



Interim Condensed Consolidated Financial Statements 2018

30 June



SIX key figures

CHF million (unless otherwise indicated)	For the six months ended 30 June	
	2018	2017
Income statement		
Total operating income	572.5	563.1
Total operating expenses	-460.4	-446.2
Net financial result	-1.3	10.3
Earnings before interest and tax (EBIT)	102.2	121.8
EBIT margin (in %)	17.9%	21.6%
Profit for the period from continuing operations	74.8	93.4
Group net profit	100.7	124.5
Cash flow statement		
Cash flow from operating activities	251.2	100.7
Cash flow from investing activities	-43.9	-44.5
Cash flow from financing activities	-133.5	-138.5
	30/06/2018	31/12/2017
Balance sheet		
Total assets	10,675.4	10,301.5
Total liabilities	8,021.5	7,625.6
Total equity	2,653.9	2,675.9
Return on equity (in %, average) ¹	6.8%	7.9%
Equity ratio (in %, average) ²	81.0%	80.0%
	30/06/2018	30/06/2017
Operating key figures		
Workforce (full-time equivalents)	3,690.6	3,720.5
Workforce (headcount)	3,886	3,930
Stock exchange trading volume (in CHF billion)	733.7	722.5
Deposit volume	3,196,845	3,288,536
Number of financial instruments (in millions)	29.6	25.5
Acquiring turnover	53,134.8	38,850.5
Shareholders' key figures		
Shares outstanding	18,914,041	18,914,041
Dividend paid per share (in CHF)	7.00	7.30
Equity per share (in CHF)	140.31	141.48
Earnings per share (in CHF)	5.30	6.55
Earnings per share from continuing operations (in CHF)	3.96	4.94

¹ Return on equity = Profit previous 12 months / average equity previous 12 months

² 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".

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Mid-year report of SIX as at 30 June 2018

SIX records strong growth during transition year

SIX recorded strong operational performance in the first half of 2018, exceeding the CHF 1 billion mark in its operating income for the first time in the company's history. The operating income including the Cards business unit which is being continued in the strategic partnership rising 8% year on year to stand at CHF 1,000.7 million. SIX also pressed ahead as planned with the strategic and organizational realignment announced in November 2017. Due to non-recurring expenses caused primarily by the realignment, Group net profit remained below the prior year's figure, as expected, at CHF 100.7 million. The realignment and forthcoming separation of the card business also resulted in special accounting treatments in this interim report.

Under its strategic and operating realignment (SIX2020), SIX grouped together its securities services in the first half of 2018 to enable it to offer all services for trading, settlement and custody of securities from a single source. It also amalgamated services for the Swiss payment system – interbank payments, connecting to the SEPA region, processing card-based and mobile payments for banks, operating ATMs, and e-bills. SIX also strengthened its innovation capacity by building upon the independent Innovation & Digital business unit, which in future will drive all innovation.

Strategic partnership with Worldline in card business

Under the realignment, SIX announced at the end of last year that it was carving out its merchant acceptance, acquiring and international card processing from the core organization. In May 2018, SIX announced that it was transferring its card business through a strategic partnership with the French company Worldline. SIX will own a 27% stake in Worldline following the expected completion of the transaction in the fourth quarter of 2018.

Financial highlights

For the first time in the company's history, operating income in the first six months exceeded the CHF billion mark, rising 8% year on year to CHF 1,000.7 million (including the discontinued Cards business unit). This rise in operating income partially compensated for the increase in operating costs incurred as a result of the strategic and organizational realignment (including M&A activities). At CHF 139.0 million, earnings before interest and tax (EBIT) therefore fell year on year by approximately 15% in the first half of 2018 which was in line with expectations.

Positive performance in all business units

Apart from the newly created Payments business unit, which will complete its reorganization later this year by being renamed Banking Services, all other business units contributed to the growth in operating income in the first half of the year. All business units generated positive operational profit. The custody and trading business of Securities & Exchanges benefited amongst others from favourable market conditions in the first quarter, generating an operational profit of CHF 109.2 million. Seven IPOs were completed in the first half of 2018, more than in the whole of 2017. The Financial Information business unit posted increased turnover, mainly with reference and price data as well as with services in the regulatory area, reporting a CHF 58.9 million operational profit for the first six months. Organic growth in merchant business helped the card business to generate an operational profit of CHF 52.1 million in the first half of 2018.

Special accounting treatments

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. As the card business is being carved out from the core Group, a special accounting treatment also appears in this interim report. Under International Financial Reporting Standards (IFRS), the business being transferred to the partnership with Worldline must be stated separately in both the balance sheet and income statement. Operating income for the remaining business units totalled CHF 572.5 million for the first half of 2018, while earnings before interest and tax (EBIT) stood at CHF 102.2 million. The business areas being discontinued accounted for CHF 36.8 million of the EBIT of CHF 139.0 million. Consolidated profit after interest and tax totalled CHF 100.7 million. SIX will continue to be a benefactor from the profits of the business areas transferred after conclusion of the transaction through its 27% strategic stake in the new combined business with Worldline.

Balance sheet as of 30 June 2018

As of 30 June 2018, balance sheet assets totalled CHF 10,675.4 million, an increase of CHF 373.9 million compared with 31 December 2017. Liabilities totalled CHF 8,021.5 million as of the balance sheet date, an

increase of CHF 395.9 million. The changes in the individual assets and liabilities positions are mainly driven by the reclassification of the assets and liabilities related to the cards business as held for sale (for further details see Note 14). This reclassification also resulted in movements between current and non-current assets of CHF 345.4 million, and between current and non-current liabilities of CHF 36.0 million.

Aside from this, the increase in current assets (CHF 689.5 million) was mainly due to the increase in financial assets from settlement business (CHF +78.3 million) and in the fair value of forward contracts from open clearing & settlement transactions (CHF +106.9 million) included in the position "Financial assets".

The increase in current liabilities (CHF +441.1 million) was primarily due to the ordinary movements in payables from clearing & settlement in the post-trading area (CHF +577.7 million). The net decrease in payables from clearing & settlement (CHF -662.9 million) resulted from the reclassification as held for sale described above.

Equity decreased by CHF 22.0 million in the reporting period to CHF 2,653.9 million. The decrease was mainly driven by the dividends paid (CHF -133.5 million) and was partially offset by the net profit for the first half of 2018 (CHF 100.7 million).

