# Annual Report 2019

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six-group.com/annual-report

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

# Dear readers

SIX has changed within the past two years. We have streamlined our organization and realigned it from strategic and operational perspective to respond even better to changing customer needs. With the transfer of the cards business to Worldline in November 2018 our reported operating income dropped by almost half. In 2019, we generated a stable operating income at our continuing business units and, with continued cost discipline, recorded an increase in EBITDA of 4.4%. This is a solid performance in a difficult environment.

In the years to come, we want to keep growing and improving our operational efficiency. In times of fast-paced technological revolution, new competition and sinking margins, investments both in our existing infrastructure as well as in visionary services such as the SIX Digital Exchange are becoming more and more indispensable. Innovation capacity and expertise in terms of blockchain and digital assets constitute an essential part of the value proposition of a modern financial market infrastructure. Moreover, in November 2019 we announced our intention to make an all-cash voluntary tender offer for the Spanish stock exchange and financial market infrastructure group Bolsas y Mercados Españoles ("BME"). As a globally prominent infrastructure group, the two companies would enhance their growth opportunities and increase their investment capacity and strategic flexibility.

One of our core tasks is to maintain the competitiveness of our customers with our high-performance infrastructure and provide them with optimal access to international capital markets. Consequently, market access is the fundamental requirement for our economic success. The EU decision not to grant equivalence and the resulting ordinance adopted by the Federal Council to strengthen the Swiss capital market constituted a turning point for SIX in the previous year. However, efficient open markets and legal certainty remain to be of top priority and importance for us.

"Those who want to shape the change must change themselves."

**Dr Romeo Lacher,**
Chairman of the
Board of Directors of SIX

Challenges are becoming increasingly complex and innovation cycles are becoming shorter. The new SIX is ready. However, to reach our full potential, we need even more. Courage, open mind, entrepreneurial spirit. The cultural transformation of our organization could already be clearly noticed in 2019. It will become even more evident in the years to come.

We have initiated the transformation. Now it is the time to drive it forward.

We would like to thank all employees for their hard work and our customers and shareholders for the loyalty and trust they have placed in us.

Dr Romeo Lacher

Jos Dijsselhof

→ Dr Romeo Lacher was a member of the Board of Directors from 1 January 2008 until 15 March 2020 and a Chairman from 2017. He will be succeeded by Thomas Wellauer who will take over the chairmanship from 15 March 2020.

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# GROUP REPORT

# SIX Continues to Invest and Lays the Foundations for Further Growth

In 2019, SIX generated an operating income of CHF 1.13 billion (+1.2%). In spite of substantial investments in technology and infrastructure, it achieved earnings before interest, tax, depreciation and amortization (EBITDA) of CHF 213.5 million (+4.4%) due to operating efficiency improvements. EBIT and profit rose, also due to the positive contribution of the stake in Worldline.

In the financial year 2019, SIX continued to show a solid performance and generated an operating income of CHF 1.13 billion. Due to the carve-out of the cards business this operating income is approximately half as high as in the previous year. However, comparing the operating income from continuing operations, the year-on-year increase was 1.2%.

SIX was therefore demonstrably successful in compensating for the price reductions granted in all business units in 2018. This is largely attributed to higher volumes in the securities business and the growth of the Banking Services → business unit. Furthermore, SIX improved its operating efficiency in all business units. In 2019, the securities business was characterized by high levels of trading activity on the world's financial markets and the EU's decision on equivalence. Combined with the contingency measure of the Swiss Federal Council, the latter resulted in a nearly complete consolidation of trading in Swiss shares at SIX. The growth of the Banking Services business unit was accelerated by the complete takeover of the Swiss Euro Clearing Bank (SECB), among other things.

Stable operating income and operating efficiency improvements brought SIX sufficient funds for investments in innovative technologies and its infrastructure. Operating costs rose slightly compared to the previous year (+0.5%). However, this was driven by significant expenses incurred for regulatory projects and substantial investments as part of the company's realignment launched in 2018. SIX further developed the business units Innovation & Digital and Banking Services, for example, and continued to drive development of the SIX Digital Exchange "SDX" infrastructure based on distributed ledger technology.

The earnings before interest, tax, depreciation and amortization (EBITDA) amounted to CHF 213.5 million, and thus was slightly higher than in the previous year (+4.4%). High investment costs will require intensified growth and further efficiency improvements in the next few years.

Stable operating income combined with operating efficiency improvements led to an increase in EBITDA of 4.4%.

→ Contribution of individual business units to the operating result can be found on page 10 onward.

In November 2019, SIX announced its intention to make an all-cash voluntary tender offer for the Spanish stock exchange and financial market infrastructure group Bolsas y Mercados Españoles (“BME”) to create the third largest European financial market infrastructure. As a globally prominent infrastructure group, the two companies would enhance their growth opportunities and increase their respective investment capacity and also strategic flexibility.

**Stake in Worldline Strengthens Profit**

The non-operating result was impacted by various accounting effects and transactions in connection with the stake of SIX in Worldline in 2019. In line with its strategic realignment, SIX brought its existing cards business into a strategic partnership with Worldline in 2018 and respectively obtained 27% of shares in this company along with a cash component of CHF 338 million.

The stake in Worldline contributed significantly to the positive contribution of the share in profit or loss of associates in the financial year 2019. The net financial result was affected by the foreseeable write-down of the conditional cash compensation that was agreed on by the contractual parties as part of the original transaction.

This write-down was partly compensated by means of increased value of strategic liquidity invested and the positive effect of the equity collar transaction agreed on in October 2019. Since the equity collar transaction, SIX now accounts for around one-fifth of the stake and for the equity collar at fair value. The remaining part of the stake is still accounted for using the equity method, which is why the positive share price development of this part of the stake is not reflected in the income statement. →

The bottom line non-operating result was outweighed by the positive con- >

→ From May 2018 until the end of the reporting year 2019, the fair value of the Worldline share has risen from EUR 43.42 to EUR 63.15 (45.4%) . The increase in value of the entire participation of SIX in Worldline amounted to EUR 968 Mio.

## Overview of Key Figures

| CHF million | 2019 | 2018 | Change in % |
|---|---|---|---|
| Total operating income | 1,129.7 | 1,115.8 | 1.2% |
| Total operating expenses | –916.2 | –911.3 | 0.5% |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **213.5** | **204.5** | **4.4%** |
| Depreciation, amortization and impairment | –90.1 | –67.0 | 34.4% |
| Net financial result | –25.1 | 4.0 | n/a |
| Share of profit or loss of associates | 69.6 | –6.4 | n/a |
| **Earnings before interest and tax (EBIT)** | **168.0** | **135.0** | **24.4%** |
| Net interest and tax expenses | –47.5 | –40.0 | 18.6% |
| **Profit for the period from continuing operations** | **120.5** | **95.0** | **26.9%** |
| Group net profit | 120.5 | 2,882.7 | n/a |
| Workforce (full-time equivalents) | 2,593.4 | 2,474.0 | 4.8% |
| Total assets | 12,656.5 | 12,671.2 | –0.1% |
| Equity ratio (in %, average) | 87.6% | 81.9% | 5.7 pp |
| Return on equity (in %, average) | 2.4% | 5.1% | –2.7 pp |

tribution of the share in profit or loss of associates. SIX recorded an increase in earnings before interest and tax (EBIT) of 24.4% to CHF 168.0 million and an increase in profit of 26.9% to CHF 120.5 million. This comparison to the previous year pertains only to the profit from continuing operations, since the Group net profit of 2018 was affected by the one-off effect resulting from the sale of the cards business, and thus cannot be directly compared.

For 2019, the Board of Directors recommends that the Annual General Meeting approve an ordinary dividend of CHF 3.90 per share.

### Higher Volumes in the Securities Business

With CHF 506.3 million, the Securities & Exchanges business unit continued to contribute significantly to the operating income of SIX in 2019. In spite of considerable price reductions in securities trading and post-trading services, operating income was only slightly lower compared to the previous year (–1.4%). →

On the primary market, seven new companies were listed on the Swiss Stock Exchange in the reporting year, with a transaction volume of CHF 3.1 billion in total. Capital raised and listed through bonds amounted to CHF 77.6 billion, whereby 223 bonds with a volume of CHF 49.0 billion were issued via Deal Pool. This equates to 98.7% of all issues in the Swiss primary market for bonds that can be replicated via Deal Pool. Clearly, in 2019 this central electronic platform for issuing new bonds has established itself in Switzerland after only one year. Trading turnover on the Swiss Stock Exchange increased by 8.5% compared to the previous year. Firstly, it can be associated with continued favorable conditions on the global financial markets. Secondly, the EU decision not to extend equivalence as of July, connected with the contingency measure of the Swiss Federal Council, resulted in a nearly complete consolidation of trading in Swiss shares at SIX. The SMI exceeded the 10,000 point mark for the first time, and completed the reporting year with positive 26%, i.e. 10,616.9 points. This was in particular beneficial for the post-trade area. With a yearly average of CHF 3,414 billion the deposit volume was 5.3% higher than in the previous year. Moreover, the number of settlement transactions increased by 5.6%. In clearing, the number of transactions decreased due to low volatility in trading; however, the clearing business benefited from higher CCP settlement volumes and a more favorable interest rate environment.

### Growth Drivers of the Swiss Payments Business

The Banking Services business unit generated an operating income of CHF 187.5 million for SIX and thus showed the strongest growth rate in the reporting year (+19.9%). In the first quarter of 2019, SIX fully took over both SIX Interbank Clearing Ltd and the European correspondent bank SECB. The number of transactions in Swiss Interbank Clearing (SIC) and in European Interbank Clearing (EuroSIC) went up by 7.8% and 9.3%, respectively.

Due to the growing use of digital invoices, particular increase was reported in the volumes processed through eBill. At the end of November 2019, SIX opened the eBill

›

The trading turnover on the Swiss Stock Exchange increased by 8.5% compared to the previous year.

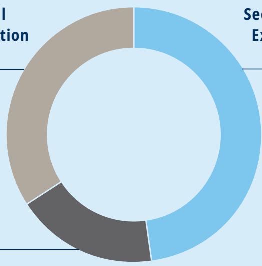
→ Monthly trading figures for the Swiss stock exchange published at **six-group.com/media**

Growing number of digital invoices: SIX recorded an increase in transactions through eBill by 13.8%.

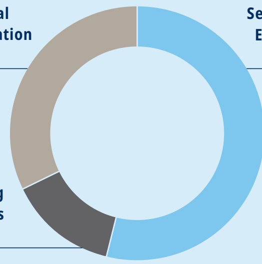
# Overview of Key Figures

**CHF 1,129.7 m**
**OPERATING INCOME**

**OPERATING INCOME**
Contributions of the business units



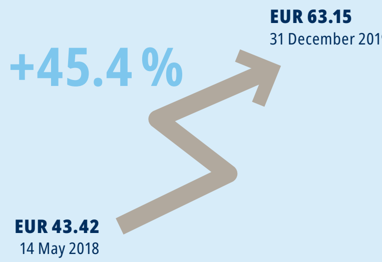

**PROFIT CONTRIBUTION**
Contributions of the business units




**CHF 213.5 m**
**EBITDA**

**CHF 120.5 m**
**GROUP NET PROFIT**

**PARTICIPATION IN WORLDLINE**
Increase in fair value of the Worldline share between May 2018 and the end of 2019




BUSINESS UNIT
**SECURITIES & EXCHANGES**

| | |
|---|---|
| **Operating income** (in CHF m) | **506.3** −1.4 % |
| **Profit contribution** (in CHF m) | **160.3** −16.8 % |
| **Stock exchange trading volume** (in CHF bn) | **1,477.0** +8.5 % |
| **Market share of trading in SLI stocks** (average) | **85.6 %** +15.3 pp |
| **Number of clearing transactions** (in 1,000) | **364,300** −20.5 % |
| **Number of settlement transactions** (in 1,000) | **40,983** +5.6 % |
| **Deposit volume** (yearly average, in CHF bn) | **3,414** +5.3 % |

BUSINESS UNIT
**FINANCIAL INFORMATION**

| | |
|---|---|
| **Operating income** (in CHF m) | **368.2** −7.3 % |
| **Profit contribution** (in CHF m) | **94.2** −13.0 % |
| **Number of financial instruments** (in m) | **29.7** −8.2 % |
| **Price updates per second** (average) | **138,292** +2.2 % |

BUSINESS UNIT
**BANKING SERVICES**

| | |
|---|---|
| **Operating income** (in CHF m) | **187.5** +19.9 % |
| **Profit contribution** (in CHF m) | **38.3** +1.3 % |
| **Number of eBill transactions** (in m) | **25.1** +13.8 % |
| **ATM- and card transactions processed** (in m) | **1,254.0** +7.4 % |
| **Number of SIC transactions** (in 1,000) | **658,262** +7.8 % |
| **Number of EuroSIC transactions** (in 1,000) | **10,212** +9.3 % |

**SDX**
a SIX company

**With SIX Digital Exchange SIX is building the world's first fully integrated digital stock exchange. In 2019, SDX launched the first operational prototype.**

BUSINESS UNIT
**INNOVATION & DIGITAL**

**5 Innovation fields**

- Banking Services & Platforms
- Security & Privacy
- Investment & Asset Services
- Data & Analytics
- Regulatory & Compliance

## SIX IS PRESENT IN 20 COUNTRIES

**Switzerland**
Zurich
Olten
Biel
Geneva

**Belgium**
Brussels

**Germany**
Frankfurt

**Denmark**
Copenhagen

**France**
Paris

**Ireland**
Dublin

**Italy**
Milan

**Luxembourg**

**Morocco**
Casablanca

**Monaco**

**Netherlands**
Amsterdam

**Norway**
Oslo

**Austria**
Vienna

**Poland**
Warsaw

**Singapore**

**Japan**
Tokyo

**Spain**
Madrid

**Sweden**
Stockholm

**UK**
London
Edinburgh

**USA**
New York
Stamford CT
Boston
San Francisco

## NUMBER OF EMPLOYEES OF SIX

as at 31 December 2019

**TOTAL** 2,710

**SWITZERLAND** 2,122

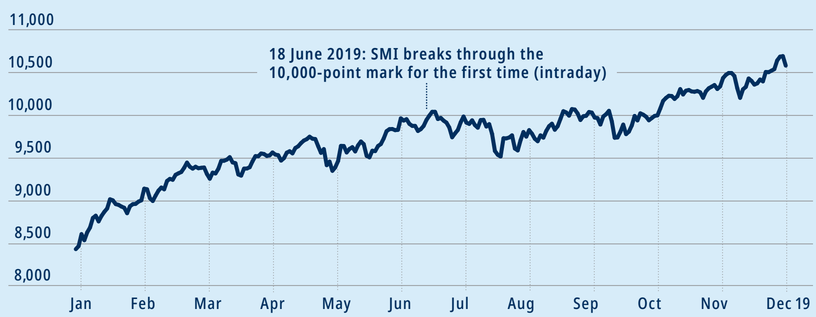
**EUROPE** 469

**NORTH AMERICA** 71

**ASIA** 37

**NORTH AFRICA** 11

## SMI END-OF-YEAR: 10,616.9 POINTS (+26% COMPARED TO PREVIOUS YEAR)



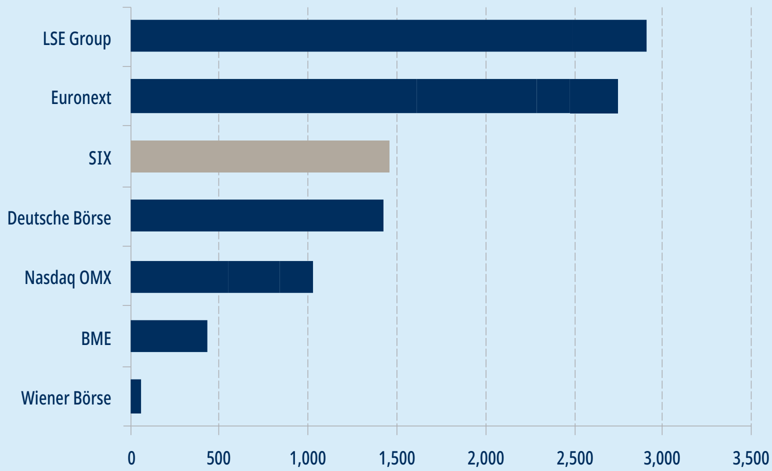

## REGULATORY DATA AND SERVICES

# >60

**European and global regulations are covered by the financial data of SIX.**

## FREE FLOAT MARKET CAPITALIZATION ON EUROPEAN EXCHANGES

as at 21 January 2020 / in EUR bn




## EBILL USER

as at 31 December 2019

# 1,272,233

## CAPITAL RAISE

on the Swiss Stock Exchange in 2019

# CHF 81.7 bn

**raised by companies on the Swiss capital market and listed on SIX.**

infrastructure to additional participants. By implementing the network partner model, SIX opened its eBill infrastructure to all interested entities providing solutions to invoice senders. This step is another contribution toward promoting competition and innovation in invoicing. Furthermore, the digitally readable QR-bill will drive the transformation to digital payment transactions in Switzerland from 30 June 2020 forward. SIX is using the time remaining prior to the nationwide introduction of QR-bill to prepare consumers and the financial center for the new → payment era.

