liabilities						
Bank overdrafts					0.7	0.7
Trade and other payables					24.4	24.4
Payables from clearing & settlement					7,117.3	7,117.3
Current and non-current financial liabilities	–	47.8	106.5	154.2	169.0	323.2
<i>Lease liabilities</i>					158.8	158.8
<i>Borrowings</i>					10.2	10.2
<i>Derivatives</i>	–	47.8	106.5	154.2	–	154.2
Total carrying amounts	–	47.8	106.5	154.2	7,311.3	7,465.6

It is assumed that the carrying amount corresponds to their fair value for all financial assets and liabilities measured at amortized cost except for bonds.

Valuation methods for financial assets and liabilities

Recurring fair value measurements for financial assets and liabilities are described below. The 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 based on 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:

Level 1 instruments

- The fair value of listed equity (equity instruments at FVtPL), units in investment funds and bonds is determined by reference to published price quotations at the reporting date. The valuation of financial instruments from settlement business is performed with reference to quoted prices from the markets to which they relate. Such financial assets thus fall under level 1 of the fair value hierarchy.

Level 2 instruments

- The fair value of unlisted bonds such as promissory notes is determined by discounting the expected future payments at a risk and maturity-adjusted discount rate. As the input factors are readily available in the market, these instruments are assigned to level 2 of the fair value hierarchy.
- Units of investment funds with lower frequency of price quotations are not considered to be traded on an active market and therefore are assigned to level 2 of the fair value hierarchy.
- Foreign exchange swaps and forwards (derivatives at FVtPL) are not traded publicly. The inputs into the calculation include foreign exchange spot rates and interest rates. 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 (derivatives at FVtPL), 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. Except for forward contracts from the clearing and settlement of options that consider historical volatility for the fair value determination, 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 level 2 forward contracts from the clearing and settlement of options, the fair value is determined based on Black-Scholes model for futures and European-style stock options as underlying, respectively the Binomial Option Pricing model for

American-style stock options as underlying. The inputs into the calculation of both models include share price, implied volatility, strike price, risk-free interest rate and expected dividends.

Level 3 instruments

- The fair value of unlisted shares – which may be classified as equity instruments at FVtPL or debt instruments at FVtPL 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 was to increase, the price per share would increase proportionately.
- For other debt instruments at FVtPL, 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.
- Forward contracts from the clearing and settlement of options (derivatives at FVtPL) that consider historical volatility for the fair value determination based on the Black-Scholes model are assigned to level 3 of the fair value hierarchy. Historical volatility represents a level 3 input, as it does not reflect market participants' expectations. The inputs into the calculation – in addition to historical volatility – include share price, strike price and risk-free interest rate. With the exception of historical volatility, the inputs are readily observable in the market. The positive fair values of forward contracts from the clearing and settlement of options equal the negative fair values. Accordingly, changes in the fair value of the forward contracts from the clearing and settlement of options impact neither profit or loss nor total comprehensive income.
- For call and put options related to listed equity instruments (derivatives at FVtPL, e.g. Worldline equity collar), the fair value is determined based on the Black-Scholes model. The inputs into the calculation include the share price of underlying shares, strike price, risk-free interest rate and

historical volatility. As historical volatility represents a level 3 input, call and put options related to listed equity instruments are assigned to level 3 of the fair value hierarchy.

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. During the six-month period ended 30 June 2020 and 2019, there were no transfers between level 1 and level 2 or between level 2 and level 3.

Movements in level 3 financial assets and liabilities

The following table shows the movements in level 3 instruments.

CHF million	30/06/2020		31/12/2019	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Carrying amount at the beginning of the year	18.4	-106.5	167.8	-30.7
Additions	3.5	-4.3	1.4	-
Disposals	-	130.9	-0.9	-
Reclassification to associates	-2.2	-	-	-
Business combinations	4.2	-	0.3	-
Change in forward contracts from clearing & settlement	10.0	-10.0	-22.8	22.8
Losses recognized in the income statement	-1.5	-35.0	-127.7	-98.5
Gains recognized in the income statement	0.3	-	0.7	-
Translation adjustments	-0.1	2.6	-0.4	-
Carrying amount at closing	32.6	-22.2	18.4	-106.5
Income/expenses on holdings at closing				
Unrealized losses recognized in the income statement	-1.4	-	-0.5	-98.5
Unrealized gains recognized in the income statement	0.3	-	0.7	-

Losses recognized in the income statement during the reporting period mainly include the decrease in fair value of the Worldline equity collar by CHF 32.4 million (31 December 2019: decrease by CHF 98.5 million).

As at 30 June 2020, SIX had CHF 1,759.3 million (31 December 2019: CHF 7.9 million) of outstanding forward contracts from clearing and settlement of options. The increase results from the business

combinations completed during the reporting period. For further details on the business combinations, see note 4. The positive fair values of the outstanding option contracts equal the negative fair values. Accordingly, the decrease in the fair value of the forward contracts from clearing and settlement of options by CHF 10.0 million (31 December 2019: decrease by CHF 22.8 million) impacted neither profit or loss nor total comprehensive income.