Interim consolidated income statement

CHF million	Notes [*]	For the six months ended 30 June	
		2018	2017 restated ¹
Transaction revenues		269.3	273.8
Service revenues		282.0	264.6
Net interest income from banking business		16.3	12.3
Other operating income		4.9	12.4
Total operating income	6	572.5	563.1
Personnel expenses		-228.1	-221.8
Other operating expenses		-201.6	-198.1
Depreciation, amortization and impairment		-30.7	-26.2
Total operating expenses		-460.4	-446.2
Operating profit		112.1	116.9
Share of profit or loss of associates		-8.6	-5.4
Financial income		13.5	15.7
Financial expenses		-14.8	-5.4
Earnings before interest and tax (EBIT)		102.2	121.8
Interest income		1.8	1.7
Interest expenses		-2.9	-3.2
Earnings before tax (EBT)		101.0	120.2
Income tax expenses	7	-26.2	-26.8
Profit for the period from continuing operations		74.8	93.4
Profit for the period from discontinued operations, net of tax	14	25.9	31.0
Group net profit		100.7	124.5
<i>of which attributable to shareholders of SIX Group Ltd</i>		<i>100.2</i>	<i>123.9</i>
<i>of which attributable to non-controlling interests</i>		<i>0.5</i>	<i>0.5</i>
Earnings per share (CHF)			
Basic profit for the period attributable to shareholders of SIX Group Ltd		5.30	6.55
Diluted profit for the period attributable to shareholders of SIX Group Ltd		5.30	6.55
Earnings per share (CHF) – Continuing operations			
Basic profit for the period from continuing operations		3.96	4.94
Diluted profit for the period from continuing operations		3.96	4.94

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

¹ The accounting policies for the presentation of the Group's operating income were voluntarily changed. The prior year's figures were restated accordingly. See Note 2 for further information.

In 2018, part of the Group is classified as discontinued operations according to IFRS 5. The prior-year figures in the interim consolidated income statement and in the corresponding notes have been restated accordingly.

Interim consolidated statement of comprehensive income

CHF million	For the six months ended 30 June	
	2018	2017
Group net profit	100.7	124.5
Change in actuarial gains/(losses) on defined benefit plans recognized in the reporting period	7.2	52.7
Income taxes on changes in actuarial gains/(losses) on defined benefit plans	-1.6	-11.4
Change in actuarial gains/(losses) on defined benefit plans, net of tax	5.7	41.4
Change in fair value of equity instruments measured through other comprehensive income	-	2.8
Income taxes on change in fair value of equity instruments measured through other comprehensive income	-	-0.6
Change in fair value of equity instruments measured through other comprehensive income, net of tax	-	2.2
Total items that will not be reclassified to profit or loss	5.7	43.6
Translation adjustment recognized in the reporting period	-1.5	0.6
Currency translation adjustment	-1.5	0.6
Share of other comprehensive income of associates	-0.2	0.4
Total items that are or may subsequently be reclassified to profit or loss	-1.7	0.9
Total other comprehensive income, net of tax	3.9	44.5
Total comprehensive income for the period	104.7	169.0
<i>of which attributable to shareholders of SIX Group Ltd</i>	<i>104.1</i>	<i>168.5</i>
<i>of which attributable to non-controlling interests</i>	<i>0.5</i>	<i>0.5</i>

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

Interim consolidated balance sheet

CHF million	Notes*	30/06/2018	31/12/2017
Assets			
Cash and cash equivalents	8	4,251.6	4,462.6
Trade and other receivables	9	147.2	263.4
Receivables from clearing & settlement	10	2,775.7	3,566.9
Financial assets	11	970.0	754.8
Inventories		–	17.4
Current income tax receivables		28.8	23.6
Other current assets		257.5	218.1
Disposal groups and assets held for sale	14	1,565.5	–
Current assets		9,996.3	9,306.8
Property, plant and equipment	12	244.4	277.6
Intangible assets	13	120.8	393.4
Investments in associates		45.7	23.5
Financial assets	11	228.5	260.1
Other non-current assets		30.9	28.0
Deferred tax assets		8.8	12.1
Non-current assets		679.1	994.7
Total assets		10,675.4	10,301.5
Liabilities			
Bank overdrafts	11	0.5	1.0
Trade and other payables	11	20.0	262.1
Payables from clearing & settlement	10	6,198.6	6,861.5
Financial liabilities	11	163.3	68.9
Provisions	15	9.9	33.6
Contract liabilities		93.5	–
Current income tax payables		13.9	23.1
Other current liabilities		136.4	247.1
Liabilities directly associated with disposal groups held for sale	14	1,302.2	–
Current liabilities		7,938.4	7,497.3
Provisions	15	18.9	28.4
Other non-current liabilities		24.3	40.6
Deferred tax liabilities		40.0	59.3
Non-current liabilities		83.1	128.3
Total liabilities		8,021.5	7,625.6
Equity			
Share capital		19.5	19.5
Capital reserves		234.1	234.1
Other reserves		–38.4	–36.6
Retained earnings		2,429.3	2,449.0
Shareholders' equity		2,644.6	2,666.0
Non-controlling interests		9.3	9.9
Total equity		2,653.9	2,675.9
Total liabilities and equity		10,675.4	10,301.5

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

Interim consolidated statement of changes in equity

CHF million	Share capital	Capital reserves	Other reserves
Balance at 1 January 2018	19.5	234.1	-36.6
Impact of changes in accounting policies ¹			
Adjusted balance at 1 January 2018			
Group net profit			
Total other comprehensive income			-1.7
Total comprehensive income for the year			-1.7
Dividends paid			
Distributions			
Balance at 30 June 2018	19.5	234.1	-38.4

CHF million	Share capital	Capital reserves	Other reserves
Balance at 1 January 2017	19.5	234.1	-51.7
Group net profit			
Total other comprehensive income			1.0
Total comprehensive income for the year			1.0
Dividends paid			
Distributions			
Balance at 30 June 2017	19.5	234.1	-50.7

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

¹ See Note 2 for further information on the changes in accounting policies.

Other reserves		Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Treasury shares	Translation reserves				
-23.3	-13.3	2,449.0	2,666.0	9.9	2,675.9
		6.8	6.8		6.8
		6.8	6.8		6.8
		100.2	100.2	0.5	100.7
	-1.7	5.7	3.9	0.0	3.9
	-1.7	105.9	104.1	0.5	104.7
		-132.4	-132.4	-1.1	-133.5
		-132.4	-132.4	-1.1	-133.5
-23.3	-15.0	2,429.3	2,644.6	9.3	2,653.9

Other reserves		Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Treasury shares	Translation reserves				
-23.3	-28.3	2,342.8	2,544.8	9.7	2,554.4
		123.9	123.9	0.5	124.5
	1.0	43.6	44.5	-0.0	44.5
	1.0	167.5	168.5	0.5	169.0
		-138.1	-138.1	-0.6	-138.7
		-138.1	-138.1	-0.6	-138.7
-23.3	-27.4	2,372.3	2,575.2	9.5	2,584.7