One year after the carve-out of the cards business, SIX has already established positive cooperation with Worldline regarding payment cards, ATMs, and mobile payment processes (TWINT). The number of card transactions processed by SIX increased by 7.4%. In the second half of 2020, SIX will launch the new generation of debit cards in Switzerland with improved functionality and security, also in e-commerce. Moreover, SIX has migrated over 4,000 of envisaged 6,000 ATMs in Switzerland to the uniform software standard, which results in an increase in the transaction volume on the systems of SIX, and lays the foundations for further services such as monitoring and controlling of ATMs. On this basis, SIX will also implement a National Cash Scheme (NCS) in 2020 to unify cash transactions in Switzerland and provide ATM users with standardized functionalities.

In the financial year 2019, SIX also invested in the development of the open banking platform b.Link to be launched in the course of 2020. As the first step, financial institutions as well as software and service providers can exchange payment traffic data through standardized interfaces (API, Application Programming Interface) to provide their customers with innovative solutions based on account information and payments. Additional uses will be developed step by step after the launch.

**Strategic Importance of Data Business**

Financial information and data are an essential strategic driver of success and an innovation field for SIX. In 2019, the operating income within the Financial Information business unit was affected by reduced prices for reference data and corporate actions as well as FX effects on global sales revenues from market data and displays. At CHF 368.2 million, operating income was therefore 7.3% lower compared to the previous year.

Reference and market data make up over 80% of total revenues generated by the Financial Information business unit, which is why reduced income from this sector has a direct and material effect on operating income. SIX retains the high quality of its data and thus won the 2019 Inside Reference Data Award for “Best Corporate Actions” for the tenth year in a row.

Regulatory data and services as well as the index business continued to develop positively and show material growth. This is primarily driven by increasing demand for compliance and tax data. SIX continued the extension of its “SIX Flex” data delivery platform and has so far brought eight new data packages to the market, hence extending its offering for compliance with EU and international

Reference and market data make up over 80% of revenues generated in the Financial Information business unit.

→ Consumers find information on the QR-bill and the digitization of payment transactions online at **einfach-zahlen.ch/en/home.html**

Regulatory data and services of SIX are in demand worldwide.

regulatory requirements. SIX Flex allows customers to selectively access and consume data sets. The global demand for data services aimed at Anti-Money Laundering (AML) and Know Your Customer (KYC) compliance remains high, especially for the Sanctioned Securities Monitoring Service. In 2019, SIX entered distribution partnerships for this service that is now available on software platforms such as SimCorp, and marketplaces such as FactSet. Further, SIX has been working on a technology-based compliance service to standardize KYC processes and transaction monitoring.

**Innovation and Financial Technology**
The Innovation & Digital business unit coordinates innovation processes within SIX and focuses on five innovation fields with great potential for the financial industry: the previously mentioned regulatory and compliance services; banking services; investment and asset management services; data and analytics; and data security and privacy.

In 2019, SIX thus extended the offer of its Security Operations Center with Vulnerability Management, Digital Risk Monitoring, Incident Response Support, and Security Operations Center as a Service. The Cyber Security Report published by SIX showed the threat situation facing the Swiss financial sector, and the results were discussed in a meeting with over 220 subject matter experts. Furthermore, the innovation fields gave rise to a highly scalable, web-based platform for bond ratings and bond research reports – SIX Rating. The ratings are based on big data analyzed with the help of artificial intelligence. This allows for near real-time predictive ratings, faster time to market, and regular updates at lower cost.

By digitizing existing processes, SIX wants to provide its customers with efficiency gains and cost savings in the short to medium term. The long-term objective is to develop groundbreaking financial technology and infrastructure for the Swiss market.

Therefore SIX relies on scenario analyses – "Pictures of the Future" – among other things. In 2019, SIX prepared three such analyses: "Future of the Securities Value Chain", → "Future of Money", and "Future of Financial Information". The results are made available to the entire financial center in form of a white paper free of charge.

On 6 November, SIX opened its doors for the annual "Innovation Day". All business units and F10 FinTech Incubator & Accelerator start-ups presented their initiatives and projects to an audience consisting of internal and external attendees at the SIX headquarters in Zurich. SIX founded F10 in 2015 and is now a corporate member and the main sponsor. F10 exported its successful "Prototype to Product" program with a Swiss team to Singapore in 2019. Moreover, F10 opened a co-working space in Zurich with 60 working spaces for Fintech start-ups and organized hackathons in Zurich and Singapore as in previous years with the support from SIX.

To drive the transformation of financial markets, SIX not only invests in self-development, but also promotes targeted innovative ideas and Fintechs on the financial market, whether it be alone or in cooperation with its partners. Therefore, it

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With the "Innovation Homebase" in its main building, SIX has created an inspiring workplace in human-centered design.

→ "Future of Money": The whitepaper of SIX describes seven possible future scenarios for cash in physical and digital form. Download at: **six-group.com/research**

Since 2015, SIX has been promoting Fintechs and start-ups of the Swiss financial center.

manages the corporate venture fund → SIX FinTech Ventures to support start-ups during the early development stage, and invested in two more candidates in 2019. One year after being launched by SIX, the fund included four promising young companies in its portfolio: PXL Vision AG, Vestr AG, Tradeplus24 AG, and Value3.

**Progress in SIX Digital Exchange**

One of the most important and revolutionary innovation projects that SIX is involved in is the SIX Digital Exchange (SDX), announced one year ago. The project is progressing on schedule.

At the end of the third quarter 2019, the SDX introduced the first operational prototype of its digital stock exchange and central securities depository (CSD). It was operated in a test environment in cooperation with international banks. The prototype provides the first glimpse into the possible future of financial markets and proves that a CSD based on digital ledger technology (DLT) can be integrated with a stock exchange model including a central order book, thus guaranteeing fair market conditions.

With the Swiss National Bank (SNB) SIX is working on digital currencies. As part of a proof-of-concept, SIX is working with the SNB to explore technological options to make digital central bank money available for the trading and settlement of tokenized assets between financial market participants. The technological foundation for the feasibility is provided by SDX's distributed ledger technology.

Another milestone for SDX consisted in joining forces with leading players in the area of digital assets – the alliance of SDX with Swisscom, daura, Sygnum Bank, Custodigit, and MME forms an ecosystem to develop new products, business models, and sources of income related to digital assets.

**Outlook**

The infrastructure, expertise and network of SIX in the area of digital assets, blockchain, and distributed ledger technologies constitute an essential part of its value proposition. SIX strives for a balance between investments in its infrastructure and in the development of innovative financial technology. By means of targeted measures, SIX will drive its self-transformation and continue to improve its cost efficiency.

To implement its growth strategy, SIX also relies on non-organic growth. It has at its disposal a strong capital base, is classified "A+" by Standard & Poor's, and has sufficient financing options to carry out possible acquisitions. If Spanish supervisory authorities approve the intended all-cash voluntary tender offer by SIX for BME, it would bring economies of scale and efficiency advantages in terms of technology and securities services. Both would strengthen the international competitive position of SIX as financial market infrastructure operator and further boost its growth strategy.

It remains the mandate and core task of SIX to provide its owners and customers with highly reliable and efficient infrastructure services, to ensure optimal access to capital markets, and to support banks in their digital transformation. ■

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

SDX proves the expertise of SIX in the area of digital assets and DLT.

Stable and innovative – SIX is a strong partner in times of transformation.

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

**PURPOSE STATEMENT**

# We drive competitiveness of our customers in Swiss and international financial markets through superior services and innovation.

**STRATEGIC TARGET PICTURE 2023**

SIX has successfully implemented its strategy when the following targets have been reached by 2023:

SIX has orchestrated the reshaping and industrialization of the Swiss financial center through new innovative products and services.

SIX has modernized its infrastructure and runs best-in-class systems and services.

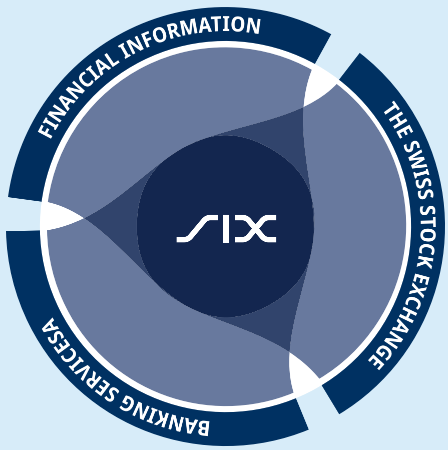
SIX has actively promoted and shaped the digital transformation of the Swiss financial center.

SIX has maintained and strengthened the access to its key markets and customers.

Innovation Stability

**KEY SUCCESS FACTOR**

Integral Structure of SIX




**THE SWISS STOCK EXCHANGE**

SIX is running one of Europe's leading listing and trading venues with a post trade powerhouse serving Swiss and international clients. We are becoming the worldwide leading marketplace for digital assets.

**BANKING SERVICES**

SIX offers leading payment and other banking services. We provide thought leadership and innovation initiatives to the Swiss payments sector in order to foster banks' and other business models.

**FINANCIAL INFORMATION**

SIX is a global data provider with a leading position in regulatory and compliance services, pursuing a growth strategy in selected major markets.

# We Drive the Transformation of Financial Markets

The global financial industry is transforming. SIX is actively driving the transformation and thus strengthening the competitiveness of the entire Swiss financial center.

New technologies, big data, disruptive business models – digitization transforms the financial markets of the world. The needs of customers have changed, and service providers from outside the industry are becoming competitors. Political and regulatory developments add to complexity. In such a highly dynamic environment, it is crucial to actively strengthen the competitiveness of the Swiss financial center and the banks operating within its framework. As a central financial market infrastructure provider, SIX plays a key role here. Our customers and shareholders are facing new challenges while at the same time new opportunities are opening up for them. In response to these developments, SIX carried out a strategic realignment in the financial year 2018. SIX pursues a strategy in line with the entire value chain of Swiss banking. In doing so, SIX focuses on infrastructure services in securities business, preparing and providing data and financial information as well as banking and payment services.

The strategic target picture reflects the balance of stability and innovation that SIX aims for. It is as essential to develop innovative financial technology as it is to modernize and continue developing the existing infrastructure. The efficiency, security and stability of the latter is essential for the Swiss financial center.

The integral structures of SIX are one of the strategic drivers of success. Although each business unit sets its own strategic goals in its respective area of responsibility, innovative and value adding solutions are developed particularly when these business units connect and collaborate. Thus, the Innovation & Digital business unit acts as a facilitator dealing with technologies and developments relevant for the future and bringing together all the activities undertaken by SIX in this area. This allows SIX to strengthen not only its own innovation capacity, but also the capacity of the Swiss financial center as a whole.

As a profit-oriented company, SIX aims not only at completing its task as a financial market infrastructure provider, but also at generating sustainable profit. The profit allocation involves investments in existing and new products and services, a competitive pricing policy and sustainable dividend distribution. To continue improving its own efficiency and fulfill its mandate in an increasingly competitive environment in the long run, SIX intends to grow both organically and through acquisitions. ■

Stable infrastructure and innovative financial technology: SIX can do both.

# CORPORATE GOVERNANCE

# Management Structure and Shareholders

SIX Group Ltd (SIX) is an unlisted public limited company based in Zurich.

**Shareholders and → Equity Structure**
SIX is owned by 122 domestic and international financial institutions, which are also the main users of its services. The shares are widely distributed, i.e. no single owner or bank category has an absolute majority. All shareholders are bound by a shareholders' agreement.

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

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

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

→ Equity structure of 31 December 2019

Ordinary share capital

CHF 19,521,905

Registered shares (par value CHF 1.00)

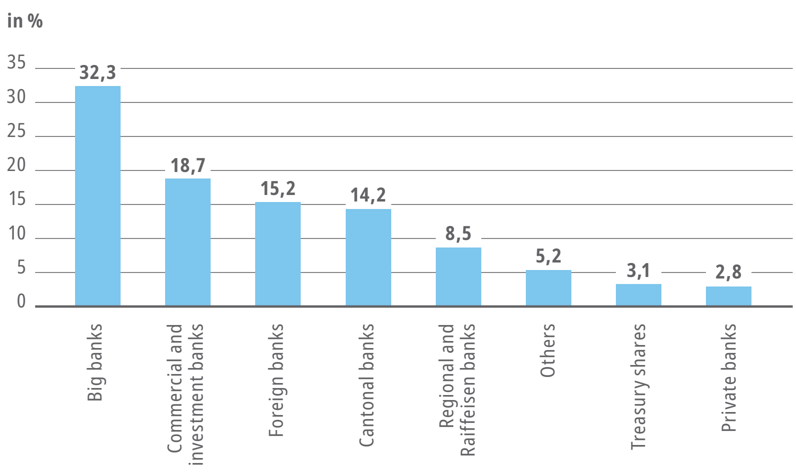
19,521,905

Security number

3768228

→ More information on the corporate governance of SIX at **six-group.com**

**Ownership Structure of SIX**



# Internal Organization and Competency Rules

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

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

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

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

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

**Audit Committee (AC)**

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

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

**Nomination & Compensation Committee (NCC)**

The NCC consists of three to four non-executive members of the Board of Directors. The activities of the NCC are stipulated by the law, the articles of association, the rules

→ Members of the Board of Directors and composition of the committees on page 23.

→ Members of the Executive Board and organizational chart from page 24.

of organization (including the competency rules) and the regulations of the NCC.

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

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

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

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

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

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

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

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

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

**Remuneration**
At the request of the Nomination & Compensation Committee, the Board of Directors defines remuneration guidelines. The Chairman and members of the Board of Directors receive a fixed salary. The members of the Executive Board receive a fixed basic salary as well as variable remuneration in the form of a cash payment. The latter is dependent on company revenue, targets met according to the Key Performance Indicators and individual performance. In order to gear corporate governance to longer-term objectives and make it more sustainable, part of the variable remuneration of Executive Board members takes the form of a long-term incentive plan, which pays out after three years (cliff ›

vesting), provided that the predefined quantitative and qualitative objectives have been met. This ensures that the interests of the owners and the Executive Board are aligned over an extended period.

In the year under review, seven members of the Executive Board and twelve members of the Board of Directors were paid a total of CHF 12.58 million.
This includes those members of the Board of Directors or the Executive Board who either left or joined during the course of the financial year. Along with the basic and variable remuneration, the amount also covers payments or benefits in kind that are standard in the industry. Social benefits are not included in the amount. SIX does not grant loans of any kind to its employees or corporate bodies.

### Auditors

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

### Remuneration of the Auditors

| CHF | 2019 |
|---|---|
| Auditing services Ernst & Young | 1,839,400 |
| Audit related services | 731,018 |
| Advisory services | 202,346 |
| **Total** | **2,772,764** |

### Information Policy

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

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

# Board of Directors at 31 December 2019

**AUDIT COMMITTEE**

- **Dr Jürg Bühlmann** Chair
- **Lorenz von Habsburg Lothringen**
- **Stefan Helfenstein**

**NOMINATION & COMPENSATION COMMITTEE**

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

**RISK COMMITTEE**

- **Søren Mose** Chair
- **Shannon Thyme Klinger**
- **Dr Thomas P. Gottstein**

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

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

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

**Dr Thomas P. Gottstein**
Swiss citizen, member of the Board since 11 December 2019, elected until 2020.

**Dr Jürg Gutzwiller**
Swiss citizen, member of the Board since 11 December 2019, elected until 2020.

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

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

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

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

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

→ Dr Romeo Lacher was a member of the Board of Directors from 1 January 2008 until 15 March 2020 and a Chairman from 2017. He will be succeeded by Thomas Wellauer who will take over the chairmanship from 15 March 2020.

→ Changes to the Board of Directors in 2019: At the Annual General Meeting in May, Dr Jürg Gutzwiller and Pierre-Olivier Bouée were elected. Pierre-Olivier Bouée had succeeded Urs Beeler, but resigned in December 2019 and was replaced by Dr Thomas Gottstein.

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

# Executive Board

**Members of the (extended) Executive Board at 31 December 2019.**
Front row (from left to right): Susanne Berger, Jos Dijsselhof, Christoph Landis. Middle row (from left to right): Dr. Jochen Dürr, Marco Menotti, Robert Jeanbart, Dr Alain Bichsel. Upper row (from left to right): Thomas Zeeb, Daniel Schmucki, Daniel Dahinden.