13. Property, Plant and Equipment

During the six months ended 30 June 2020, additions to property, plant and equipment excluding impact of business combinations (for further details, see note 4) totaled CHF 13.3 million (30 June 2019: CHF 18.0 million).

Investments in property, plant and equipment primarily related to midrange and mainframe servers and the expansion of technical installations.

14. Intangible Assets

Goodwill

Goodwill is subject to an annual impairment test, which is conducted in the fourth quarter of each year or whenever events or a change of circumstances indicate a possible impairment. During the six months ended 30 June 2020, there was no indication requiring an assessment of the recoverable amount of goodwill. For details regarding the goodwill of BME and 12H, refer to note 4.

Software and other intangible assets

As in the previous year, expenses for certain development activities have been capitalized, as they satisfy the recognition criteria for internally generated intangible assets. Capitalized expenditure on development projects as intangible assets in the first six months of 2020 was CHF 30.1 million (30 June 2019: CHF 13.7 million).

Investments in intangible assets consisted of the development of technical adjustments to platforms, such as new functionalities, increased capacity and adjustments for requirements on regulated markets.

15. Investments in Associates and Joint Ventures

In April 2020, SIX disposed of 10.1 million shares in Worldline SA. The disposal resulted in a gain of CHF 172.5 million and a loss of CHF 30.8 million from the recycling of other comprehensive income. The net remeasurement gain of CHF 141.7 million has been included in other financial income (see note 7). As a result, the share of SIX decreased to 16.3%.

In February 2020, SIX obtained control over 12H Ltd by acquiring another stake. For further details, see note 4.

During the reporting period, SIX recognized a share of profit amounting to CHF 8.8 million (30 June 2019: CHF 31.9 million) and a share of other comprehensive income amounting to CHF -32.3 million (30 June 2019: CHF -39.5 million). Those items mainly relate to the investment in Worldline SA.

16. Dividends Proposed and Paid

On 11 May 2020, the Annual General Meeting approved the distribution of an ordinary dividend of CHF 3.90 (2019: ordinary dividend CHF 4.10 and extraordinary dividend CHF 17.30) per registered share. The total

amount distributed to holders of outstanding shares was CHF 73.8 million (2019: CHF 404.8 million), which has been recorded against retained earnings, as in the prior year.

17. Related Parties

SIX defines related parties as:

- shareholders that have significant influence by delegating a member to the Board of Directors of SIX or have control over the activities of SIX
- associated companies and joint ventures of SIX
- post-employment benefit plans for the benefit of employees of SIX
- key management personnel and their close family members
- entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members

122 banks hold shares in SIX, but no bank holds more than 20% of the Group's total equity. The shares are widely distributed, i.e. no single owner or 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. The price schedules for transactions with third parties also apply to transactions with related parties.

Receivables from clearing & settlement due from related parties of CHF 29.2 million are collateralized (31 December 2019: CHF 26.5 million). No provisions for doubtful debts (i.e. no lifetime expected credit losses according to stage 3 of the applied impairment model) relating to amounts owed by related parties were recorded as at 30 June 2020 or 31 December 2019.

Transactions and outstanding balances with related parties of SIX, as stated in the following tables, are included in the Group's consolidated balance sheet and statement of comprehensive income as at and for the six months ended 30 June 2020, and for the prior-year period.

CHF million	For the six months ended 30 June 2020			
	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	Total
Income statement				
Operating income	161.6	27.6	–	189.2
Other operating expenses	–0.4	–18.1	–	–18.5
Net interest income	–0.9	–	–	–0.9
Contributions	–	–	–21.7	–21.7

CHF million	30/06/2020			
	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	Total
Balance sheet				
Cash and cash equivalents	236.6	–	–	236.6
Trade and other receivables	27.9	13.7	–	41.5
Receivables from clearing & settlement	32.7	–	–	32.7
Financial assets	98.0	–	–	98.0
Payables from clearing & settlement	1,587.1	105.8	–	1,692.9
Other liabilities	17.9	4.6	–	22.4

CHF million	For the six months ended 30 June 2019			Total
	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	
Income statement				
Operating income	149.4	31.1	–	180.5
Other operating expenses	–0.4	–21.9	–	–22.3
Net interest income	–1.1	–	–	–1.1
Contributions	–	–	–21.5	–21.5

CHF million	31/12/2019			Total
	Qualifying shareholders	Associates and joint ventures	Post-employment benefit plans	
Balance sheet				
Cash and cash equivalents	341.5	–	–	341.5
Trade and other receivables	24.1	13.0	–	37.0
Receivables from clearing & settlement	33.3	–	–	33.3
Financial assets ¹	6.2	627.5	–	633.6
Payables from clearing & settlement	1,794.0	113.2	–	1,907.2
Financial liabilities non-current	98.5	–	–	98.5
Other liabilities	–	59.1	–	59.1

¹ Figures as of 31 December 2019 were adjusted.

18. Events after the Balance Sheet Date

As at 21 August 2020, the date of approval for issue of the interim condensed consolidated financial statements, the Group had undergone no subsequent events warranting a modification of the value of the assets and liabilities or an additional disclosure.

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