Interim consolidated statement of cash flows

CHF million	Notes*	For the six months ended 30 June	
		2018	2017
Group net profit (incl. non-controlling interests)		100.7	124.5
Adjustments for:			
Depreciation, amortization and impairment		40.1	35.2
Increase/(decrease) in provisions		-8.6	-8.8
Increase/(decrease) in pension fund assets and liabilities		7.7	7.6
Share of profit of associates		8.6	5.4
Net financial result		15.6	-18.6
(Gain)/loss on sale of property, plant, equipment and intangible assets		1.2	0.8
Income tax expense	7	36.6	38.0
Changes in:			
Inventories		-0.9	-4.1
Trade and other receivables		-17.2	32.9
Trade and other payables		-71.9	-87.3
Receivables from clearing & settlement		50.8	587.5
Payables from clearing & settlement		344.8	-383.6
Current financial assets		-128.0	-109.3
Current financial liabilities		-6.1	1.5
Contract liabilities ¹		76.8	-
Other current assets		-63.6	-112.1
Other current liabilities		-45.7	44.8
Interest paid		-3.2	-3.6
Interest received		2.0	1.9
Income tax (paid)/received		-88.7	-51.8
Net cash flow from/(used in) operating activities		251.2	100.7
Investments in associates		-32.4	-
Disposal of subsidiaries and associates (net of cash disposed)		0.3	-
Purchase of property, plant, equipment and intangible assets	12, 13	-35.0	-47.4
Sale proceeds from property, plant, equipment and intangible assets		0.6	0.4
Investments in non-current financial assets		-5.0	-4.6
Divestments of non-current financial assets		19.6	0.4
Investments in other non-current assets		-0.3	-0.1
Divestments of other non-current assets		1.5	0.0
Other financial income received		0.1	-
Dividends received		6.9	6.9
Net cash flow from/(used in) investing activities		-43.9	-44.5
Net change in other non-current liabilities		-0.0	0.2
Dividends paid to shareholders of the parent company	16	-132.4	-138.1
Dividends paid to non-controlling interests		-1.1	-0.6
Net cash flow from/(used in) financing activities		-133.5	-138.5
Net impact of foreign exchange rate differences on cash		-23.9	8.7
Net change in cash and cash equivalents		49.8	-73.6
Balances of cash and cash equivalents			
Cash and cash equivalents at 1 January	8	4,461.5 ²	4,906.2
Cash and cash equivalents at 30 June	8	4,511.4	4,832.7

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

¹ See Note 2 for further information on the changes in accounting policies.

² The opening balance was adjusted for expected credit losses of less than CHF 0.1 million.

Notes to the interim 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 127 national and international financial institutions.

The interim condensed consolidated financial statements of SIX as at and for the six months ended 30 June 2018 comprise SIX Group Ltd (the "Company"), which is the parent company, its subsidiaries and its interests in associates (together referred as the "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 2017. Selected explanatory notes are included to explain events and transactions that are 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 2017.

Foreign currency translation

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

Currency	30/06/2018	31/12/2017
EUR	1.1580	1.1695
GBP	1.3040	1.3170
USD	0.9942	0.9782
SEK	11.0910	11.8694

The main average exchange rates were the following:

Currency	For the six months ended 30 June	
	2018	2017
EUR	1.1698	1.1115
GBP	1.3298	1.2683
USD	0.9662	0.9847
SEK	11.5297	11.5339

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 2017, except for the amendments related to discontinued operations and the adoption of new standards.

Discontinued operations

Allocation of costs and intercompany eliminations

Costs and revenues are presented within continuing and discontinued operations based on the post-disposal situation. Intercompany transactions which will continue to exist post-disposal are eliminated against discontinued operations.

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

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

Trade and other receivables

Trade and other receivables and advances are recognized initially at fair value including directly related transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost less impairment losses. Trade and other receivables represent the Group's unconditional right of payment. The position also includes unbilled receivables, i.e. positions where the Group has fulfilled its performance obligations for services, but the customers have not been invoiced yet and only the passage of time is required before payment of that consideration is due. In previous periods unbilled receivables were presented as accrued revenue within other current assets.

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

Operating revenues

General

When SIX acts as principal, revenue is recorded gross. However, when SIX acts only as an agent, revenue is limited to the commission or fee that it retains (net of related costs). The main indicators that SIX is a principal are responsibility for fulfilling the promise to provide services and discretion in establishing prices. In previous periods the main indicators were primary responsibility for providing services, latitude in establishing prices and the subsequent credit risk.

Revenue is measured at the transaction price and represents the consideration to which SIX expects to be entitled in exchange for transferring services, net of amounts collected on behalf of third parties.

If contracts include two or more performance obligations, the transaction price is allocated to the performance obligations on a relative stand-alone selling price basis. Management determines the stand-alone selling price at contract inception based on observable prices for the type of services rendered or products delivered in similar circumstances to similar customers.

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

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

Transaction revenues

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

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

Service revenues

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

Other operating income

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

Practical expedients

The Group applies the practical expedient option under paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations

that have an original expected duration of one year or less or when SIX has a right to invoice the amount that corresponds directly to the value of the performance completed to date.

Costs to obtain a contract

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

Contract assets

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

Contract liabilities

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

Impairment of financial assets

General

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

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

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

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

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

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

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

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

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

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

Write-off policy

The Group writes off a financial asset when the collection activities are completed and there is no realistic prospect of recovery. This is generally the case when the Group receives evidence of insolvency (e.g. loss

certificate). Financial assets that are written off can still be subject to enforcement activities even if recovery is very unlikely.

Impairment policy for 2017

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

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

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

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

Voluntary change in accounting policies

Management concluded that a change in the presentation of the operating income would provide reliable and more relevant information. Operating income has been recompiled to match the timing pattern of

revenue recognition described in the above accounting policies. Revenues have been reallocated to the appropriate income statement lines, and commission income has been deleted from the income statement. The change has had no impact on total operating income.

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

CHF million	For the six months ended 30 June 2018		
	Balance without changes in accounting policies for continuing operations	Adjustments due to changes in accounting policies	As reported
Commission revenues	99.1	-99.1	-
Transaction revenues	167.3	102.0	269.3
Service revenues	277.0	5.0	282.0
Net interest income from banking business	16.3	-	16.3
Other operating income	12.8	-7.9	4.9
Total operating income	572.5	-	572.5

CHF million	For the six months ended 30 June 2017				
	Balance as previously reported	Adjustments related to discontinued operations	Balance without changes in accounting policies for continuing operations	Adjustments due to changes in accounting policies	As reported
Commission revenues	362.5	-266.4	96.1	-96.1	-
Transaction revenues	202.2	-33.2	169.0	104.8	273.8
Service revenues	313.5	-46.5	267.0	-2.4	264.6
Net interest income from banking business	12.3	-	12.3	-	12.3
Other operating income	39.2	-20.6	18.6	-6.2	12.4
Total operating income	929.7	-366.6	563.1	-	563.1

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 2018.