## Executive Board at 31 December 2019

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

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

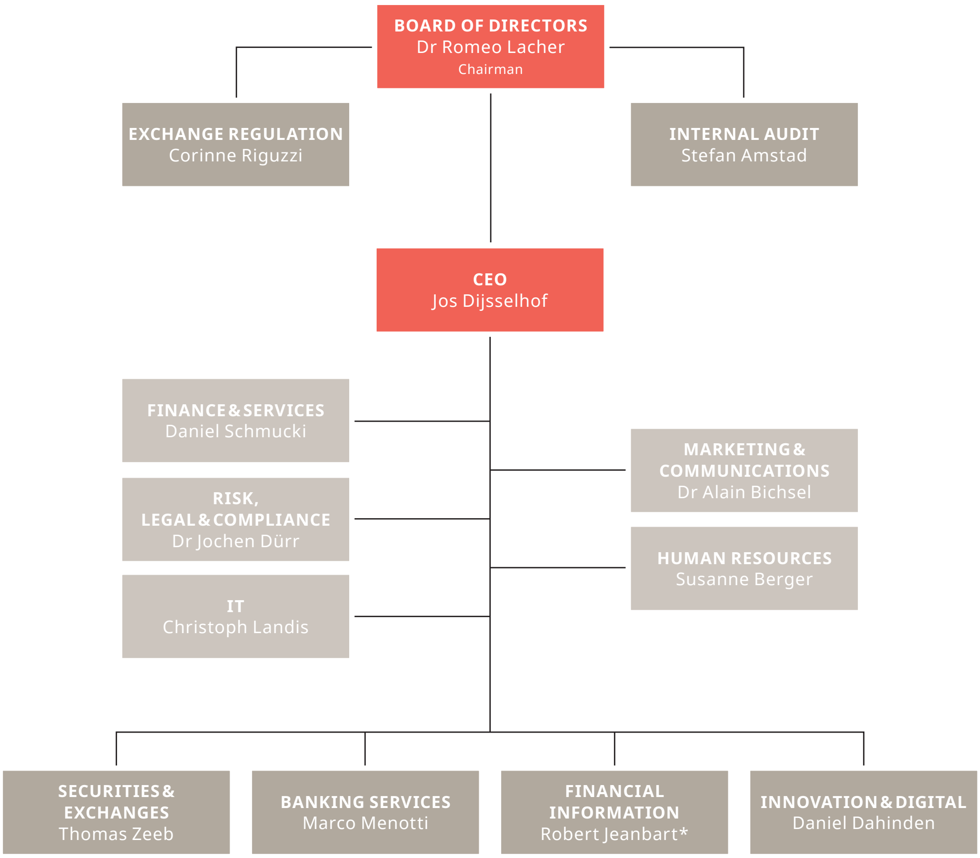
**Dr Jochen Dürr**
Chief Risk Officer
German citizen, member of the Board since 1 March 2018.

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

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

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

**Robert Jeanbart***
Head Financial Information
Swiss citizen, member of the Board from 16 May 2014 until 31 December 2019. ■




## Extended Executive Board

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

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

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

→ *Robert Jeanbart had been Head Financial Information and member of the Executive Board until his retirement on 31 December 2019. He is succeeded by Marion Leslie who has taken on the role as Head Financial Information in January 2020.

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

# FINANCIAL STATEMENTS

# SIX Key Figures

| CHF million | 2019 | 2018 | Change in % |
|---|---|---|---|
| **Income statement** | | | |
| Total operating income | 1,129.7 | 1,115.8 | 1.2% |
| Total operating expenses | –916.2 | –911.3 | 0.5% |
| Earnings before interest, tax, depreciation and amortization (EBITDA) | 213.5 | 204.5 | 4.4% |
| Depreciation, amortization and impairment | –90.1 | –67.0 | 34.4% |
| Net financial result | –25.1 | 4.0 | n/a |
| Share of profit or loss of associates | 69.6 | –6.4 | n/a |
| Earnings before interest and tax (EBIT) | 168.0 | 135.0 | 24.4% |
| Net interest and tax expenses | –47.5 | –40.0 | 18.6% |
| Profit for the period from continuing operations | 120.5 | 95.0 | 26.9% |
| Group net profit | 120.5 | 2,882.7 | n/a |
| **Cash flow statement** | | | |
| Cash flow from operating activities | –994.6 | 1,292.1 | n/a |
| Cash flow from investing activities | –205.4 | –63.6 | n/a |
| Cash flow from financing activities | –439.6 | –133.7 | n/a |
| **Balance sheet as at 31/12** | | | |
| Total assets | 12,656.5 | 12,671.2 | –0.1% |
| Total liabilities | 7,825.1 | 7,298.2 | 7.2% |
| Total equity | 4,831.4 | 5,373.0 | –10.1% |
| Equity ratio (in %, average) [1] | 87.6% | 81.9% | 5.7 pp |
| Return on equity (in %, average) [2] | 2.4% | 5.1% | –2.7 pp |
| **Shareholders' key figures** | | | |
| Earnings per share (in CHF) | 6.37 | 152.36 | n/a |
| Earnings per share from continuing operations (in CHF) | 6.37 | 4.97 | 28.0% |
| Ordinary dividend paid per share (in CHF) | 3.90 | 4.10 | –4.9% |
| Payout ratio (in %) | 63.2% | 50.1% | 26.1% |
| Extraordinary dividend paid per share (in CHF) | – | 17.30 | n/a |
| **Operating key figures** | | | |
| Workforce as at 31/12 (full-time equivalents) | 2,593.4 | 2,474.0 | 4.8% |
| Workforce as at 31/12 (headcount) | 2,710 | 2,594 | 4.5% |
| Stock exchange trading turnover (in CHF billions) | 1,477.0 | 1,361.3 | 8.5% |
| Market share of trading in SLI stocks (in %, average) | 85.6% | 70.8% | 20.9% |
| Deposit volume (in CHF billions, average) | 3,414.0 | 3,243.2 | 5.3% |
| Number of SIC transactions (in 1,000s) | 658,262 | 610,486 | 7.8% |
| Number of financial instruments (business unit Financial Information) (in millions) | 29.7 | 32.4 | –8.2% |

[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. Return on equity 2018 adjusted for gain from disposal of cards business.

# Table of Contents

# SIX Consolidated Financial Statements 2019

# Full-Year Report of SIX as at 31 December 2019

For a description of the 2019 results refer to pages 8 to 15.

## Balance sheet as of 31 December 2019

As at 31 December 2019, total assets stood at CHF 12,656.5 million, a decrease of CHF 14.7 million compared to 31 December 2018. Liabilities amounted to CHF 7,825.1 million as at the balance sheet date, an increase of CHF 526.9 million. These changes were significantly impacted by the full acquisition of Swiss Euro Clearing Bank GmbH (SECB), which had a material effect on the following positions: current financial assets (CHF +125.1 million), non-current financial assets (CHF +1,829.1 million) and payables from clearing & settlement (CHF +1,591.0 million).

Aside from this, there was a decrease in current assets (CHF –1,780.9 million), which was mainly due to ordinary movements in giro balances with the Swiss National Bank (SNB) and clearing houses approved by the SNB or central banks (CHF –1,694.6 million) and financial instruments from settlement business included in financial assets (CHF –179,9 million) as well as receivables from clearing & settlement. The increase in non-current assets (CHF +1,766.2 million) is mostly related to the increase in property, plant and equipment (CHF +147.2 million), primarily due to the adoption of IFRS 16 Leases with effect from 1 January 2019 (For further details, see note 2).

The movements in current liabilities (CHF +343.2 million) result mainly form the full acquisition of SECB, as mentioned above, and to ordinary movements in payables from clearing & settlement (post-trading: CHF –1,280.4 million; banking services: CHF +81.3 million without the impact of SECB). The increase in non-current liabilities (CHF +183.8 million) is mostly due to an increase in non-current financial liabilities, which is also partially linked to the adoption of IFRS 16 Leases mentioned above.

Equity decreased by CHF 541.6 million to CHF 4,831.4 million during the reporting period. This decrease was mainly driven by the dividends paid (CHF –405.8 million), by the share of other changes in equity of associates (CHF –224.1 million) and by the total comprehensive income of 2019 (CHF +103.9 million).

# Consolidated Income Statement

| CHF million | Notes* | 2019 | 2018 restated[1] |
|---|---|---|---|
| Transaction revenues | | 524.0 | 520.0 |
| Service revenues | | 539.6 | 544.3 |
| Net interest income from interest margin business | 6 | 53.1 | 34.1 |
| Other operating income | | 13.1 | 17.5 |
| **Total operating income** | **5** | **1,129.7** | **1,115.8** |
| Employee benefit expenses | 7, 35 | –473.0 | –470.9 |
| Other operating expenses | 8 | –443.2 | –440.5 |
| **Total operating expenses** | | **–916.2** | **–911.3** |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | | **213.5** | **204.5** |
| Depreciation, amortization and impairment | 20, 21 | –90.1 | –67.0 |
| **Operating profit** | | **123.5** | **137.5** |
| Financial income | 9 | 233.3 | 37.9 |
| Financial expenses | 9 | –258.4 | –33.9 |
| Share of profit or loss of associates | 30 | 69.6 | –6.4 |
| **Earnings before interest and tax (EBIT)** | | **168.0** | **135.0** |
| Interest income | 10 | 3.5 | 3.7 |
| Interest expenses | 10 | –11.1 | –6.3 |
| **Earnings before tax (EBT)** | | **160.3** | **132.3** |
| Income tax expenses | 12 | –39.8 | –37.4 |
| **Profit for the period from continuing operations** | | **120.5** | **95.0** |
| Profit for the period from discontinued operations, net of tax | 18 | – | 2,787.7 |
| **Group net profit** | | **120.5** | **2,882.7** |
| *of which attributable to shareholders of SIX Group Ltd* | | *120.4* | *2,881.8* |
| *of which attributable to non-controlling interests* | | *0.1* | *0.9* |
| **Earnings per share (CHF)** | | | |
| Basic profit for the period attributable to shareholders of SIX Group Ltd | 11 | 6.37 | 152.36 |
| Diluted profit for the period attributable to shareholders of SIX Group Ltd | | 6.37 | 152.36 |
| **Earnings per share (CHF) – continuing operations** | | | |
| Basic profit for the period from continuing operations attributable to shareholders of SIX Group Ltd | 11 | 6.37 | 4.97 |
| Diluted profit for the period from continuing operations attributable to shareholders of SIX Group Ltd | | 6.37 | 4.97 |

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

[1] The presentation of the consolidated income statement has been voluntarily changed. The prior year's figures have been restated accordingly. See note 2 (under 2.3.1 "Voluntary change in presentation of the consolidated income statement") for further information.

# Consolidated Statement of Comprehensive Income

| CHF million | Notes | 2019 | 2018 |
|---|---|---|---|
| **Group net profit** | | **120.5** | **2,882.7** |
| Change in actuarial gains/(losses) on defined benefit plans recognized in the reporting period | 35 | 57.5 | –37.3 |
| Income taxes on changes in actuarial gains/(losses) on defined benefit plans | 13 | –10.7 | 7.9 |
| Share of other comprehensive income of associates | | –3.3 | – |
| **Total items that will not be reclassified to income statement** | | **43.4** | **–29.5** |
| Translation adjustment of foreign operations recognized in the reporting period | | –7.8 | –5.9 |
| Accumulated translation adjustments of foreign operations reclassified to income statement | | – | 11.2 |
| Translation adjustment of associates recognized in the reporting period | | –92.2 | – |
| Accumulated translation adjustments of associates reclassified to income statement | | 23.5 | – |
| Share of other comprehensive income of associates | | 20.3 | –22.6 |
| Accumulated share of other comprehensive income of associates reclassified to income statement | | –3.8 | – |
| **Total items that are or may subsequently be reclassified to income statement** | | **–60.0** | **–17.4** |
| **Total other comprehensive income, net of tax** | | **–16.6** | **–46.9** |
| **Total comprehensive income for the period** | | **103.9** | **2,835.8** |
| *of which attributable to shareholders of SIX Group Ltd* | | *103.8* | *2,835.0* |
| *of which attributable to non-controlling interests* | | *0.1* | *0.8* |

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

# Consolidated Balance Sheet

| CHF million | Notes* | 31/12/2019 | 31/12/2018 restated[1] |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 14 | 3,805.2 | 5,496.9 |
| Trade and other receivables | 15 | 141.5 | 130.6 |
| Receivables from clearing & settlement | 16 | 2,695.8 | 2,699.6 |
| Financial assets | 17, 27, 28 | 709.5 | 823.8 |
| Current income tax receivables | 12 | 24.4 | 23.7 |
| Other current assets | 19 | 113.5 | 96.1 |
| **Current assets** | | **7,489.8** | **9,270.7** |
| Property, plant and equipment | 20 | 390.3 | 243.1 |
| Intangible assets | 21 | 133.5 | 116.0 |
| Investments in associates | 30 | 1,959.5 | 2,656.1 |
| Financial assets | 17, 27, 28 | 2,654.7 | 354.0 |
| Other non-current assets | 19 | 22.0 | 16.6 |
| Deferred tax assets | 13 | 6.8 | 14.6 |
| **Non-current assets** | | **5,166.7** | **3,400.5** |
| **Total assets** | | **12,656.5** | **12,671.2** |
| **Liabilities** | | | |
| Bank overdrafts | 14 | 0.7 | – |
| Trade and other payables | | 24.4 | 25.2 |
| Payables from clearing & settlement | 16 | 7,117.3 | 6,725.4 |
| Financial liabilities | 17, 27, 28 | 75.8 | 110.1 |
| Provisions | 24 | 1.5 | 5.0 |
| Contract liabilities | 5 | 23.8 | 29.0 |
| Current income tax payables | 12 | 27.2 | 27.5 |
| Other current liabilities | 25 | 202.0 | 207.2 |
| **Current liabilities** | | **7,472.5** | **7,129.4** |
| Financial liabilities | 17, 27, 28 | 247.4 | – |
| Provisions | 24 | 12.5 | 14.0 |
| Contract liabilities | 5 | 40.4 | 50.4 |
| Other non-current liabilities | 25 | 27.9 | 77.1 |
| Deferred tax liabilities | 13 | 24.3 | 27.3 |
| **Non-current liabilities** | | **352.6** | **168.8** |
| **Total liabilities** | | **7,825.1** | **7,298.2** |
| **Equity** | | | |
| Share capital | | 19.5 | 19.5 |
| Capital reserves | | 234.1 | 234.1 |
| Other reserves | | –130.5 | –54.0 |
| Retained earnings | | 4,707.3 | 5,163.9 |
| **Shareholders' equity** | **23** | **4,830.4** | **5,363.5** |
| Non-controlling interests | 30 | 1.0 | 9.5 |
| **Total equity** | | **4,831.4** | **5,373.0** |
| **Total liabilities and equity** | | **12,656.5** | **12,671.2** |

* The accompanying notes are an integral part of the consolidated financial statements.
1 See note 2 (under 2.3.2 "Change in existing accounting policies – listing fees") for further information on the restatement.

# Consolidated Statement of Changes in Equity

| CHF million | Notes | 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 [1] | | | | |
| **Adjusted balance at 1 January 2019** | | **19.5** | **234.1** | **–54.0** |
| Group net profit | | | | |
| Total other comprehensive income | | | | –76.5 |
| **Total comprehensive income for the year** | | | | **–76.5** |
| Dividends paid | 22 | | | |
| Share of other changes in equity of associates | 30 | | | |
| Acquisition of non-controlling interests | 30 | | | |
| **Balance at 31 December 2019** | | **19.5** | **234.1** | **–130.5** |

| CHF million | Notes | Share capital | Capital reserves | Other reserves |
|---|---|---|---|---|
| **Balance at 1 January 2018** | | **19.5** | **234.1** | **–36.6** |
| Changes in existing accounting policies (restatement) [2] | | | | |
| **Adjusted balance at 1 January 2018** | | **19.5** | **234.1** | **–36.6** |
| Group net profit | | | | |
| Total other comprehensive income | | | | –17.4 |
| **Total comprehensive income for the year** | | | | **–17.4** |
| Dividends paid | 22 | | | |
| **Balance at 31 December 2018** | | **19.5** | **234.1** | **–54.0** |

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

[1] See note 2 (under 2.3.3 "IFRS 16 Leases") for further information on the changes in accounting policies.