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

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. SIX had already adopted the requirements of IFRS 9 (version 2013) regarding classification and measurement and hedge accounting, which were determined in phase 1 and phase 3 of the standard-setting process in previous years. The

standard issued in 2014 introduces a new impairment model. For the first-time adoption, the Group does not restate comparative information. Instead, the cumulative effect is recognized in equity.

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and amended in April 2016 and introduces new revenue recognition requirements. For the first-time adoption, the Group does not restate comparative information, as the modified retrospective approach has been applied. The cumulative effect of transition is recognized in equity.

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

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

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

CHF million	30/06/2018		
	Balance without adoption of IFRS 15	Adjustments	As reported
Assets			
Trade and other receivables	121.2	26.0	147.2
Other current assets	283.5	-26.0	257.5
Disposal groups and assets held for sale	1,563.1	2.4	1,565.5
Other non-current assets	22.7	8.2	30.9
Deferred tax assets	8.8	-	8.8
Other assets	8,665.4	-	8,665.4
Total assets	10,664.8	10.6	10,675.4
Liabilities			
Contract liabilities	-	93.5	93.5
Other current liabilities	229.9	-93.5	136.4
Liabilities directly associated with disposal groups held for sale	1,299.4	2.8	1,302.2
Deferred tax liabilities	38.6	1.4	40.0
Other liabilities	6,449.4	-	6,449.4
Total liabilities	8,017.3	4.2	8,021.5
Equity			
Capital and reserves	215.3	-	215.3
Retained earnings	2,422.9	6.4	2,429.3
Non-controlling interests	9.3	-	9.3
Total equity	2,647.5	6.4	2,653.9
Total liabilities and equity	10,664.8	10.6	10,675.4

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

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
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	A date to be determined by the IASB	To be determined by SIX ¹
IFRS 16 Leases	Annual periods beginning on or after 1 January 2019	Financial year 2019 ²
IFRIC 23 Uncertainty over Income Tax Treatments	Annual periods beginning on or after 1 January 2019	Financial year 2019 ¹
Prepayment Features with Negative Compensation (Amendment to IFRS 9)	Annual periods beginning on or after 1 January 2019	Financial year 2019 ³
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Annual periods beginning on or after 1 January 2019	Financial year 2019 ³
Annual Improvements to IFRS Standards 2015–2017 Cycle	Annual periods beginning on or after 1 January 2019	Financial year 2019 ³
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Annual periods beginning on or after 1 January 2019	Financial year 2019 ¹
Conceptual Framework for Financial Reporting	Annual periods beginning on or after 1 January 2020	Financial year 2020 ³

¹ The impact on the consolidated financial statements of SIX has not yet been fully assessed.

² SIX is currently preparing the adoption of IFRS 16 Leases. The expected effect on the balance sheet is an increase in assets and liabilities of approximately CHF 0.2 billion.

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

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 are 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, except for

discontinued operations, the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2017.

Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented in the consolidated income statement as a single amount as profit or loss after tax from discontinued operations. The cards business must be separated off before the transaction is closed. As this separation process has not been completed, SIX uses judgment and makes assumption to estimate the allocation between continuing and discontinued operations.

4. Changes in the composition of the Group

Changes in the composition of the Group during 2018

SIX Payment Ltd

SIX Payment Ltd was merged with SIX Payment Services Ltd in the first half of 2018. The merger had no impact on the Group's consolidated figures as at 30 June 2018.

SIX Financial Information Sweden AB

SIX Financial Information Sweden AB was merged with STK Nordic AB in the first half of 2018. The merger had no impact on the Group's consolidated figures as at 30 June 2018. After the merger, the company was renamed SIX Financial Information Nordic AB.

SIX Digital Exchange Ltd

SIX Digital Exchange Ltd was established with fully paid-up share capital of CHF 0.1 million in the first half of 2018.

12H Ltd

SIX acquired 49.9% of the shares in 12H Ltd in May 2018. 12H Ltd provide low-latency access for Swiss securities trading via radio-frequency technology. The participation in 12H Ltd classifies as a joint arrangement according to IFRS 11 and is accounted for using the equity method. The total purchase price was CHF 17.9 million. The assets and liabilities acquired are currently assessed in the context of a purchase price allocation.

5. Segment information

The operating segments of SIX are determined based on the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure as well as the internal financial reporting to the chief operating decision maker (CODM). As part of the strategic initiative "SIX 2020", SIX has changed its organization with effect from 1 April 2018 to respond to market developments and the needs of the shareholders. SIX will focus on infrastructure services for shareholders and the financial center in securities, payment transactions and financial information.

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

Service	Service description
Securities & Exchanges	
Trading	Securities & Exchanges generates trading revenues by providing a cash market for trading in shares, bonds, funds and exchange-traded products (ETPs) and a securitized derivatives market for structured products and warrants. The trading business also generates service revenues from the fees received for the maintenance of listings. The service fees are generally invoiced on an annual basis.
Custody business	Operating as the Central Securities Depository (CSD) for Switzerland and as an international custodian across various markets worldwide, Securities & Exchanges delivers comprehensive custody services for Swiss and international securities. Securities & Exchanges generates service revenues with issuer services, asset servicing, cash management, queries and reporting, and tax services. Transaction revenues are generated with settlement services, repos and Swiss fund processing. The custody business also generates interest income from banking business based on settlement transactions and assets under custody.
Data	Securities & Exchanges distributes raw market data and index products, which generates service revenues. The service fees are generally invoiced on an annual basis.
CCP clearing	Securities & Exchanges, through its clearing arm SIX x-clear Ltd, provides multi-asset clearing services and acts as a highly diversified central counterparty with access to multiple trading venues and matching platforms across Europe. Securities & Exchanges receives transaction revenues for the clearing transactions.
Payments	
E-billing, direct debit and interbank payments	Payments offers payment transaction processing services between financial institutions (e.g. interbank clearing) and is the leading provider of e-billing, direct debit and related services in Switzerland. Payments mainly generates transaction revenues through payment transactions. Service revenues are generated by flat fees (the service fees are generally invoiced on an annual basis) and consultancy services.
ATM and debit processing	Payments provides issuing processing services for card issuers as well as ATM processing services. The processed transactions generate transaction revenues. Payments also generates service revenues by providing support to card issuers (e.g. hotline services). The service fees are generally invoiced on an annual basis. The location fee received in the ATM business is presented net in transaction income, as SIX does not obtain control over the service.
Financial Information	
Reference data & pricing	Financial Information offers procurement, processing and distribution of reference data and pricing information. The business generates service revenues. The service fees are generally invoiced on an annual basis.
Market data & display	Financial Information offers procurement, processing and distribution of market information and offers display products. The business generates service revenues. The service fees are generally invoiced on an annual basis. The royalties for financial data paid to stock exchanges are presented net in service income, as SIX does not obtain control over the service.
Tax & regulatory services	Financial Information provides complete reference data required for local and cross-border regulatory and tax compliance. The business generates service revenues. The service fees are generally invoiced on an annual basis.
Indices	Financial Information provides index services by calculating indices and offering licenses for SIX indices. The business generates service revenues. The service fees are generally invoiced on an annual basis.
Cards	
Merchant services	Cards generates transaction revenue by providing card acceptance and merchant services (as an "acquirer"). SIX also offers value-added services to merchants, which generates service revenues. In the terminal business (enabling), Cards generates service revenues by providing maintenance services and other operating income from selling and leasing of terminals. The fees received in connection with mobile vouchers (i.e. fees for airtime) are presented net within transaction income, as SIX does not obtain control over the service.
Financial industry services	Cards provides processing services for card issuers and acquirers. The processed transactions generate transaction revenues. Cards also generates service revenues by providing support to card issuers (e.g. hotline services).
Corporate & Others	
Corporate services	Corporate activities include IT, Risk, Legal & Compliance, Finance & Services, Human Resources and Marketing & Communications. Corporate & Others also includes the Innovation & Digital business unit and SIX Exchange Regulation. The functions generate only minor external revenues.

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

Prior to 1 April 2018, performance was measured based on segment earnings before interest and tax (EBIT). Further information regarding the former performance measurement and the former segment reporting structure is included in the consolidated annual financial statements as at 31 December 2017.

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

As prior-year figures are not yet available for the new structure, SIX reports on the new structure only for the current period. Therefore, segment reporting as at 30 June 2018 applying the former structure and including prior-year figures is also provided below. SIX will start to report on the new segment structure with comparative data for figures as at 31 December 2018 onwards.

New segment reporting structure

For the six months ended 30 June 2018

CHF million	Securities & Exchanges	Payments	Financial Information	Cards ¹	Total business units	Corporate & Others ¹	Elimination	Total SIX operations	Discontinued operations	Total SIX from continuing operations
Revenues from external customers	261.9	74.3	200.7	461.0	997.9	2.8	–	1,000.7	428.2	572.5
Product-related income from other business units	0.8	0.5	2.0	0.7	4.1	–	–4.1	–	–	–
Total operating income	262.8	74.8	202.7	461.7	1,002.0	2.8	–4.1	1,000.7	428.2	572.5
Non-product-related income from other business units	3.2	0.5	3.0	18.7	25.4	–	–25.4	–	–	–
Depreciation expenses	–0.0	–	–0.5	–7.4	–7.9	–19.7	–	–27.5	–9.0	–18.6
Other operational expenses	–156.8	–54.8	–146.4	–420.8	–778.8	–296.4	247.1	–828.1	–385.2	–442.9
Total operational expenses	–156.8	–54.8	–146.8	–428.2	–786.6	–316.1	247.1	–855.6	–394.1	–461.5
Operational profit	109.2	20.5	58.9	52.1	240.7	–313.3	217.6	145.0	34.1	111.0
Other expenses										1.1
Share of profit or loss of associates										–8.6
Financial income										13.5
Financial expenses										–14.8
Earnings before interest and tax (EBIT)										102.2
Interest income										1.8
Interest expenses										–2.9
Earnings before tax (EBT)										101.0
Income tax expenses										–26.2
Profit for the period from continuing operations										74.8

¹ Discontinued operations is included in Cards and Corporate & Others. See Note 14 for further details.

Former segment reporting structure

For the six months ended 30 June 2018									
CHF million	Swiss Exchange	Securities Services	Financial Information	Payment Services ¹	Global IT ¹	Corporate ¹	Total segments	Elimination ¹	Total SIX
Revenues from external customers	105.2	188.7	196.6	507.5	1.5	1.3	1,000.7	-428.2	572.5
Inter-segment revenues	1.8	2.2	6.6	2.6	222.9	132.3	368.3	-368.3	-
Total operating income	107.0	190.9	203.2	510.1	224.3	133.5	1,369.0	-796.5	572.5
Total operating expenses	-64.0	-163.4	-170.5	-484.8	-217.0	-122.7	-1,222.4	762.0	-460.4
Share of profit or loss of associates	-	-	-	-10.0	-	1.4	-8.6	-	-8.6
Financial income	0.1	2.1	4.7	6.7	0.0	6.6	20.3	-6.8	13.5
Financial expenses	-0.0	-0.5	-0.3	-4.4	-0.0	-14.1	-19.3	4.5	-14.8
Earnings before interest and tax (EBIT)	43.0	29.1	37.1	17.7	7.3	4.8	139.0	-36.8	102.2
Interest income									1.8
Interest expenses									-2.9
Earnings before tax (EBT)									101.0
Income tax expenses									-26.2
Profit for the period from continuing operations									74.8

¹ Discontinued operations is included in Payment Services, Global IT and Corporate and is eliminated in the "Elimination" column. See Note 14 for further details.

For the six months ended 30 June 2017

CHF million	Swiss Exchange	Securities Services	Financial Information	Payment Services ¹	Global IT ¹	Corporate ¹	Total segments	Elimination ¹	Total SIX
Revenues from external customers	99.5	185.6	189.9	450.2	2.4	2.1	929.7	-366.6	563.1
Inter-segment revenues	1.5	3.5	6.1	2.6	209.5	112.0	335.2	-335.2	-
Total operating income	101.0	189.1	196.0	452.8	211.9	114.1	1,264.9	-701.8	563.1
Total operating expenses	-65.7	-156.6	-171.8	-405.6	-207.4	-97.5	-1,104.5	658.3	-446.2
Share of profit or loss of associates	0.4	-	-	-7.2	-	1.4	-5.4	-	-5.4
Financial income	0.1	0.2	3.7	0.5	0.1	11.6	16.2	-0.5	15.7
Financial expenses	-0.0	-0.1	-1.4	-1.7	-0.1	-3.8	-7.1	1.7	-5.4
Earnings before interest and tax (EBIT)	35.7	32.7	26.5	38.8	4.5	25.8	164.0	-42.3	121.8
Interest income									1.7
Interest expenses									-3.2
Earnings before tax (EBT)									120.2
Income tax expenses									-26.8
Profit for the period from continuing operations									93.4

¹ Discontinued operations is included in Payment Services, Global IT and Corporate and eliminated in the "Elimination" column. See Note 14 for further details.