[2] See note 2 (under 2.3.2 "Change in existing accounting policies – listing fees") for further information on the restatement.

| Other reserves | | | | | |
|---|---|---|---|---|---|
| Treasury shares | Translation reserves | **Retained earnings** | **Shareholders' equity** | **Non-controlling interests** | **Total equity** |
| | | | | | |
| **–23.3** | **–30.7** | **5,163.9** | **5,363.5** | **9.5** | **5,373.0** |
| | | –3.8 | –3.8 | | –3.8 |
| **–23.3** | **–30.7** | **5,160.1** | **5,359.7** | **9.5** | **5,369.3** |
| | | 120.4 | 120.4 | 0.1 | 120.5 |
| | –76.5 | 59.9 | –16.6 | –0.0 | –16.6 |
| | **–76.5** | **180.3** | **103.8** | **0.1** | **103.9** |
| | | –404.8 | –404.8 | –1.0 | –405.8 |
| | | –224.1 | –224.1 | | –224.1 |
| | | –4.3 | –4.3 | –7.6 | –11.9 |
| **–23.3** | **–107.2** | **4,707.3** | **4,830.4** | **1.0** | **4,831.4** |

| Other reserves | | | | | |
|---|---|---|---|---|---|
| Treasury shares | Translation reserves | **Retained earnings** | **Shareholders' equity** | **Non-controlling interests** | **Total equity** |
| | | | | | |
| **–23.3** | **–13.3** | **2,455.8** | **2,672.8** | **9.9** | **2,682.7** |
| | | –12.0 | –12.0 | | –12.0 |
| **–23.3** | **–13.3** | **2,443.8** | **2,660.8** | **9.9** | **2,670.7** |
| | | 2,881.8 | 2,881.8 | 0.9 | 2,882.7 |
| | –17.4 | –29.3 | –46.7 | –0.2 | –46.9 |
| | **–17.4** | **2,852.4** | **2,835.0** | **0.8** | **2,835.8** |
| | | –132.4 | –132.4 | –1.1 | –133.5 |
| **–23.3** | **–30.7** | **5,163.9** | **5,363.5** | **9.5** | **5,373.0** |

# Consolidated Statement of Cash Flows

| CHF million | Notes* | 2019 | 2018 |
|---|---|---|---|
| Group net profit (incl. non-controlling interests) | | 120.5 | 2,882.7 |
| Adjustments for: | | | |
| Depreciation, amortization and impairment | 20, 21 | 90.1 | 76.9 |
| Increase/(decrease) in provisions | | –4.8 | –23.8 |
| Increase/(decrease) in pension fund assets and liabilities | | 7.6 | 13.5 |
| Share of profit or loss of associates | 30 | –69.6 | 6.4 |
| Net financial result | | 80.9 | –2,683.3 |
| (Gain)/loss on sale of property, plant, equipment and intangible assets | | –0.1 | 2.0 |
| Income tax expense | 12 | 39.8 | 61.0 |
| Changes in: | | | |
| Inventories | | – | –0.5 |
| Trade and other receivables | | –11.5 | 36.5 |
| Trade and other payables | | –0.7 | –122.7 |
| Receivables from clearing & settlement | | 4.7 | 230.8 |
| Payables from clearing & settlement | | –1,279.9 | 619.6 |
| Financial assets | | 127.4 | –52.4 |
| Financial liabilities | | 4.4 | 160.9 |
| Other assets | | –9.7 | 45.2 |
| Other liabilities | | –15.2 | 95.8 |
| Contract liabilities | | –14.0 | 36.4 |
| Interest paid | | –10.7 | –6.4 |
| Interest received | | 3.4 | 4.0 |
| Income tax (paid)/received | 12 | –57.1 | –90.6 |
| **Net cash flow from/(used in) operating activities** | | **–994.6** | **1,292.1** |
| Investments in subsidiaries (net of cash acquired) | 31 | –172.3 | – |
| Investments in associates | | –2.4 | –37.1 |
| Disposal of subsidiaries and associates (net of cash disposed) | | – | 20.0 |
| Purchase of property, plant, equipment and intangible assets | | –74.0 | –73.6 |
| Sale proceeds from property, plant, equipment and intangible assets | | 0.3 | 0.9 |
| Investments in financial assets | | –6.7 | –7.1 |
| Divestments of financial assets | | 43.3 | 22.0 |
| Investments in other assets | | – | –0.6 |
| Divestments of other assets | | – | 3.0 |
| Dividends received and other financial income | | 6.5 | 8.7 |
| **Net cash flow from/(used in) investing activities** | | **–205.4** | **–63.6** |
| Payment of financial liabilities | | –9.9 | – |
| Payment of lease liabilities [1] | | –12.0 | – |
| Net change in other liabilities | | – | –0.2 |
| Acquisition of non-controlling interests | 30 | –11.9 | – |
| Dividends paid to shareholders of the parent company | 22 | –404.8 | –132.4 |
| Dividends paid to non-controlling interests | | –1.0 | –1.1 |
| **Net cash flow from/(used in) financing activities** | | **–439.6** | **–133.7** |
| Net impact of foreign exchange rate differences on cash | | –52.7 | –59.4 |
| **Net change in cash and cash equivalents** | | **–1,692.3** | **1,035.3** |
| **Balances of cash and cash equivalents** | | | |
| Cash and cash equivalents at 1 January | | 5,496.9 | 4,461.5 |
| Cash and cash equivalents at 31 December | 14 | 3,804.5 | 5,496.9 |

* The accompanying notes are an integral part of the consolidated financial statements.
[1] See note 2 (under 2.3.3 "IFRS 16 Leases") for further information on the changes in accounting policies.

# Basis of Preparation

## 1. General Information

The consolidated financial statements of SIX as at and for the year ended 31 December 2019 cover SIX Group Ltd (referred to as “Company” or “Parent Company”) and its subsidiaries (together referred to as “Group” or “SIX”). A table of the Group subsidiaries and interests in associates is set out in note 30.

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.

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

The Board of Directors of SIX approved the issuance of these consolidated financial statements on 12 March 2020.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation

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

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

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

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

### 2.2 Summary of significant accounting policies

#### 2.2.1 Principles of consolidation and equity accounting

***Business combinations***

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

At the time of acquisition, all identifiable assets and liabilities that satisfy the recognition criteria are recognized at their fair values. The difference between the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed is accounted for as goodwill after taking into account any non-controlling interests. Directly attributable transaction costs are reported as other operating expenses.

***Subsidiaries***

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

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

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

Upon loss of control, SIX ceases to recognize the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is presented in financial income or financial expenses or in case of discontinued operations the gain or loss is presented in profit for the period of discontinued operations, net of tax. Contingent payments are initially recognized at fair value and subsequently re-measured at fair value. The interest retained is measured at fair value at the date when control has no longer effect. Subsequently, it is accounted for as an investment in associate using the equity method or as a financial asset, depending on the level of influence retained.

***Investments in associates***

Investments in associates are accounted for using the equity method. Associates are those entities where SIX has significant influence over the financial and operating policies but does not exercise control. Significant influence is generally assumed to exist whenever voting rights ranging between 20% and 50% are held. In case the Group holds less than 20% of voting rights, there is a strong indicator for significant influence if SIX has representation in the Board of the investee. Under the equity method, investments in associates are initially recognized at cost at the date of acquisition. Cost comprises the amount of cash and cash equivalents paid or the fair value of the other consideration transferred and acquisition related costs. In subsequent accounting periods, the carrying amount of the investment is adjusted by the share of profit or loss and other comprehensive income, the share of other changes in equity less dividends received. The share of profit or loss is adjusted by effects from subsequent measurement of assets and liabilities identified in a purchase price allocation.

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

### 2.2.2 Foreign currency translation

***Functional and presentation currency***

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

***Foreign currency transactions and balances***

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

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

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

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

| Currency | 31/12/2019 | 31/12/2018 |
|---|---|---|
| EUR | 1.0846 | 1.1259 |
| GBP | 1.2693 | 1.2497 |
| USD | 0.9678 | 0.9853 |

The main annual average exchange rates were the following:

| Currency | 2019 | 2018 |
|---|---|---|
| EUR | 1.1128 | 1.1550 |
| GBP | 1.2693 | 1.3055 |
| USD | 0.9937 | 0.9779 |

***Foreign operations***

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

### 2.2.3 Financial assets

***General criteria***

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

SIX classifies its financial assets either as financial assets at amortized cost or financial assets at fair value through profit or loss (FVtPL). The classification depends on the business model of SIX for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are classified as current if payment is due or expected to be settled within one year. If not, they are presented as non-current.

***Financial assets at amortized cost***

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

Financial assets measured at amortized cost are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method less expected impairment losses. Gains or losses are recognized in the income statement when the financial asset is derecognized, modified or impaired. This category consists of cash and cash equivalents, deposits, receivables, bonds and loans. Specific characteristics of each class of financial assets at amortized cost are provided below, if any.

***Cash and cash equivalents***

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

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

***Trade and other receivables***

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.

***Receivables and payables from clearing & settlement***

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

***Impairment of financial assets at amortized cost***

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
- Bonds
- Receivables from clearing & settlement
- Other financial assets at amortized cost (e.g. loans)

The Group measures the loss allowances at an amount equal to 12-month ECL (Stage 1), except for the following assets, 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 bonds 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 at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets. Recoveries are recognized in profit and loss.

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.

***Financial assets at fair value through profit or loss***

If either of the two criteria for financial assets at amortized cost is not met, the financial asset is classified as measured at fair value through profit or loss (FVtPL). These financial assets are initially recognized at fair value and subsequently re-measured at fair value. Transaction costs that are directly attributable to the acquisition of the financial asset are immediately expensed. Gains and losses arising from changes in the fair value are reported in financial income or expenses. This category consists of equity instruments, units in investment funds, derivatives, financial instruments from the settlement business of SIX and debt instruments.

***Derivatives***

Apart from forward contracts from the clearing and settlement business of Securities & Exchanges, this category includes foreign currency forwards, swaps and an equity collar. SIX uses derivatives to mitigate its exposure to foreign exchange risks and in rare cases the market risk exposure of investments in listed companies. Derivatives are recognized initially and subsequent to initial recognition at fair value. Gains or losses relating to changes in fair value are recognized immediately in financial income or expenses.

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

***Reverse repurchase agreements, securities lending and borrowing***

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

Securities borrowing and lending transactions in the settlement business are, similarly to reverse repurchase transactions, treated like collateralized financing transactions if they are covered with cash collateral and daily margin settlements. Securities borrowing and lending transactions that are not covered with cash collateral are not recognized in the balance sheet. Cash collateral received is recognized with a corresponding obligation to return it, and cash collateral delivered is derecognized with a corresponding receivable. Both are carried at amortized cost. Securities received in a lending or borrowing transaction are disclosed in the notes if SIX has the right to resell or repledge them. Financial assets recognized in the balance sheet which have been transferred under a securities lending agreement are disclosed in the notes as financial assets not derecognized.

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

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

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

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

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

### 2.2.5 Property, plant and equipment
Assets included under property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure directly attributable to the acquisition of the items. Repair and maintenance costs are recognized in the income statement as incurred.

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

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

Depreciation starts when the asset is available for use.

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

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

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

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

***Other intangible assets***

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

Expenditure for internally developed software is capitalized only if it satisfies the capitalization criteria. This requires in particular that the product is technically and commercially feasible and the future economic benefits are probable. Research costs are expensed as incurred.

Amortization of internally developed assets starts when they are available for use. This is in general when the business acceptance test has successfully been completed.

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

| Asset class | Estimated useful life |
|---|---|
| Licenses, brands and customer relationships | 5–20 years |
| Software | 3–7 years |
| Other intangible assets | 3–5 years |

Useful lives are reassessed annually and adjusted if appropriate.

### 2.2.7 Impairment of non-financial assets

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

Assets classified under property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

If the carrying amount of the assets exceeds the recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized as an impairment loss in the income statement. The recoverable amount is determined based on an asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU.

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

### 2.2.8 Financial liabilities

SIX classifies its financial liabilities either as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss (FVtPL).

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

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

***Financial liabilities at amortized cost***

Financial liabilities at amortized cost are initially recognized at fair value less directly attributable transaction cost. After initial recognition such financial liabilities are measured at amortized cost using the effective interest method. This category consists of trade and other payables, borrowings and lease liabilities.

***Financial liabilities at fair value through profit or loss***

This category only includes derivatives at FVtPL. Refer to derivatives.

### 2.2.9 Leases

**Policy applicable from 1 January 2019**

Upon inception of a contract, SIX assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***SIX as lessee***

SIX is a lessee of premises, IT equipment and vehicles. Leases are accounted for by recognizing a right-of-use asset and a lease liability at the lease commencement date. SIX has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Upon inception or reassessment of a contract that contains a lease component and one or more additional lease or non-lease components, SIX allocates the consideration in the contract to each lease component based on the relative stand-alone prices of the lease and non-lease components. SIX has elected not to separate non-lease components from lease components for all classes of underlying assets.

Lease liabilities are initially measured at the present value of the following lease payments that are not paid at the commencement date:

- fixed payments
- variable lease payments that depend on an index or rate using the index or rate at the commencement date
- lease payments in an optional renewal period or any penalties payable for terminating a lease, if SIX is reasonably certain to exercise a purchase, extension or termination option

Variable lease payments that do not depend on an index or rate are expensed in the period to which they relate.

Lease liabilities are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, which is usually the case, using the incremental borrowing rate available at the contract commencement date.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in an index or rate, or if there is a change in the lease term because the Group changes its assessment of whether or not it will exercise an extension or termination option.

When a lease liability is remeasured for one of these reasons, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the income statement if the carrying amount has been reduced to zero. When a lease contract is modified and the scope of a lease is decreased, any gain or loss is recognized in the income statement.

Right-of-use assets are initially measured at the initial amount of the lease liability, less any lease incentives received, plus any lease payments made at or before commencement of the lease, initial direct costs incurred and the estimated amount of costs to dismantle, remove or restore the underlying asset.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the useful life or the end of the lease term, whichever is earlier. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset may be reduced by impairment losses or adjusted for certain remeasurements of the lease liability.

SIX recognizes right-of-use assets within property, plant and equipment, and lease liabilities within financial liabilities.

***SIX as lessor***

When SIX acts as lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, SIX considers certain indicators such as whether the lease is for the major part of the economic life of the asset. SIX is a lessor of business premises. Prior to the sale of the cards business SIX was also a lessor of payment terminals. All lease agreements are classified and recorded as operating leases.

Operating lease equipment is initially carried at its acquisition cost. Leased assets are depreciated on a straight-line basis according to the depreciation policies of SIX for property, plant and equipment. Rental income from operating leases is recognized on a straight-line basis over the term of the lease agreement as part of other operating income.

**Policy applicable before 1 January 2019**

***General criteria***

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

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

***Operating leases***

*SIX as lessee*

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

*SIX as lessor*

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

*Sale and leaseback*

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

### 2.2.10 Provisions

***General criteria***

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

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

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

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

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

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

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

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

### 2.2.11 Equity
***Ordinary shares***
Ordinary shares in SIX Group Ltd are classified as share capital.

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

### 2.2.12 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.

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

***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 a 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.

In the Securities & Exchanges business, fees related to the initial listing are recognized over the (estimated) listing period.

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

***Other operating income***
Other operating income includes income earned from sale of assets, lease income and non-standard services. Lease income and most of the non-standard services are recognized over time.

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

***Contract balances***
*Contract assets and liabilities*
If services rendered by the Group exceed the payments received, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

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

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

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

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

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

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

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

***Termination benefits***

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

***Other long-term employee benefits***

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

***Short-term employee benefits***

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

### 2.2.14 Interest and dividends

***Interest income and expenses***

For all financial instruments measured at amortized cost, interest income and expenses are recorded using the effective interest method. Negative interest on financial assets is presented within interest expenses. Negative interest on financial liabilities is presented within interest income.

***Dividend income***

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

### 2.2.15 Income taxes

***General***

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

***Current income taxes***

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

***Deferred taxes***

Deferred tax is recognized by applying the liability method in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit or loss
- taxable temporary differences arising on the initial recognition of goodwill

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

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

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

## 2.3 Changes in the Group's accounting policies

SIX has applied as from 1 January 2019 the following new accounting policies.

### 2.3.1 Voluntary change in presentation of the consolidated income statement

SIX has enhanced the presentation of its consolidated income statement by including the subtotal "Earnings before interest, tax, depreciation and amortization (EBITDA)". Depreciation, amortization and impairment are consequently no longer included in the subtotal "Total operating expenses". In addition, lump-sum expenses previously reported under other operating expenses have been reclassified to employee benefit expenses. These changes have been made to align the presentation with the internal reporting. Comparison figures for 2018 have been restated accordingly.