6. Operating income

	For the six months ended 30 June 2018				
CHF million	Transaction revenues	Service revenues	Net interest income from banking business	Other operating income	Total
Securities & Exchanges					
Trading	75.8	4.9	–	0.1	80.7
Custody business	102.0	4.9	13.5	0.0	120.5
Data	–	16.9	–	–	16.9
CCP clearing	8.9	3.4	2.8	0.0	15.1
Other services	18.6	9.4	–	0.8	28.8
Total Securities & Exchanges	205.3	39.6	16.3	0.8	261.9
Payments					
E-billing, direct debit and interbank payments	21.8	3.8	–	0.0	25.5
ATM and debit processing	42.1	6.3	–	–	48.4
Other services	0.1	0.1	–	0.0	0.3
Total Payments	64.0	10.2	–	0.0	74.3
Financial Information					
Reference data & pricing	–	122.6	–	–	122.6
Market data & display	–	43.3	–	0.1	43.4
Tax regulatory services	–	13.7	–	–	13.7
Indices	–	6.8	–	–	6.8
Other services	–	10.4	–	3.8	14.2
Total Financial Information	–	196.8	–	3.9	200.7
Cards					
Merchant services	374.4	10.7	–	31.5	416.6
Financial industry services	27.7	10.3	–	1.6	39.6
Other services	0.0	4.7	–	–	4.7
Total Cards¹	402.1	25.7	–	33.1	461.0
Corporate & Others					
Other services	–	2.7	–	0.1	2.8
Total Corporate & Others	–	2.7	–	0.1	2.8
Total operating income (incl. discontinued operations)	671.4	275.1	16.3	37.9	1,000.7
of which discontinued operations					428.2
Total operating income					572.5

¹ Differences versus the total operating income in the income statement for Cards in Note 14 are due to the intercompany elimination practice for discontinued operations described in Note 2.

7. Income taxes

As at 30 June 2018, total income tax expenses were CHF 26.2 million, which resulted in an effective tax rate of 25.9%, compared with income tax expenses of CHF 26.8 million and an effective tax rate of 22.3% in the previous year.

The increase in the effective tax rate was mainly due to the decrease in deferred tax assets because of reduced tax rates, deferred tax not recognized on tax losses of the current period and intercompany effects.

8. Cash and cash equivalents

CHF million	30/06/2018	31/12/2017
Cash at bank and on hand	4,230.9	4,389.7
Short-term bank deposits	20.6	72.9
Cash and cash equivalents	4,251.6	4,462.6

Cash at bank includes giro balances with the Swiss National Bank (SNB) of CHF 3,351.0 million (31 December 2017: CHF 3,128.3 million) and giro balances with clearing houses approved by the SNB of CHF 363.3 million (31 December 2017: CHF 570.0 million).

Cash and cash equivalents includes the following items for the purpose of the statement of cash flows:

CHF million	Notes	30/06/2018	31/12/2017
Cash and cash equivalents		4,251.6	4,462.6
Bank overdrafts		-0.5	-1.0
Cash and cash equivalents included in disposal groups and assets held for sale	14	260.6	-
Bank overdrafts included in liabilities associated with disposal groups held for sale	14	-0.3	-
Cash and cash equivalents in the statement of cash flows		4,511.4	4,461.6

9. Trade and other receivables

CHF million	30/06/2018	31/12/2017
Trade receivables due from banks	81.8	90.0
Trade receivables due from others	36.9	167.0
Unbilled receivables	26.0	-
Other receivables	4.9	11.3
Trade and other receivables, gross	149.6	268.3
Individual allowances	-	-4.8
Collective allowances	-	-0.1
Lifetime expected credit losses	-2.4	-
Total trade and other receivables, net	147.2	263.4

10. Receivables and payables from clearing & settlement

CHF million	30/06/2018	31/12/2017
Receivables from clearing & settlement	1,047.8	699.4
Receivables from reverse repurchase agreements	1,410.3	1,406.2
Fed funds placements	–	122.3
Total receivables from clearing & settlement – Securities & Exchanges	2,458.1	2,227.8
Total receivables from clearing & settlement – Payments & Cards¹	317.6	1,339.1
Total receivables from clearing & settlement	2,775.7	3,566.9
Payables from clearing & settlement	2,404.9	1,869.6
Payables from settled suspense	367.1	353.6
Collateral	3,301.8	3,272.9
Total payables from clearing & settlement – Securities & Exchanges	6,073.8	5,496.1
Total payables from clearing & settlement – Payments & Cards¹	124.8	1,365.4
Total payables from clearing & settlement	6,198.6	6,861.5

¹ At 30 June 2018, the positions of the cards business were reclassified as disposal group held for sale. See Note 14 for further details.

Receivables and payables from clearing & settlement – Securities & Exchanges

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

Receivables and payables from clearing & settlement – Payments & Cards

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

11. Financial instruments

Changes in financial assets

The following table shows the changes in financial assets per category:

CHF million	2018		
	Financial assets measured at FVtPL	Financial assets at amortized cost	Total
Carrying amount at 1 January	750.8	264.0	1,014.9
Impact of changes in accounting policies	–	–0.3	–0.3
Adjusted carrying amount at 1 January	750.8	263.7	1,014.5
Additions	102.9	113.5	216.4
Change in value recognized in profit and loss	2.8	–0.1	2.7
Change in forward contracts from clearing & settlement	106.9	–	106.9
Impairments, net	–	–0.0	–0.0
Disposals/matured financial assets	–37.2	–64.9	–102.2
Reclassified as disposal groups and assets held for sale	–30.3	–9.9	–40.2
Translation adjustments	–0.1	0.4	0.4
Carrying amount at 30 June	895.8	302.7	1,198.5
<i>of which current</i>	<i>857.5</i>	<i>112.5</i>	<i>970.0</i>
<i>of which non-current</i>	<i>38.3</i>	<i>190.2</i>	<i>228.5</i>

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

During the first half of 2018, financial assets measured at FVtPL increased by CHF 145.0 million, which was mainly related to the settlement business. Due to increased clearing volumes and as a result of late settlements, financial assets from settlement business

increased from CHF 198.9 million as at 31 December 2017 to CHF 277.2 million as at 30 June 2018. Additionally, the fair value of forward contracts from open clearing & settlement transactions increased by CHF 106.9 million.

Fair value of financial instruments

The table below shows the estimated fair values of financial instruments, including those accounted for at amortized cost, together with the carrying amounts shown in the interim consolidated balance sheet. The fair values are based on the valuation methods and assumptions explained below.