### 2.3.2 Change in existing accounting policies – listing fees

In the first quarter of 2019, the IFRS Interpretations Committee discussed the accounting for exchanges' listing fees and decided that the listing service transferred to the customer is the same on initial listing and on all subsequent days for which the customer remains listed. Based on the IFRIC observations, SIX concluded that listing fees must be recognized on a straight-line basis over the listing period, rather than distributing the fees based on the entity's efforts or inputs to satisfy a performance obligation. The accounting policies have therefore been changed accordingly. The effect on the income statement 2019 and 2018 was not material. Based on the accounting policy change, contract liabilities and deferred tax assets were restated as at 1 January 2018 by CHF 15.3 million and CHF 3.3 million, respectively. The net impact on retained earnings as at 1 January 2018 was CHF 12.0 million (decrease in retained earnings).

### 2.3.3 New standards, interpretations and amendments adopted by the Group

***IFRS 16 Leases***

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces a single, on-balance-sheet accounting model for lessees. The accounting policies for SIX as lessor were substantially unchanged.

SIX adopted IFRS 16 with effect from 1 January 2019 using the modified retrospective approach. Under this method, the cumulative effect of the initial application is recognized in equity, with no restatement of comparison data. Upon initial application of IFRS 16, SIX elected to apply the practical expedient of grandfathering the assessment of which transactions are or contain leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were therefore not reassessed for the existence of a lease. The definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. Additionally, SIX applied the following practical expedients on initial recognition of IFRS 16:

- not to recognize right-of-use assets and liabilities for leases whose terms end within 12 months of the date of initial application (apply short-term lease accounting)
- to rely on an assessment of whether a lease is onerous by applying IAS 37 immediately before the date of initial application
- to exclude initial direct costs from the measurement of right-of-use assets at the date of initial application

- to use hindsight, such as determining the lease term if the contract contains options to extend or terminate the lease

As a lessee, SIX previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for all leases, except for short-term leases and leases of low-value assets.

Upon initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rates at the date of initial application. SIX applied this approach to the three largest leases of office space.
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized at 31 December 2018. SIX applied this approach to all other leases.

SIX was not required to make any adjustments on transition to IFRS 16 for leases in which it acts as lessor.

The following table summarizes the impact of adopting IFRS 16 on the balance sheet and the income statement:

| CHF million | Impact of adopting IFRS 16 |
|---|---|
| **Balance sheet** | |
| Prepayments | –2.8 |
| Property, plant and equipment | 164.4 |
| Deferred tax assets | 1.1 |
| **Total assets** | **162.7** |
| Lease liabilities | 167.6 |
| Accrued expenses | –1.2 |
| **Total liabilities** | **166.4** |
| **Impact on retained earnings as at 1 January 2019** | **–3.8** |
| **Income statement** | |
| Operating expenses | 17.2 |
| Depreciation | –15.4 |
| **Impact on EBIT as at 31 December 2019** | **1.9** |
| **Interest expenses** | **–2.9** |
| **Impact on EBT as at 31 December 2019** | **–1.0** |

The nature of expenses related to leases recognized on the balance sheet changed because SIX recognizes a depreciation charge for right-of-use assets and interest expenses on lease liabilities. In the prior year, SIX recognized operating lease expenses on a straight-line basis over the term.

The average incremental borrowing rate applied on the adoption of IFRS 16 was 1.7%.

The following table provides a reconciliation of the operating lease commitments disclosed under IAS 17 and the lease liabilities recognized under IFRS 16:

| CHF million | Notes | Reconciliation from IAS 17 to IFRS 16 |
|---|---|---|
| **Lease commitments of SIX at 31 December 2018 as disclosed in the Group's financial statements** | **34** | **190.2** |
| Discounting using the incremental borrowing rate at 1 January 2019 | | –26.5 |
| Recognition exemption for short-term leases | | –0.4 |
| Recognition exemption for low-value assets | | –1.1 |
| Extension and termination options reasonably certain to be exercised by SIX | | 5.4 |
| **Lease liabilities recognized at 1 January 2019** | | **167.6** |

### *Other interpretations and amendments adopted by SIX*

The adoption of the following amendments has had no significant impact on the consolidated financial statements of the Group as at 31 December 2019.

- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendment to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

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

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

| Standard/interpretation | Effective date | Date planned for adoption by SIX |
|---|---|---|
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | A date to be determined by the IASB | To be determined by SIX[1] |
| Conceptual Framework for Financial Reporting | Annual periods beginning on or after 1 January 2020 | Financial year 2020[2] |
| Definition of Business (Amendments to IFRS 3) | Annual periods beginning on or after 1 January 2020 | Financial year 2020[2] |
| Definition of Material (Amendments to IAS 1 and IAS 8) | Annual periods beginning on or after 1 January 2020 | Financial year 2020[2] |
| Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) | Annual periods beginning on or after 1 January 2020 | Financial year 2020[2] |

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

[2] The adoption of the amendment is not expected to have any significant impact on the consolidated financial statements of SIX.

# 3. Use of Judgments and Estimates

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

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

### Fair value of assets and liabilities recognized in a business combination or in an investment in associates

In the case of business combinations, assets acquired and liabilities assumed are measured at fair value at the date of acquisition. In determining the fair value of intangible assets, and property, plant and equipment acquired, as well as liabilities assumed at the date of acquisition and the useful lives of the intangible and tangible assets acquired, certain assumptions are made. The measurement is based upon projected cash flows and on information available at the date of acquisition (see note 31).

An investment in an associated company requires certain considerations of fair value measurement in accordance with IFRS 3, despite the fact that SIX has not obtained control. In contrast to a business combination, the data access of SIX may be limited for such investments. Therefore, the fair value measurement is based upon projected cash flows and publicly-available data, data prepared by SIX, and the data the associate's management is willing and able to share (see note 30).

### Fair value of level 3 instruments

The fair value of financial instruments that are not traded in an active market is determined by using several valuation techniques. SIX uses judgment to determine the valuation methods and makes assumptions to estimate the inputs into the calculations, as the parameters for the calculation of the fair values are not readily available in the markets. Significant valuations are regularly reviewed by Risk Management. The calculations are based on information available as at the reporting date. Sensitivity analysis of the key level 3 input parameters are disclosed in note 27.

### Capitalization of development costs

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

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

### Utilization of tax losses and recognition of deferred tax assets

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

### Measurement of defined benefit obligations

Accounting for defined benefit obligations requires the application of certain actuarial assumptions (e.g. discount rate, salary trend, interest rate on retirement savings capital and life expectancy). These assumptions were used to calculate the present value of the obligation (or asset) as at 31 December 2019. Changes in actuarial assumptions can materially affect pension obligations and the expenses arising from employee benefit plans. A sensitivity analysis of the key factors is presented in note 35.

### Provisions

SIX has a significant international operation and is therefore subject to various legal and regulatory regimes. Some entities of the Group are parties to legal proceedings. Provisions are raised for the expected amounts payable in respect of legal or regulatory requirements, legal claims and restructurings. The measurement of provisions and contingencies is periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. For further details on provisions, see note 24.

### Discontinued operations

For the separation of the cards business in 2018 and the allocation between continuing and discontinued operations, SIX has used judgment and made assumptions and estimates.

# Performance for the Year

## 4. Segment Information

### Determination of operating segments

The operating segments of SIX are determined based on the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure as well as the internal financial reporting to the chief operating decision maker (CODM).

For the purpose of internal reporting, SIX is broken down into three 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 transaction 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. Transaction revenues are invoiced on a monthly basis. The trading business also generates service revenues for the maintenance of listings. |
| Custody business | Operating as the Central Securities Depository (CSD) for Switzerland and as an international custodian across various markets worldwide, Securities & Exchanges through the legal entity SIX SIS Ltd delivers comprehensive custody services for Swiss and international securities. Securities & Exchanges generates service revenues with issuer services, asset servicing, cash management, queries and reporting, and tax services. Transaction revenues are generated with settlement services, repos and Swiss fund processing. The custody business also generates interest income from interest margin business. |
| Data | Securities & Exchanges distributes raw market data and index products, which generates service revenues. The service fees are generally invoiced on an annual basis. |
| CCP clearing | Securities & Exchanges, through its clearing arm SIX x-clear Ltd, provides multi-asset clearing services and acts as a highly diversified central counterparty with access to multiple trading venues and matching platforms across Europe. Transaction revenues are generated through clearing of transactions. Interest income from interest margin business is generated from its bond portfolio and repo transactions. |
| **Banking Services** | |
| Billing and payments | Banking Services offers payment transaction processing services between financial institutions through the legal entity SIX Interbank Clearing Ltd (SIC). SIC processes on behalf of the Swiss National Bank retail and wholesale payments in Swiss Francs and additionally provides a gateway for Euro payments for the Swiss financial community (euroSIC). Banking Services is the leading infrastructure provider for digital billing in Switzerland with solutions such as eBill and direct debits. The revenues are mainly generated through transaction fees. Service revenues are generated by base fees and consultancy services. |
| ATM processing and services | Banking Services provides ATM transaction processing and infrastructure services as the leading provider in Switzerland. Banking Services mainly generates transaction revenues through processed transactions and service fees based on the number of ATMs. The location fee received in the ATM business is presented net in transaction income, as SIX has not obtained control over the service. The service fees are generally invoiced on an annual basis. |
| Debit processing and services | Banking Services provides issuing processing services for debit card issuers. The processed transactions generate transaction revenues and issuing service fees. Besides that, Banking Services also generates service revenues by providing operational support to card issuers (e.g. hotline services or fraud management). The service fees are generally invoiced on a monthly basis. |

| Service | Service description |
|---|---|
| **Financial Information** | |
| Reference data & pricing | Financial Information offers procurement, processing and distribution of reference data and pricing information. The business generates service revenues. The service fees are generally invoiced on an annual basis. |
| Market data & display | Financial Information offers procurement, processing and distribution of (realtime) market data and offers display products. The business generates service revenues. The service fees are generally invoiced on an annual basis. The royalties for financial data paid to stock exchanges are presented net in service income, as SIX has not obtained control over the service. |
| Tax & regulatory services | Financial Information provides complete reference data required for local and cross-border regulatory and tax compliance. The business generates service revenues. The service fees are generally invoiced on an annual basis. |
| Indices | Financial Information provides index services by calculating indices and offering licenses for SIX indices. The business generates service revenues. The fees for the index services are generally invoiced quarterly for variable and annually for fixed fees. |
| **Cards (sold in 2018, refer to note 18)** | |
| Merchant services | Cards generates transaction revenue by providing card acceptance and merchant services (as an “acquirer”). SIX also offers value-added services to merchants, which generates service revenues. In the terminal business (enabling), Cards generates service revenues by providing maintenance services and other operating income from selling and leasing of terminals. The fees received in connection with mobile vouchers (i.e. fees for airtime) are presented net within transaction income, as SIX has not obtained control over the service. |
| Financial industry services | Cards provides processing services for card issuers and acquirers. The processed transactions generate transaction revenues. Cards also generates service revenues by providing support to card issuers (e.g. hotline services). |
| **Corporate & Others** | |
| Corporate services | Corporate activities include IT, Risk, Legal & Compliance, Finance & Services, Human Resources and Marketing & Communications. Corporate & Others also includes the Innovation & Digital business unit and SIX Exchange Regulation. Service revenues are mainly generated by providing IT services to associated companies. |

Performance of the reportable segments is measured based on profit contribution as included in the internal management reports, which are reviewed regularly by the CODM. Profit contribution 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 profit contribution. Corporate & Others is measured based on operational expenses. Transactions between the segments are based on market prices.

| | | | | | | | 2019 |
|---|---|---|---|---|---|---|---|
| CHF million | Securities & Exchanges | Banking Services | Financial Information | Total business units | Corporate & Others | Elimination | Total SIX |
| Revenues from external customers | 506.6 | 181.8 | 364.5 | **1,053.0** | 76.7 | – | **1,129.7** |
| Income from other business units and Corporate | –0.3[1] | 5.7 | 3.7 | **9.1** | – | –9.1 | **–** |
| **Total operating income** | **506.3** | **187.5** | **368.2** | **1,062.1** | **76.7** | **–9.1** | **1,129.7** |
| Depreciation, amortization and impairment | –0.9 | –0.8 | –1.4 | **–3.1** | –53.2 | – | **–56.3** |
| Other operational expenses | –345.1 | –148.4 | –272.6 | **–766.1** | –504.1 | 309.6 | **–960.6** |
| **Total operational expenses** | **–346.0** | **–149.2** | **–274.0** | **–769.2** | **–557.3** | **309.6** | **–1,016.9** |
| **Profit contribution** | **160.3** | **38.3** | **94.2** | **292.8** | **–480.5** | **300.5** | **112.8** |
| Other income | | | | | | | 10.7 |
| Financial income | | | | | | | 233.3 |
| Financial expenses | | | | | | | –258.4 |
| Share of profit or loss of associates | | | | | | | 69.6 |
| **Earnings before interest and tax (EBIT)** | | | | | | | **168.0** |
| Interest income | | | | | | | 3.5 |
| Interest expenses | | | | | | | –11.1 |
| **Earnings before tax (EBT)** | | | | | | | **160.3** |
| Income tax expenses | | | | | | | –39.8 |
| **Profit for the period** | | | | | | | **120.5** |

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

| | | | | | | | | | | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| CHF million | Securities & Exchanges | Banking Services | Financial Infor-mation | Cards[1] | Total business units | Corporate & Others[1] | Elimi-nation | Total SIX | Discon-tinued operations | Con-tinuing operations |
| Revenues from external customers | 506.5 | 154.8 | 390.2 | 875.3 | **1,926.8** | 11.8 | – | **1,938.7** | 822.8 | **1,115.8** |
| Income from other business units and Corporate [2] | 7.1 | 1.5 | 7.1 | 52.2 | **67.9** | – | –67.9 | **–** | – | **–** |
| **Total operating income [2]** | **513.5** | **156.4** | **397.3** | **927.6** | **1,994.7** | **11.8** | **–67.9** | **1,938.7** | **822.8** | **1,115.8** |
| Depreciation, amortization and impairment | –0.0 | –0.1 | –0.7 | –7.5 | **–8.3** | –38.5 | – | **–46.8** | –8.7 | **–38.1** |
| Other operational expenses | –320.8 | –118.5 | –288.3 | –794.9 | **–1,522.5** | –614.3 | 470.4 | **–1,666.5** | –731.2 | **–935.3** |
| **Total operational expenses** | **–320.8** | **–118.6** | **–289.0** | **–802.4** | **–1,530.8** | **–652.9** | **470.4** | **–1,713.3** | **–739.9** | **–973.4** |
| **Profit contribution [3]** | **192.7** | **37.8** | **108.3** | **125.1** | **463.9** | **–641.0** | **402.4** | **225.4** | **82.9** | **142.5** |
| Other expenses | | | | | | | | | | –5.0 |
| Financial income | | | | | | | | | | 37.9 |
| Financial expenses | | | | | | | | | | –33.9 |
| Share of profit or loss of associates | | | | | | | | | | –6.4 |
| **Earnings before interest and tax (EBIT)** | | | | | | | | | | **135.0** |
| Interest income | | | | | | | | | | 3.7 |
| Interest expenses | | | | | | | | | | –6.3 |
| **Earnings before tax (EBT)** | | | | | | | | | | **132.3** |
| Income tax expenses | | | | | | | | | | –37.4 |
| **Profit for the period from continuing operations** | | | | | | | | | | **95.0** |

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

[2] Prior-year figures have been reclassified to match the current year's presentation. In 2018, income from other business units and Corporate was split into product-related income and non-product-related income from other business units. Non-product-related income from other business units was not included in total operating income.

[3] Profit contribution was previously called "operational profit".

### Disclosures by geographical area

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

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

| | Total operating income | | Non-current assets | |
|---|---|---|---|---|
| **CHF million** | **2019** | **2018** | **31/12/2019** | **31/12/2018** |
| Switzerland | 909.2 | 897.5 | 2,467.0 | 3,018.6 |
| France | 49.9 | 52.1 | 12.0 | 3.8 |
| Germany | 33.0 | 19.3 | 2.5 | 0.3 |
| United Kingdom | 21.3 | 23.2 | 1.8 | 1.1 |
| Luxembourg | 19.8 | 19.8 | 1.8 | 0.7 |
| Italy | 15.4 | 16.1 | 0.4 | 0.4 |
| Denmark | 12.2 | 12.4 | 0.7 | 0.4 |
| Sweden | 9.8 | 12.9 | 4.2 | 2.1 |
| Rest of Europe | 21.3 | 21.8 | 1.7 | 0.5 |
| North America | 27.4 | 30.2 | 6.9 | 3.2 |
| Asia/Pacific | 8.7 | 9.0 | 2.5 | 0.6 |
| North Africa | 1.6 | 1.6 | 0.3 | 0.1 |
| **Total** | **1,129.7** | **1,115.8** | **2,501.8** | **3,031.8** |

### Disclosures of major customers

SIX has a large number of customers. In 2019 and 2018, the revenue with one single external customer exceed 10% of the Group's revenue. The revenue totaled CHF 120.1 million (2018: CHF 120.8 million) and was generated by all business units.

# 5. Operating Income

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

| CHF million | Transaction revenues | Service revenues | Net interest income from interest margin business | Other operating income | Total 2019 |
|---|---|---|---|---|---|
| **Securities & Exchanges** | | | | | |
| Trading | 145.1 | 15.4 | – | 0.1 | 160.6 |
| Custody business | 179.6 | 8.9 | 33.8 | – | 222.2 |
| Data | – | 32.0 | – | – | 32.0 |
| CCP clearing | 19.2 | 6.4 | 8.6 | 0.0 | 34.2 |
| Other services | 42.1 | 14.5 | – | 0.9 | 57.5 |
| **Total Securities & Exchanges** | **385.9** | **77.2** | **42.4** | **1.1** | **506.6** |
| **Banking Services** | | | | | |
| Billing and payments | 56.2 | 7.5 | 10.7 | 0.2 | 74.5 |
| ATM processing and services | 33.5 | 5.8 | – | 0.3 | 39.6 |
| Debit processing and services | 48.4 | 14.2 | – | – | 62.6 |
| Other services | – | 5.2 | – | 0.0 | 5.2 |
| **Total Banking Services** | **138.0** | **32.6** | **10.7** | **0.5** | **181.8** |
| **Financial Information** | | | | | |
| Reference data & pricing | – | 223.5 | – | – | 223.5 |
| Market data & display | – | 77.8 | – | – | 77.8 |
| Tax & regulatory services | – | 30.9 | – | – | 30.9 |
| Indices | – | 16.8 | – | – | 16.8 |
| Other services | – | 15.5 | – | 0.0 | 15.5 |
| **Total Financial Information** | **–** | **364.5** | **–** | **0.0** | **364.5** |
| **Corporate & Others** | | | | | |
| Other services | – | 65.3 | – | 11.5 | 76.7 |
| **Total Corporate & Others** | **–** | **65.3** | **–** | **11.5** | **76.7** |
| **Total operating income** | **524.0** | **539.6** | **53.1** | **13.1** | **1,129.7** |

| | | | | | 2018 |
|---|---|---|---|---|---|
| CHF million | Transaction revenues | Service revenues | Net interest income from interest margin business | Other operating income | Total |
| **Securities & Exchanges** | | | | | |
| Trading | 146.1 | 14.9 | – | 0.2 | 161.2 |
| Custody business | 186.5 | 9.1 | 26.9 | 0.0 | 222.5 |
| Data | – | 33.0 | – | – | 33.0 |
| CCP clearing | 18.0 | 6.8 | 7.2 | 0.0 | 32.0 |
| Other services | 41.8 | 14.1 | – | 1.9 | 57.8 |
| **Total Securities & Exchanges** | **392.4** | **77.9** | **34.1** | **2.1** | **506.5** |
| **Banking Services** | | | | | |
| Billing and payments [1] | 44.2 | 8.5 | – | 0.0 | 52.7 |
| ATM processing and services [1] | 32.8 | 3.2 | – | 0.0 | 36.0 |
| Debit processing and services [1] | 50.4 | 14.3 | – | – | 64.7 |
| Other services | 0.1 | 1.3 | – | 0.0 | 1.4 |
| **Total Banking Services** | **127.6** | **27.2** | **–** | **0.1** | **154.8** |
| **Financial Information** | | | | | |
| Reference data & pricing | – | 236.9 | – | – | 236.9 |
| Market data & display | – | 83.7 | – | 0.0 | 83.7 |
| Tax & regulatory services | – | 28.4 | – | – | 28.4 |
| Indices | – | 15.5 | – | – | 15.5 |
| Other services | – | 21.8 | – | 3.8 | 25.7 |
| **Total Financial Information** | **–** | **386.3** | **–** | **3.8** | **390.2** |
| **Cards** | | | | | |
| Merchant services | 717.7 | 20.9 | – | 54.8 | 793.3 |
| Financial industry services | 51.4 | 26.0 | – | 3.6 | 81.1 |
| Other services | – | 0.9 | – | – | 0.9 |
| **Total Cards [2]** | **769.1** | **47.8** | **–** | **58.4** | **875.3** |
| **Corporate & Others** | | | | | |
| Other services | – | 9.8 | – | 2.0 | 11.8 |
| **Total Corporate & Others** | **–** | **9.8** | **–** | **2.0** | **11.8** |
| **Total operating income (incl. discontinued operations)** | **1,289.1** | **549.1** | **34.1** | **66.4** | **1,938.7** |
| of which discontinued operations | 769.1 | 4.7 | – | 49.0 | 822.8 |
| **Total operating income** | **520.0** | **544.3** | **34.1** | **17.5** | **1,115.8** |

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

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

### Transaction price allocated to the remaining performance obligations

The following table includes operating income expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2019 and 31 December 2018. The remaining performance obligations include in particular a contract for various IT services which expires in 2028. Not included are customer contracts with an initial term of 12 months or less and customer contracts when SIX has a right to invoice the amount that corresponds directly to the value of the performance completed to date (i.e. transaction based revenues).

| CHF million | 31/12/2019 | 31/12/2018[1] |
|---|---|---|
| Within one year | 71.7 | 79.9 |
| Within two years | 61.5 | 67.5 |
| Within three years | 56.7 | 56.5 |
| Thereafter | 254.4 | 306.1 |
| **Total** | **444.2** | **510.0** |

[1] 2018 figures were adjusted.

### Contract liabilities

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

| CHF million | 2019 | 2018 restated[1] |
|---|---|---|
| **Carrying amount at 1 January** | **79.4** | **27.8** |
| Impact of changes in accounting policies | – | 15.3 |
| **Adjusted carrying amount at 1 January** | **79.4** | **43.1** |
| Revenue recognized that was included in contract liabilities at 1 January | –32.1 | –24.6 |
| Increases due to cash received, excluding amounts recognized as revenue during the period | 31.2 | 67.1 |
| Disposals due to changes in the scope of consolidation | – | –6.3 |
| **Carrying amount at 31 December** | **78.5** | **79.4** |
| *of which current* | *23.8* | *29.0* |
| *of which non-current* | *40.4* | *50.4* |

[1] See note 2 (under 2.3.2 "Change in existing accounting policies – listing fees") for further information on the restatement.

# 6. Net Interest Income from Interest Margin Business

| CHF million | 2019 | 2018 |
|---|---|---|
| Interest income from interest margin business | 86.4 | 68.2 |
| Interest expenses from interest margin business | –33.3 | –34.1 |
| **Net interest income from interest margin business** | **53.1** | **34.1** |

In 2019, interest income from interest margin business included recharges of negative interest to customers in the amount of CHF 30.0 million (2018: CHF 36.1 million).

In 2019, interest expenses from interest margin business included interest arising from negative interest rates on financial assets in the amount of CHF 32.2 million (2018: CHF 29.1 million).

# 7. Employee Benefit Expenses

| CHF million | 2019 | 2018 restated[1] |
|---|---|---|
| Salaries and wages | –355.8 | –361.0 |
| Social security expenses | –86.5 | –79.1 |
| Others | –30.7 | –30.8 |
| **Total employee benefit expenses** | **–473.0** | **–470.9** |

[1] The presentation of the consolidated income statement has been voluntarily changed. The prior year's figures have been restated accordingly. See note 2 (under 2.3.1 "Voluntary change in presentation of the consolidated income statement") for further information.

Expenses recognized for defined contribution plans are included in social security expenses and amount to CHF 2.8 million (2018: CHF 2.6 million).

# 8. Other Operating Expenses

| CHF million | 2019 | 2018 restated[1] |
|---|---|---|
| Contractor costs[2] | –185.4 | –157.3 |
| Sales-related costs | –109.6 | –104.3 |
| Expenses for IT infrastructure | –74.0 | –73.7 |
| Expenses for data procurement & operation | –44.9 | –45.6 |
| VAT & tax expenses | –14.7 | –16.4 |
| Expenses for building infrastructure | –12.0 | –27.3 |
| Marketing and advertising expenses | –11.5 | –10.9 |
| Legal and audit fees | –13.2 | –11.8 |
| Travel expenses | –8.9 | –7.4 |
| Others | –13.4 | –10.1 |
| Own work capitalized | 44.4 | 24.1 |
| **Total other operating expenses** | **–443.2** | **–440.5** |

[1] The presentation of the consolidated income statement has been voluntarily changed. The prior year's figures have been restated accordingly. See note 2 (under 2.3.1 "Voluntary change in presentation of the consolidated income statement") for further information. In addition, the breakdown within other operating expenses has been voluntarily changed. The prior year's figures have been restated accordingly.

[2] Contractor costs include consulting fees, external staff and external software development expenses.

The decrease in the expenses for building infrastructure results from the adoption of IFRS 16 Leases. For further details, see note 2.

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

| CHF million | 2019 | 2018 |
|---|---|---|
| Total expenses for software development | 107.6 | 49.1 |
| *of which capitalized* | *44.4* | *24.1* |

In 2019, 41.3% of the costs incurred for the development and implementation of software were capitalized (2018: 49.1%). The capitalization ratio mainly depends on the nature of the costs incurred.

## 9. Financial Income and Expenses

| CHF million | 2019 | 2018 |
|---|---|---|
| | | |
| Income from financial instruments at fair value | 47.8 | 30.1 |
| Foreign exchange rate gains | 0.9 | 7.5 |
| Other financial income | 184.6 | 0.2 |
| **Total financial income** | **233.3** | **37.9** |
| | | |
| Expenses from financial instruments at fair value | –226.1 | –19.6 |
| Expenses from financial instruments at amortized cost | –1.7 | –1.2 |
| Foreign exchange rate losses | –3.5 | –11.9 |
| Other financial expenses | –27.2 | –1.3 |
| **Total financial expenses** | **–258.4** | **–33.9** |

In 2019, income from financial instruments at fair value included dividend income in the amount of CHF 6.5 million (2018: CHF 7.5 million).

Other financial income included the net remeasurement gain of CHF 166.3 million on the Worldline collar shares (for further details, see note 30) and the gain from bargain purchase of CHF 18.0 million which was recognized at the acquisition of SECB (for further details, see note 30).

In 2019, expenses from financial instruments at fair value included the expenses of CHF 127.1 million related to the contingent consideration associated with the sale of the cards business and fair value losses of CHF 98.5 million of the equity collar hedge on the Worldline shares. For further details, see note 17.

Other financial expenses includes CHF 12.1 million banking fees in connection with financing and hedging transactions.

Foreign exchange rate gains and losses comprise gains and losses from financial instruments at amortized cost and financial instruments at fair value. The latter also includes the fair value changes of foreign currency derivatives. In 2019, the net foreign exchange rate loss from financial instruments at amortized cost was CHF 0.6 million (2018: net loss of CHF 0.1 million).

# 10. Interest Income and Expenses

| CHF million | 2019 | 2018 |
|---|---|---|
| | | |
| Debt instruments | 3.1 | 3.0 |
| Cash and cash equivalents | 0.2 | 0.5 |
| Others | 0.2 | 0.2 |
| **Total interest income** | **3.5** | **3.7** |
| | | |
| Debt instruments | –0.4 | –0.9 |
| Cash and cash equivalents | –7.8 | –5.4 |
| Interest expenses on lease liabilities | –2.9 | – |
| Others | –0.1 | –0.1 |
| **Total interest expenses** | **–11.1** | **–6.3** |

In 2019, interest income mainly consisted of income from interest received or accrued on investments in debt instruments in the amount of CHF 3.1 million (2018: CHF 3.0 million). Interest expenses from the amortization of premiums on debt instruments totaled CHF 0.4 million (2018: CHF 0.9 million).

In 2019, total interest expenses included interest charges arising from negative interest rates on financial assets in the amount of CHF 7.8 million (2018: CHF 5.4 million).

# 11. Earnings per Share

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

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | | |
| Net profit attributable to shareholders of SIX Group Ltd (in CHF million) | | 120.4 | 2,881.8 |
| Weighted average number of shares outstanding | 23 | 18,914,041 | 18,914,041 |
| **Basic earnings per share (in CHF)** | | **6.37** | **152.36** |
| | | | |
| Profit for the period from continuing operations attributable to shareholders of SIX Group Ltd (in CHF million) | | 120.4 | 94.1 |
| Weighted average number of shares outstanding | 23 | 18,914,041 | 18,914,041 |
| **Basic earnings per share from continuing operations (in CHF)** | | **6.37** | **4.97** |

There was no dilution of earnings per share in 2019 or 2018. For the earnings per share from discontinued operations, see note 18.

# Income Taxes

## 12. Income Taxes

### Income tax expenses

The major components of income tax expenses for the years ending 31 December 2019 and 31 December 2018 were:

| CHF million | 2019 | 2018 |
|---|---|---|
| **Current tax** | | |
| Current tax on profits for the year | –54.5 | –38.1 |
| Adjustments in respect of prior years | –2.7 | 4.1 |
| **Total current tax expenses** | **–57.2** | **–34.1** |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | 20.5 | –0.2 |
| Deferred tax on tax losses | –1.7 | –1.7 |
| Other changes in deferred tax | –1.4 | –1.4 |
| **Total deferred tax expenses** | **17.4** | **–3.3** |
| **Total income tax expenses** | **–39.8** | **–37.4** |

The tax reform in Switzerland abolishes the cantonal tax regimes, such as the holding regime, per 31 December 2019, which affects the legal entities SIX Group Ltd and SIX Securities Services Ltd. The tax reform will also lead to a general reduction of the Swiss statutory corporate income tax rates in the coming years from around 21.2% to slightly under 20%. The reduction of the tax rates will not take effect until 2021, but the changes already have an impact on the deferred income tax in 2019. The tax reform further allowed SIX to recognize a deferred tax asset on the brand “SIX”.

From 2020 onward, Swiss companies may be eligible for new tax deductions such as a super-deduction for R&D expenses or a deduction for self-financing. SIX is assessing the applicability and the effect of these new deductions on its entities in Switzerland.

## Tax reconciliation

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

| CHF million | | 2019 | | 2018 |
|---|---|---|---|---|
| Income from operating activities, gross of tax expenses | | 160.3 | | 132.3 |
| **Group's weighted average applicable tax rate/ Group's expected tax expenses** | **21.1%** | **–33.8** | **24.8%** | **–32.9** |
| Impact of differences in tax rates and tax bases | 0.6% | –0.9 | 1.1% | –1.5 |
| Utilization of previously unrecognized tax losses | –0.2% | 0.4 | –0.6% | 0.9 |
| Deferred tax recognized for tax losses of prior years | –0.3% | 0.5 | –2.6% | 3.4 |
| Deferred tax not recognized for tax losses of the year | 5.1% | –8.2 | 2.7% | –3.6 |
| Adjustments of deferred tax for tax losses of prior years | 0.0% | –0.0 | 3.9% | –5.1 |
| Impact of permanent differences | 5.1% | –8.2 | 4.6% | –6.1 |
| Adjustments for income tax of previous years | –2.3% | 3.7 | –2.9% | 3.8 |
| Impact of other items | –3.7% | 5.9 | – | – |
| Intercompany effects | –0.5% | 0.8 | –2.8% | 3.7 |
| **Group's effective tax rate/tax expenses** | **24.8%** | **–39.8** | **28.2%** | **–37.4** |

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

Permanent differences include tax-exempt income, non-deductible expenses and the impact of specific tax regulations and participation exemptions. In 2019, permanent differences included in particular the non-tax-effective change in value of a financial asset. In 2018, they included in particular the tax effects from the revaluation of investments in subsidiaries.

The impact of other items is the effect from the recognition of a deferred tax asset on the brand "SIX".