CHF million	30/06/2018			31/12/2017		
	Carrying amount	Fair value	Deviation	Carrying amount	Fair value	Deviation
Assets						
Equity instruments at FVtPL	48.4	48.4	-	44.5	44.5	-
Units in investment funds at FVtPL ¹	398.4	398.4	-	416.6	416.6	-
Financial instruments from settlement business ²	277.2	277.2	-	198.9	198.9	-
Derivative financial instruments at FVtPL	166.8	166.8	-	61.0	61.0	-
Debt instruments at FVtPL	5.1	5.1	-	29.9	29.9	-
Financial assets at fair value	895.8	895.8	-	750.8	750.8	-
Cash and cash equivalents	4,251.6	4,251.6	-	4,462.6	4,462.6	-
Trade and other receivables	147.2	147.2	-	263.4	263.4	-
Receivables from clearing & settlement	2,775.7	2,775.7	-	3,566.9	3,566.9	-
Bonds ³	297.0	297.6	0.7	233.7	235.2	1.5
Other debt instruments	5.7	5.7	-	30.3	30.3	-
Financial assets at amortized cost	7,477.2	7,477.9	0.7	8,556.9	8,558.4	1.5
Total financial assets	8,373.0	8,373.7	0.7	9,307.8	9,309.3	1.5
<i>of which current</i>	8,144.5			9,047.7		
<i>of which non-current</i>	228.5			260.1		
Liabilities						
Derivative financial instruments at FVtPL	163.3	163.3	-	61.9	61.9	-
Other financial liabilities at FVtPL	-	-	-	7.0	7.0	-
Financial liabilities at fair value	163.3	163.3	-	68.9	68.9	-
Bank overdrafts	0.5	0.5	-	1.0	1.0	-
Trade and other payables	20.0	20.0	-	262.1	262.1	-
Payables from clearing & settlement	6,198.6	6,198.6	-	6,861.5	6,861.5	-
Financial liabilities at amortized cost	6,219.1	6,219.1	-	7,124.6	7,124.6	-
Total financial liabilities	6,382.4	6,382.4	-	7,193.5	7,193.5	-
<i>of which current</i>	6,382.4			7,193.5		
<i>of which non-current</i>	-			-		

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

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

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

Valuation methods for financial instruments

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

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

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

- For cash and cash equivalents including bank overdrafts, trade and other receivables, receivables and payables from clearing & settlement, trade and other payables, and short-term loans and borrowings, it is assumed that the carrying amount corresponds to their fair value.
- The fair value of quoted equity and debt instruments (e.g. bonds) and of units in investment funds is determined by reference to published price quotations at the reporting date. The valuation of financial assets from settlement business held at fair value through profit or loss is performed with reference to quoted prices from the markets to which they relate. Such financial assets therefore fall under level 1 of the fair value hierarchy.
- For preferred shares classified as debt instruments that are limited in transferability until conversion into tradable equity securities, the fair value is measured based on the current quoted market price of the tradable equity securities adjusted by a variable discount percentage considering the timing and risks until conversion. These equity instruments are assigned to level 3 of the fair value hierarchy. An

increase or decrease of 10% in the quoted market price of the tradable securities would lead to an increase or decrease of approximately 10% in the fair value of the financial asset.

- For other debt instruments measured at FVtPL and liabilities from contingent considerations, the fair value is determined by discounting the expected future payments at a risk-adjusted discount rate. As the input factors are not readily available in the market, these instruments are assigned to level 3 of the fair value hierarchy. An increase or decrease of 10% in the estimated cash flows would lead to an increase or decrease of approximately 10% in the fair value. The estimated fair value would increase if the risk-adjusted discount rate were lower.
- Foreign exchange swaps and forwards are not traded publicly. The inputs into the calculation include foreign exchange spot rates, interest rates and foreign exchange volatility. In general, these inputs are readily observable in the markets or provided by consensus data providers. Thus, foreign exchange swaps, forwards and other foreign exchange derivatives are categorized as level 2 instruments.
- For forward contracts from the clearing and settlement business as CCP, the fair value is determined as the difference between the fair value of the underlying instrument at the trade date and its fair value at the reporting date. With the exception of forward contracts from the clearing and settlement of options, all other forward contracts from clearing and settlement are assigned to level 2 of the fair value hierarchy, as the inputs used are readily available in the market.
- For forward contracts from the clearing and settlement of options, the fair value is determined based on the Black-Scholes formula. The inputs into the calculation include share price, strike price, risk-free interest rate and historical volatility. With the exception of historical volatility the inputs are readily observable in the market. Historical volatility therefore represents a level 3 input, as it does not reflect market participants' expectations. As such, forward contracts from the clearing and settlement of options are assigned to level 3 of the fair value hierarchy.

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

Financial instruments in the fair value hierarchy

30/06/2018				
	Listed market prices	Valuation methods based on market data	Valuation methods not based on market data	
CHF million	Level 1	Level 2	Level 3	Total
Equity instruments at FVtPL	44.6	–	3.8	48.4
Units in investment funds at FVtPL	388.3	10.1	–	398.4
Financial instruments from settlement business	277.2	–	–	277.2
Derivative financial instruments at FVtPL	–	145.0	21.8	166.8
Debt instruments at FVtPL	–	–	5.1	5.1
Financial assets at fair value	710.1	155.1	30.6	895.8
Bonds	297.6	–	–	297.6
Financial assets for which fair values are disclosed	297.6	–	–	297.6
Derivative financial instruments at FVtPL	–	–141.5	–21.8	–163.3
Financial liabilities at fair value	–	–141.5	–21.8	–163.3

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

Transfer 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 2018, there were no transfers from level 2 to level 1 (2017: CHF 14.7 million).

The transfer in 2017 was caused by increased trading frequency on the part of the investment fund. The market of the investment fund now meets the definition of an active market. There were no transfers into or out of level 3.

Changes in level 3 instruments

The following table shows the changes in level 3 financial assets:

CHF million	30/06/2018	31/12/2017
Carrying amount at the beginning of the year	51.1	40.7
Additions	1.4	3.5
Disposals	-2.2	-1.2
Reclassified as disposal groups and assets held for sale	-24.9	-
Change in forward contracts from clearing & settlement	3.8	-0.8
Losses recognized in the income statement	-0.2	-0.1
Gains recognized in the income statement	1.8	9.0
Translation adjustments	-0.1	-
Carrying amount at closing	30.6	51.1
Income on holdings at closing		
Unrealized losses recognized in the income statement	-0.1	-0.1
Unrealized gains recognized in the income statement	-	9.0

As at 30 June 2018, SIX had CHF 21.8 million (31 December 2017: CHF 17.9 million) of outstanding forward contracts from clearing and settlement activities in its capacity as a central counterparty in derivative trading of options in the course of fulfilling its task of matching buy and sell orders. As such, the positive fair values of

the outstanding option contracts equal the negative fair values. Accordingly, the increase in the fair value of the option contracts from clearing and settlement in derivative trading of CHF 3.8 million (31 December 2017: decrease of CHF 0.8 million) impacted neither profit or loss nor total comprehensive income.

12. Property, plant and equipment

During the six months ended 30 June 2018, the additions to property, plant and equipment totaled CHF 18.2 million (30 June 2017: CHF 32.3 million). Investments in property, plant and equipment primarily related to midrange and mainframe servers, payment terminals, leasehold improvements and the expansion of technical installations.

SIX disposed of items of property, plant and equipment with a net book value of CHF 1.2 million during the six months ended 30 June 2018 (30 June 2017:

CHF 1.2 million), resulting in a net loss on disposals of CHF 0.1 million (30 June 2017: net loss of: CHF 0.8 million), which has been included in other operating expenses in the interim consolidated income statement.

In addition, property, plant and equipment allocated to the cards business with a carrying amount of CHF 30.1 million was reclassified to disposal groups and assets held for sale. See Note 14 for further details.

13. 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 2018, there was no indication requiring an assessment of the recoverable amount of goodwill.

During the six months ended 30 June 2018, total goodwill decreased by CHF 169.7 million, as the goodwill that was allocated to the cards business was reclassified to disposal groups and assets held for sale. See Note 14 for further details.

Software and other intangible assets

Consistently with last 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 2018 was CHF 14.4 million (30 June 2017: CHF 14.9 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.

In addition, software and other intangible assets allocated to the cards business with a carrying amount of CHF 98.7 million were reclassified to disposal groups and assets held for sale. See Note 14 for further details.

14. Discontinued operations

On 15 May 2018, SIX and Worldline announced that they had signed a binding agreement to enter into a strategic partnership. 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 closed during the last quarter of 2018. At 30 June 2018, the cards business was classified as a disposal group held for sale and as discontinued operations. The cards business is included in the Cards operating segment (entire segment) and in Corporate & Others.

The results of discontinued operations for the period are presented below. Intercompany transactions between continuing and discontinued operations which

will continue to exist post-disposal have been eliminated against discontinued operations. In summary, total operating income (i.e. charges from SIX to discontinued operations) of CHF 33.4 million (30 June 2017: CHF 33.5 million) and operating expenses (i.e. charges from discontinued operations to SIX) of CHF 19.4 million (30 June 2017: CHF 22.9 million) related to continuing operations have been eliminated against discontinued operations. Accordingly, operating income and operating expenses totaled CHF 481.0 million (30 June 2017: CHF 423.0 million) and CHF 446.5 million (30 June 2017: CHF 379.5 million) prior intercompany elimination, respectively.

CHF million	For the six months ended 30 June	
	2018	2017
Total operating income	428.2	366.6
Personnel expenses	-86.2	-77.9
Other operating expenses	-298.0	-236.3
Depreciation, amortization and impairment	-9.5	-8.9
Total operating expenses	-393.7	-323.1
Operating profit	34.5	43.5
Financial income	6.8	0.5
Financial expenses	-4.5	-1.7
Earnings before interest and tax (EBIT)	36.8	42.3
Interest income	0.2	0.2
Interest expenses	-0.7	-0.2
Earnings before tax (EBT)	36.3	42.3
Income tax expenses	-10.4	-11.2
Profit for the period from discontinued operations, net of tax	25.9	31.0
Earnings per share (CHF)		
Basic profit for the period from discontinued operations	1.37	1.64
Diluted profit for the period from discontinued operations	1.37	1.64

The disposal group comprises the following assets, liabilities and cumulative expenses recognized in other comprehensive income:

CHF million	30/06/2018
	Cards
Cash and cash equivalents	260.6
Trade and other receivables	146.1
Receivables from clearing & settlement	742.1
Current financial assets	0.0
Inventories	18.2
Current income tax receivables	45.0
Other current assets	8.2
Property, plant and equipment	30.1
Intangible assets	268.3
Non-current financial assets	40.2
Other non-current assets	6.2
Deferred tax assets	0.6
Disposal groups and assets held for sale	1,565.5
Bank overdrafts	0.3
Trade and other payables	168.4
Payables from clearing & settlement	1,008.2
Current financial liabilities	2.9
Current provisions	19.7
Current contract liabilities	9.3
Current income tax payables	0.1
Other current liabilities	57.3
Non-current provisions	4.6
Other non-current liabilities	4.4
Deferred tax liabilities	27.0
Liabilities directly associated with disposal groups held for sale	1,302.2
Income (expenses) recognized in other comprehensive income that will not be reclassified to profit and loss	1.4
Income (expenses) recognized in other comprehensive income that will be reclassified to profit and loss	-2.0

The disposal group is measured at the lower of the carrying amount and fair value less costs to sell. SIX has not recognized any impairment with respect to the disposal group.

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

CHF million	For the six months ended 30 June	
	2018	2017
Cash flow from operating activities	25.5	110.0
Cash flow from investing activities	9.9	-6.4
Cash flow from financing activities	-7.3	-103.5
Net cash flows for the period	28.1	0.1

15. Provisions (current and non-current)

During the six months ended 30 June 2018, the provisions for restructuring related to the Financial Information business in France and to the Payment Services business in Switzerland decreased by CHF 7.8 million, mainly because of their utilization.

In addition, provisions decreased by CHF 24.3 million, as the provisions related to the cards business were re-classified to liabilities directly associated with disposal groups held for sale. See Note 14 for further details.

16. Dividends proposed and paid

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

CHF 132.4 million (2017: CHF 138.1 million), and this has been recorded against retained earnings as in the prior year.

17. Related party disclosures

SIX defines related parties as:

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

127 banks hold shares in SIX, but no bank holds more than 20% of the Group's total equity. The shares are widely distributed, i.e. no 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. Receivables from clearing & settlement due from related parties in the amount of CHF 14.9 million are collateralized (31 December 2017: CHF 8.9 million).

No provisions for doubtful debts (i.e. no lifetime expected credit losses according to stage 3 of the applied impairment model) related to the amounts owed by related parties were recorded as at 30 June 2018 or 31 December 2017.

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 2018, and for the respective prior-year period.

CHF million	For the six months ended 30 June 2018			
	Qualifying shareholders	Associates	Post-employment benefit plans	Total
Income statement				
Operating income	173.6	0.4	–	173.9
Other operating expenses	–0.9	–1.3	–	–2.3
Net interest income	–0.3	–	–	–0.3
Contributions	–	–	–26.1	–26.1

CHF million	30/06/2018			
	Qualifying shareholders	Associates	Post-employment benefit plans	Total
Balance sheet				
Cash and cash equivalents	167.7	363.3	–	531.1
Trade receivables/receivables from clearing & settlement	64.1	0.1	–	64.2
Trade payables/payables from clearing & settlement	1,715.5	0.1	0.1	1,715.6

CHF million	For the six months ended 30 June 2017			
	Qualifying shareholders	Associates	Post-employment benefit plans	Total
Income statement				
Operating income	172.7	0.1	-	172.8
Other operating expenses	-0.4	-0.4	-	-0.8
Net interest income	-1.2	-	-	-1.2
Contributions	-	-	-24.6	-24.6

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

18. Events after the balance sheet date

As at 31 August 2018, 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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