## Income tax receivables and payables

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

# 13. Deferred Tax Assets and Liabilities

## Deferred taxes relating to items in the balance sheet

Deferred tax assets and liabilities relate to the following items:

| | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| CHF million | Assets | Liabilities | Net amount | Assets | Liabilities | Net amount |
| | | | | | | restated[1] |
| Trade and other receivables | 0.0 | 0.9 | –0.8 | 0.6 | 1.0 | –0.4 |
| Financial assets | 0.0 | 36.5 | –36.5 | – | 12.3 | –12.3 |
| Other assets | 0.0 | 1.0 | –1.0 | 0.0 | 0.9 | –0.9 |
| Property, plant and equipment | 0.0 | 8.6 | –8.5 | 0.1 | 5.4 | –5.4 |
| Intangible assets | 6.6 | 11.4 | –4.8 | 0.9 | 15.8 | –14.9 |
| Investments in subsidiaries and associates | 3.3 | – | 3.3 | – | – | – |
| Assets from pension fund benefits | – | 0.7 | –0.7 | – | – | – |
| Provisions | 0.4 | – | 0.4 | 1.2 | 2.3 | –1.2 |
| Contract liabilities | – | – | – | 3.3 | – | 3.3 |
| Other liabilities | 2.4 | – | 2.4 | 2.7 | 0.5 | 2.1 |
| Financial liabilities | 23.7 | – | 23.7 | – | – | – |
| Pension fund liabilities | 1.8 | – | 1.8 | 11.6 | – | 11.6 |
| Tax loss carryforwards | 3.3 | – | 3.3 | 5.2 | – | 5.2 |
| **Total deferred tax assets/liabilities** | **41.5** | **59.0** | **–17.5** | **25.5** | **38.2** | **–12.7** |
| Offsetting | –34.7 | –34.7 | | –10.9 | –10.9 | |
| **Deferred tax assets/liabilities on the balance sheet** | **6.8** | **24.3** | | **14.6** | **27.3** | |

[1] See note 2 (under 2.3.2 "Change in existing accounting policies – listing fees") for further information on the restatement.

Net deferred tax assets and liabilities changed as follows:

| CHF million | Notes | 2019 | 2018 |
|---|---|---|---|
| | | | restated[1] |
| **Carrying amount at 1 January** | | **–12.7** | **–48.7** |
| Impact of changes in accounting policies | | 1.1 | 3.3 |
| **Adjusted carrying amount at 1 January** | | **–11.6** | **–45.4** |
| Business combinations | 31 | –12.9 | – |
| Disposals due to changes in the scope of consolidation | | – | 30.7 |
| Changes affecting the income statement | | 17.4 | –5.8 |
| Changes affecting OCI | | –10.7 | 7.9 |
| Translation adjustments | | 0.3 | –0.1 |
| **Carrying amount at 31 December** | | **–17.5** | **–12.7** |
| *of which deferred tax assets* | | *6.8* | *14.6* |
| *of which deferred tax liabilities* | | *–24.3* | *–27.3* |

[1] See note 2 (under 2.3.2 "Change in existing accounting policies – listing fees") for further information on the restatement.

### Expiry dates of recognized and unrecognized unused tax loss carryforwards

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

| | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| CHF million | Not recognized | Recognized | Total | Not recognized | Recognized | Total |
| One year | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Two years | 21.9 | 1.6 | 23.5 | 1.1 | 2.6 | 3.6 |
| Three years | 13.6 | 2.8 | 16.3 | 22.5 | 1.2 | 23.7 |
| Four years | 15.1 | 1.1 | 16.2 | 15.5 | 2.0 | 17.5 |
| Five years | 15.9 | 0.2 | 16.1 | 18.7 | – | 18.7 |
| Six years | 13.1 | – | 13.1 | 19.9 | – | 19.9 |
| More than six years | 44.8 | 7.8 | 52.6 | 20.8 | 14.1 | 35.0 |
| **Total** | **124.4** | **13.4** | **137.7** | **98.5** | **20.0** | **118.5** |
| Potential tax saving | 25.0 | | 25.0 | 21.2 | | 21.2 |

No deferred tax assets have been recognized for tax loss carryforwards of CHF 124.4 million (31 December 2018: CHF 98.5 million), as it is uncertain whether the losses will be utilized in the future. As at 31 December 2019, the potential tax saving from the unrecognized tax loss carryforwards was CHF 25.0 million (31 December 2018: CHF 21.2 million).

As at 31 December 2019, based on the above-mentioned estimates, tax loss carryforwards of CHF 13.4 million (31 December 2018: CHF 20.0 million) were recognized, resulting in deferred tax assets of CHF 3.3 million (31 December 2018: CHF 5.2 million).

# Assets, Equity and Liabilities

## 14. Cash and Cash Equivalents

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Cash at bank and on hand | 3,785.2 | 5,476.3 |
| Short-term bank deposits | 20.0 | 20.6 |
| **Cash and cash equivalents** | **3,805.2** | **5,496.9** |

Cash at bank includes giro balances with the Swiss National Bank (SNB) of CHF 3,205.0 million (31 December 2018: CHF 4,087.2 million) and giro balances with clearing houses approved by the SNB or central banks of CHF 37.6 million (31 December 2018: CHF 850.0 million).

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

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Cash and cash equivalents | 3,805.2 | 5,496.9 |
| Bank overdrafts | −0.7 | – |
| **Cash and cash equivalents in the statement of cash flows** | **3,804.5** | **5,496.9** |

## 15. Trade and Other Receivables

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Trade receivables | 116.3 | 109.1 |
| Unbilled receivables | 19.2 | 17.2 |
| Other receivables | 6.0 | 4.3 |
| **Total trade and other receivables** | **141.5** | **130.6** |

Trade and other receivables due from related parties are disclosed in note 36.

The exposure of SIX in relation to credit risk and expected credit losses on trade and other receivables is disclosed in note 26. The maximum exposure to credit risk at the reporting date corresponds to the carrying amount.

## 16. Receivables and Payables from Clearing & Settlement

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Receivables from clearing & settlement | 623.1 | 1,110.8 |
| Receivables from reverse repurchase agreements | 1,859.4 | 1,352.8 |
| **Total receivables from clearing & settlement – Securities & Exchanges** | **2,482.5** | **2,463.6** |
| Receivables from ATM and debit processing | 208.6 | 236.0 |
| Receivables from euro clearing business | 4.8 | – |
| **Total receivables from clearing & settlement – Banking Services** | **213.3** | **236.0** |
| **Total receivables from clearing & settlement** | **2,695.8** | **2,699.6** |
| Payables from clearing & settlement | 1,656.3 | 2,249.4 |
| Payables from settled suspense | 87.4 | 863.9 |
| Collateral | 3,478.3 | 3,389.3 |
| **Total payables from clearing & settlement – Securities & Exchanges** | **5,222.1** | **6,502.5** |
| Payables from ATM and debit processing | 304.2 | 222.9 |
| Payables from euro clearing business | 1,591.0 | – |
| **Total payables from clearing & settlement – Banking Services** | **1,895.2** | **222.9** |
| **Total payables from clearing & settlement** | **7,117.3** | **6,725.4** |

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

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

The reverse repurchase and repurchase agreements are conducted under the usual terms and conditions applying to such agreements. The fair value of securities received as collateral from third parties under reverse repurchase agreements with unconditional right to sell on or repledge totaled CHF 1,867.4 million (31 December 2018: CHF 1,354.4 million). As at 31 December 2019, SIX has repledged securities received as collateral under reverse repurchase agreements of CHF 247.6 million (31 December 2018: CHF 320.8 million).

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

As at 31 December 2019, cash collateral received totaled CHF 3,478.3 million (31 December 2018: CHF 3,389.3 million). For further information about the collateral received (see note 26).

### 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, which serves as a correspondent bank.

## 17. Financial Assets and Liabilities (Current and Non-current)

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Current and non-current financial assets** | | |
| Bonds | 2,182.4 | 295.2 |
| Other debt instruments at amortized cost [1] | 46.1 | 5.1 |
| Debt instruments at FVtPL | 5.5 | 133.0 |
| Equity instruments at FVtPL | 650.4 | 47.5 |
| Units in investment funds at FVtPL | 413.4 | 391.8 |
| Financial instruments from settlement business | 14.3 | 194.2 |
| Derivatives at FVtPL | 52.1 | 111.0 |
| **Total** | **3,364.2** | **1,177.9** |
| *of which current* | *709.5* | *823.8* |
| *of which non-current* | *2,654.7* | *354.0* |
| **Current and non-current financial liabilities** | | |
| Lease liabilities | 158.8 | – |
| Borrowings | 10.2 | – |
| Derivatives at FVtPL | 154.2 | 110.1 |
| **Total** | **323.2** | **110.1** |
| *of which current* | *75.8* | *110.1* |
| *of which non-current* | *247.4* | – |
| **Carrying amount of financial assets not derecognized** | | |
| Securities lending agreements | 707.3 | – |

[1] Other debt instruments include mainly fixed deposits

### Bonds
In 2019, bonds increased primarily due to the acquisition of SECB. For further details on the acquisition, see note 31. During 2019, CHF 293.1 million of debt securities matured or were disposed of (2018: CHF 87.9 million). On derecognition, a net loss of CHF 1.6 million (2018: net loss of CHF 1.2 million) was recognized as financial expenses.

### Debt instruments at FVtPL
As of 31 December 2018, debt instruments at FVtPL included in particular the contingent consideration receivable associated with the sale of the cards business of CHF 127.1 million. Upon to the entering into the equity collar transaction, the agreement with Worldline regarding the contingent consideration was terminated with no payment to be made by Worldline. Accordingly, SIX has written off the carrying amount of the contingent consideration receivable. In 2019, the expenses related to the contingent consideration amounted to CHF 127.1 million (2018: income of CHF 16.7 million). These expenses have been included in financial expenses (refer to note 9).

### Equity instruments at FVtPL
Equity instruments at FVtPL comprise listed and unlisted shares held by SIX. In 2019, SIX entered into an equity collar transaction with 9.2 million underlying Worldline SA shares (hereafter referred to as Worldline collar shares). The Worldline collar shares have been reclassified and revalued at fair value as of 31 December 2019 upon the management decision to dispose these shares and to terminate the equity collar early in the near future. The fair value of the Worldline collar shares as of 31 December 2019 amounted to CHF 627.5 million.

In 2019, SIX also disposed equity instruments of CHF 42.8 million.

### 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. In 2019, financial instruments from settlement business mainly decreased due to the EU's decision on stock exchange equivalence and the ordinance adopted by the Swiss Federal Council to safeguard and to strengthen a strong Swiss capital market. According to the ordinance Swiss equities must be traded in Switzerland. This resulted in a higher settlement efficiency with less late settlements. Additionally, a partial settlement regime was introduced at several trading venues.

### Lease liabilities

Since the adoption of IFRS 16 on 1 January 2019, SIX recognizes lease liabilities on the balance sheet. For further details on the adoption of IFRS 16, see note 2.

### Derivatives at FVtPL (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. In 2019, the decrease in the fair value of the forward contracts from clearing and settlement was CHF 58.9 million (2018: increase of CHF 51.4 million).

In 2019, SIX entered into an equity collar, whereby SIX bought put options on Worldline SA shares with a strike price of EUR 47.20 and sold simultaneously the same number of call options with a strike price of EUR 56.00. The call and put options mature simultaneously in eight tranches from January 2022 to October 2023. Credit Suisse, the accompanying bank and counterparty, sold 7.9 million shares during an accelerated book building (ABB) which was initiated by ATOS SE, a key shareholder of Worldline SA. For this purpose, Credit Suisse borrowed 7.9 million shares from SIX (i.e. delta shares). The remaining 1.2 million shares have been pledged (refer to note 32). The negative fair value of the Worldline equity collar as of 31 December 2019 of CHF 98.5 million has been recognized as financial expenses (refer to note 9).

## 18. Disposal Groups and Assets Held for Sale

### Cards business

On 15 May 2018, SIX and Worldline announced that they had signed a binding agreement to enter into a strategic partnership. The transaction was closed on 30 November 2018. SIX brought its existing cards business (merchant acceptance & acquiring and international card processing) into the partnership and received a 26.9% stake in Worldline SA.

The gain from the transaction recognized in 2018 of CHF 2,722.1 million was based on the total estimated consideration of CHF 3,145.8 million. The amount of cash and cash equivalents upon derecognition was CHF 343.9 million. The gain was included in profit for the period from discontinued operations, net of tax. The income tax impact from the transaction was CHF 1.9 million.

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

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

| CHF million | 2018 restated[1] |
|---|---|
| **Total operating income** | **822.8** |
| Employee benefit expenses | –154.7 |
| Other operating expenses | –574.4 |
| **Total operating expenses** | **–729.1** |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **93.8** |
| Depreciation, amortization and impairment | –9.9 |
| **Operating profit** | **83.8** |
| Financial income | 2,728.7 |
| Financial expenses | –0.6 |
| **Earnings before interest and tax (EBIT)** | **2,811.9** |
| Interest income | 0.4 |
| Interest expenses | –1.0 |
| **Earnings before tax (EBT)** | **2,811.3** |
| Income tax expenses | –23.6 |
| **Profit for the period from discontinued operations, net of tax** | **2,787.7** |
| Total other comprehensive income from discontinued operations, net of tax | 3.3 |
| **Total comprehensive income from discontinued operations, net of tax** | **2,791.0** |
| **Earnings per share (CHF)** | |
| Basic profit for the period from discontinued operations | 147.39 |
| Diluted profit for the period from discontinued operations | 147.39 |

[1] The presentation of the consolidated income statement has been voluntarily changed. The prior year’s figures have been restated accordingly. See note 2 (under 2.3.1 “Voluntary change in presentation of the consolidated income statement”) for further information.

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

| CHF million | 2018 |
|---|---|
| Cash flow from operating activities | 202.8 |
| Cash flow from investing activities | 0.6 |
| Cash flow from financing activities | –88.5 |
| **Net cash flows for the period** | **114.9** |

## 19. Other Assets (Current and Non-current)

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

| CHF million | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Accrued revenues and prepaid expenses | | 40.9 | 33.9 |
| Receivables from other taxes | | 72.6 | 62.2 |
| **Total other current assets** | | **113.5** | **96.1** |
| Assets from pension fund benefits | 35 | 3.5 | – |
| Costs to obtain a contract | | 6.8 | 7.9 |
| Other long-term assets | | 11.6 | 8.7 |
| **Total other non-current assets** | | **22.0** | **16.6** |

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

# 20. Property, Plant and Equipment

## Reconciliation of carrying amount

| CHF million | Notes | Land, buildings and leasehold improvements | Technical installations | IT hardware | Other tangible assets | Total |
|---|---|---|---|---|---|---|
| | | | | | | 2019 |
| **Historical cost at 1 January** | | **405.6** | **200.5** | **150.3** | **29.0** | **785.5** |
| Impact of changes in accounting policies | 2 | 212.4 | – | 0.2 | 0.7 | 213.3 |
| **Adjusted historical cost at 1 January** | | **618.0** | **200.5** | **150.6** | **29.7** | **998.8** |
| Additions | | 9.3 | 3.2 | 18.5 | 1.9 | 32.9 |
| Disposals | | –3.4 | –0.5 | –30.3 | –3.2 | –37.4 |
| Business combinations | 31 | 1.1 | – | – | 0.2 | 1.3 |
| Reclassifications | | –0.7 | –0.1 | – | 0.8 | – |
| Translation adjustments | | –1.4 | –0.0 | –0.9 | –0.1 | –2.4 |
| **Historical cost at 31 December** | | **622.9** | **203.1** | **137.8** | **29.3** | **993.2** |
| **Accumulated depreciation at 1 January** | | **–252.7** | **–147.0** | **–122.7** | **–19.9** | **–542.3** |
| Impact of changes in accounting policies | 2 | –48.5 | – | –0.1 | –0.3 | –48.9 |
| **Adjusted accumulated depreciation at 1 January** | | **–301.3** | **–147.0** | **–122.8** | **–20.2** | **–591.2** |
| Annual depreciation on assets owned | | –7.1 | –6.3 | –16.9 | –2.7 | –33.0 |
| Annual depreciation on right-of-use assets | | –15.1 | – | –0.0 | –0.2 | –15.4 |
| Disposals | | 1.4 | 0.4 | 30.3 | 3.0 | 35.1 |
| Translation adjustments | | 0.7 | 0.0 | 0.9 | 0.1 | 1.6 |
| **Accumulated depreciation at 31 December** | | **–321.5** | **–152.7** | **–108.6** | **–20.1** | **–602.9** |
| **Net carrying amount at 31 December** | | **301.5** | **50.3** | **29.2** | **9.3** | **390.3** |
| *of which assets owned, used by SIX* | | *114.8* | *33.7* | *29.0* | *8.8* | *186.3* |
| *of which assets owned, subject to an operating lease* | | *34.7* | *16.6* | *0.1* | *0.0* | *51.5* |
| *of which right-of-use assets* | | *152.0* | *–* | *0.1* | *0.4* | *152.5* |

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

## Additions

During 2019, SIX acquired items of property, plant and equipment at a cost of CHF 32.9 million (2018: CHF 40.6 million). Investments in property, plant and equipment primarily relate to midrange and mainframe servers, leasehold improvements and the expansion of technical installations. The total of property, plant and equipment under construction as at 31 December 2019 was CHF 0.2 million (31 December 2018: CHF 2.1 million). The additions in right-of-use assets totaled CHF 5.1 million in 2019. For further details on the leased assets, see note 34.

## Disposals

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

# 21. Intangible Assets and Goodwill

## Reconciliation of carrying amount

| | | | | | | 2019 |
|---|---|---|---|---|---|---|
| CHF million | Notes | Goodwill | Acquired software | Internally generated software | Other intangible assets | Total |
| **Historical cost at 1 January** | | **15.7** | **99.2** | **537.9** | **12.0** | **664.8** |
| Additions | | – | 14.1 | 42.3 | 2.5 | 58.8 |
| Disposals | | –1.9 | –20.0 | –2.3 | – | –24.1 |
| Business combinations | 31 | – | 0.3 | – | – | 0.3 |
| Translation adjustments | | 0.0 | –0.4 | –0.7 | –0.0 | –1.2 |
| **Historical cost at 31 December** | | **13.8** | **93.2** | **577.1** | **14.4** | **698.6** |
| **Accumulated amortization at 1 January** | | **–9.1** | **–84.6** | **–444.5** | **–10.6** | **–548.7** |
| Annual amortization | | – | –7.7 | –33.1 | –0.3 | –41.1 |
| Impairments, net | | – | –0.5 | –0.1 | –0.0 | –0.5 |
| Disposals | | 1.9 | 20.0 | 2.3 | – | 24.1 |
| Translation adjustments | | –0.0 | 0.4 | 0.7 | 0.0 | 1.1 |
| **Accumulated amortization at 31 December** | | **–7.2** | **–72.4** | **–474.6** | **–10.9** | **–565.1** |
| **Net carrying amount at 31 December** | | **6.6** | **20.8** | **102.6** | **3.5** | **133.5** |

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

## Software and other intangible assets

### *Additions*

Expenses for certain development projects have been capitalized because they satisfy the recognition criteria. Intangible assets under construction as at 31 December 2019 amounted to CHF 41.8 million (31 December 2018: CHF 25.4 million).

### *Disposals*

In 2018, due to the sale of the cards business (for further details refer to note 18) intangible assets with a carrying amount of CHF 268.5 million were recognized as disposals.

### *Indefinite useful life*

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

## Goodwill

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| SIX Structured Products Exchange (merged with SIX Swiss Exchange Ltd) | 4.0 | 4.0 |
| Others | 2.6 | 2.6 |
| **Goodwill, net** | **6.6** | **6.6** |

## Impairment test for CGUs containing goodwill

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

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

| CHF million | | | | | 31/12/2019 |
|---|---|---|---|---|---|
| Cash-generating unit | Goodwill, net | Projection period | Long-term growth rate | Discount rate | Method |
| Trading business | 4.0 | 4 years | 1.5% | 10.9% | DCF |
| **SIX Structured Products Exchange** | **4.0** | | | | |

| CHF million | | | | | 31/12/2018 |
|---|---|---|---|---|---|
| Cash-generating unit | Goodwill, net | Projection period | Long-term growth rate | Discount rate | Method |
| Trading business | 4.0 | 4 years | 1.5% | 13.8% | DCF |
| **SIX Structured Products Exchange** | **4.0** | | | | |

The recoverable amounts for the CGU have been determined based on a value in use calculation using the discounted cash flow method (DCF). These calculations use post-tax cash flow projections based on financial projections approved by management (the SIX medium-term planning). The impairment testing of goodwill in 2019 resulted in value in use that exceed the carrying amounts of the CGU.

***Key assumptions***

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

*Discount rate*

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

*Perpetual growth rate*

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

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

## 22. Capital Management

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

SIX Group Ltd as well as SIX SIS Ltd and SIX c-clear Ltd are rated A+ by Standard & Poor's.

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

The ratios are shown in the following table:

| CHF million | 2019 | 2018 |
|---|---|---|
| **Return on equity** | | |
| Group net profit for the year | 120.5 | 160.5[1] |
| Total equity (average) | 5,087.1 | 3,164.9 |
| **Return on equity in %** | **2.4%** | **5.1%** |
| | | |
| **Equity ratio** | | |
| Total liabilities (average) | 8,632.3 | 7,741.0 |
| – Payables from clearing & settlement (average) | 7,783.7 | 6,882.3 |
| – Negative replacement values from clearing & settlement (average) | 126.9 | 157.5 |
| **Total adjusted liabilities (average)** | **721.7** | **701.2** |
| | | |
| **Total equity (average)** | **5,087.1** | **3,164.9** |
| | | |
| **Equity ratio in %** | **87.6%** | **81.9%** |

[1] Group net profit 2018 adjusted by gain of disposal of cards business

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

On 20 May 2019, the Annual General Meeting approved the distribution of a dividend of CHF 4.10 (2018: CHF 7.00) and an extraordinary dividend of CHF 17.30 per registered share. The total amount distributed to holders of outstanding shares was CHF 404.8 million (2018: CHF 132.4 million), and this was recorded against retained earnings as in the previous year.

For the year ending 31 December 2019, the Board of Directors has proposed an ordinary dividend of CHF 3.90, corresponding to a total of CHF 76.1 million for 2019. No dividend will be paid on treasury shares held directly by SIX Group Ltd. There are no tax consequences. The dividend proposal will be submitted for approval by the Annual General Meeting to be held in May 2020.

The Group is not subject to regulatory capital requirements. However, regulatory capital adequacy requirements apply to SIX Securities Services Ltd and its subsidiaries and SECB Swiss Euro Clearing Bank GmbH (SECB).

SIX Securities Services Ltd and its subsidiaries have a FMIA (see below) license. Eligible capital must be available to support business activities, in accordance with both the company's internal assessment and the requirements of our regulators, in particular our lead regulators, FINMA and the SNB.

The CSD SIX SIS Ltd and the CCP SIX x-clear Ltd are obliged to fulfill requirements arising from the Financial Market Infrastructure Act and Ordinance (FMIA/FMIO). These capital requirements contain all elements of the Basel III framework pertaining to credit, non-counterparty, market and operational risks as well as additional FMI-specific capital requirements for wind-down, intraday credit risks and potential defaults of participants. To calculate the capital requirements for credit risks, market risks and operational risks, FMIs can choose from a number of different approaches under Basel III. SIX Securities Services uses the international Basel III standard approach (SA-BIZ) for credit risks, the standard approach for market risks and the basic indicator approach for operational risks.

SECB has a banking license and is regulated by the Federal Financial Supervisory Authority (BaFin). The bank is obliged to fulfil the capital requirements according to the European Union Capital Requirements

Regulation (CRR). To calculate the capital requirements SECB uses the standard approach according to CRR for credit risk and the basic indicator approach for operational risk.

## 23. Capital and Reserves

### Share capital

As at 31 December 2019, the total number of shares issued remained unchanged from the prior year at 19,521,905 and corresponds to the number of authorized shares. All shares issued have a par value of CHF 1.00 and are fully paid up.

| Number of shares | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Shares issued | 19,521,905 | 19,521,905 |
| Treasury shares | –607,864 | –607,864 |
| **Shares outstanding** | **18,914,041** | **18,914,041** |

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

The holders of the shares are entitled to receive a proportionate share of distributed dividends as declared and are entitled to one vote per share at the shareholders´ meeting of the company. The proposed dividend per share for financial year 2019, together with the 2018 figure for comparison purposes, is disclosed in note 22.

### Treasury shares

The reserve for own shares comprises the cost of the shares held by SIX. At 31 December 2019, SIX held 607,864 shares directly or indirectly via its subsidiaries. There was no change in the number of treasury shares compared with 31 December 2018.

### Translation reserve

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

### Retained earnings

The total amount of dividends distributed to holders of outstanding shares was CHF 404.8 million (2018: CHF 132.4 million), and this has been recorded against retained earnings as in the prior year.

# 24. Provisions (Current and Non-current)

Provisions are classified as follows:

| | | 2019 | | | | | 2018 |
|---|---|---|---|---|---|---|---|
| CHF million | Notes | Provisions for legal claims | Provisions for restructuring | Provisions for asset retirement obligations | Other provisions | Total | Total |
| **Carrying amount at 1 January** | | **3.2** | **6.6** | **4.6** | **4.5** | **19.0** | **62.0** |
| Increase in provisions | | – | – | 0.0 | 0.1 | 0.8 | 4.2 |
| Financial cost related to the unwinding of discount rates | | – | – | 0.0 | – | 0.0 | 0.0 |
| Dissolution | | – | – | – | −0.2 | −0.8 | −7.6 |
| Usage | | – | −3.8 | – | −0.9 | −4.7 | −20.7 |
| Disposals due to changes in scope of consolidation | 18 | – | – | – | – | – | −18.1 |
| Translation adjustments | | – | −0.1 | −0.0 | −0.0 | −0.2 | −0.9 |
| **Carrying amount at 31 December** | | **3.2** | **2.7** | **4.6** | **3.5** | **14.0** | **19.0** |
| *of which current* | | *–* | *1.3* | *–* | *0.1* | *1.5* | *5.0* |
| *of which non-current* | | *3.2* | *1.3* | *4.6* | *3.4* | *12.5* | *14.0* |

### Provisions for legal claims

SIX is involved in legal and judicial proceedings and claims in the ordinary course of business operations. Provisions and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists.

### Restructuring provisions

In 2016, the Group recognized a provision for restructuring related to the Financial Information business in France. As at 31 December 2019, the provision for restructuring amounted to CHF 2.7 million (31 December 2018: CHF 6.6 million). The decrease mainly related to usage of the provision in 2019.

### Provisions for asset retirement obligations

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

### Other provisions

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

## 25. Other Liabilities (Current and Non-current)

| CHF million | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Accruals for staff-related costs | | 74.5 | 81.0 |
| Accrued expenses | | 43.2 | 41.9 |
| Liabilities from other taxes | | 13.5 | 17.7 |
| Other short-term liabilities | | 70.8 | 66.6 |
| **Total other current liabilities** | | **202.0** | **207.2** |
| Pension fund liabilities | 35 | 6.5 | 53.1 |
| Other employee benefit liabilities | | 21.4 | 23.9 |
| Other long-term liabilities | | – | 0.1 |
| **Total other non-current liabilities** | | **27.9** | **77.1** |

Accruals for staff-related expenses are for vacation leave, overtime, jubilees and bonuses. The long-term portion of liabilities for jubilees and bonuses is included in other employee benefit liabilities. The methods used to measure pension fund liabilities are explained in note 35.

Other short-term liabilities in 2019 and 2018 include open positions related to the closing of the transaction with Worldline.

# Financial Instruments

## 26. Financial Risk Management

**Risk governance**

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

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

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

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

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

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

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

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

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

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

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

In February 2019, SECB became a wholly-owned subsidiary of SIX Group Ltd. While the financial risk management of SECB has been integrated into SIX risk management framework, the bank is at the same time supervised by the German Federal Financial Supervisory Authority (BaFin) and pursues a financial risk policy in line with local requirements.

**Credit risk**

***General***

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

- cash at banks and short-term deposits
- trade and other receivables
- receivables from clearing & settlement
- equity instruments
- units in investment funds
- financial instruments from settlement business
- derivatives
- bonds
- other debt instruments

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

Business unit Securities & Exchange applies a strict risk and credit policy. Credit risk management is effected via limits granted to the customers by the relevant bodies within SIX, pursuant to the competency rules. Each participant with a credit limit is subject to an initial credit risk assessment and rating assignment as well as a periodic review. No credit limits are granted without prior risk assessment and rating assignment. Credit limits are monitored constantly to ensure that the risk profile is always in line with the risk appetite and the credit risk policy. Based on the amount of risk-equivalent limits and the creditworthiness, each counterparty is assigned to a risk group which defines the depth and frequency of the review. Counterparties in higher risk groups (high “risk equivalent limits”, low credit rating) are reviewed more often and monitored more closely than those in lower risk groups.

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

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

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

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

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

| | | | | | | 31/12/2019 |
|---|---|---|---|---|---|---|
| **CHF million** | **Investment grade** | **Non-investment grade** | **Not rated** | **Gross carrying amount** | **Loss allowance** | **Net carrying amount** |
| **Exposure for which loss allowance equals 12 months' ECL (Stage 1)** | | | | | | |
| Cash at bank and short-term deposits [1] | 3,804.3 | 0.1 | 0.0 | 3,804.4 | –0.0 | 3,804.3 |
| Receivables from clearing & settlement | 2,665.9 | 4.6 | 25.3 | 2,695.8 | –0.0 | 2,695.8 |
| Bonds | 2,184.5 | – | – | 2,184.5 | –2.1 | 2,182.4 |
| Others | 44.0 | – | 2.1 | 46.1 | –0.0 | 46.1 |
| **Total** | **8,698.7** | **4.7** | **27.4** | **8,730.8** | **–2.2** | **8,728.6** |

[1] The balances exclude cash on hand.

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

[1] The balances exclude cash on hand.

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

| | | | | | | 31/12/2019 |
|---|---|---|---|---|---|---|
| | | Lifetime ECL (Stage 2) | Lifetime ECL credit impaired (Stage 3) | | | |
| CHF million | Not past due | Within 6 months | From 6 to 12 months | More than 12 months | Receivables with objective evidence of impairment | Total |
| Trade and other receivables | 114.7 | 24.0 | 3.9 | 0.7 | – | 143.2 |
| Contract assets [1] | 1.9 | – | – | – | – | 1.9 |
| **Gross carrying amount** | **116.6** | **24.0** | **3.9** | **0.7** | **–** | **145.1** |
| Loss allowance | −0.0 | −0.0 | −1.1 | −0.7 | – | −1.8 |
| **Net carrying amount** | **116.5** | **24.0** | **2.8** | **0.0** | **–** | **143.3** |

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

| | | | | | | 31/12/2018 |
|---|---|---|---|---|---|---|
| | | Lifetime ECL (Stage 2) | Lifetime ECL credit impaired (Stage 3) | | | |
| CHF million | Not past due | Within 6 months | From 6 to 12 months | More than 12 months | Receivables with objective evidence of impairment | Total |
| Trade and other receivables | 118.9 | 10.2 | 2.1 | 0.8 | 0.2 | 132.2 |
| Contract assets [1] | 0.3 | – | – | – | – | 0.3 |
| **Gross carrying amount** | **119.2** | **10.2** | **2.1** | **0.8** | **0.2** | **132.5** |
| Loss allowance | −0.0 | −0.0 | −0.6 | −0.8 | −0.1 | −1.6 |
| **Net carrying amount** | **119.1** | **10.2** | **1.6** | **–** | **0.1** | **130.9** |

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

### *Collateral management*

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

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

The following table shows the collateral received:

| CHF million | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| Cash collateral | 16 | 3,478.3 | 3,389.3 |
| *of which are related to securities lending* | | *56.0* | *63.6* |
| Fair value of securities received with a right to repledge or sell | | 3,975.4 | 3,498.2 |
| *of which are related to securities lending* | | *14.3* | *29.0* |
| *of which are related to reverse repurchase agreements* | | *1,867.4* | *1,354.4* |
| **Total fair value of collateral received** [1] | | **7,453.7** | **6,887.4** |

[1] For related positions for which collateral was received see note 29.

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

### ***Expected credit losses measurement***

*Significant increase in credit risk*

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

*Definition of default*

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

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

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

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

*Measuring expected credit losses*

The measurement of expected credit losses for financial assets at amortized costs – except for trade and other receivables and contract assets – is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD):
– The PD represents the likelihood of a counterparty defaulting on its financial obligation either over 12 months or over the remaining lifetime of the obligation. The PDs are generally derived from internally developed statistical models and are updated at least annually. The Group has established global PDs per rating classes which are

applied to the exposures based on the counterparty rating (i.e. exposures are grouped by counterparty-rating). PDs are based on credit default swaps (CDS) spreads observed in the market. These CDS spreads include market expectation of default (i.e. forward-looking information). The 12-month-PDs are adjusted when the contractual period is less than 12 months (i.e. on demand deposits have a contractual period of 1 day). If no rating is available for the counterparty, the PD level is assumed to be in the sub-investment grade area.
- EAD is based on the amounts outstanding at the time of the default. SIX assumes that the EAD is equal to the gross carrying amount.
- LGD represents SIX's expectation of the extend of loss on a defaulted exposure. LGD considers the availability of collaterals received and the potential to pass on losses to market participants in the CSD business.

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

The expected credit losses as at 31 December 2019 and 31 December 2018 are presented in the General section above.

## Liquidity risk

### *General*

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

Liquidity management is governed by the treasury policy of SIX. Its main purpose is to provide subsidiaries with financial resources at any time so that they are able to meet their payment obligations. The continuous monitoring of liquidity at Group level and the allocation of resources allow Treasury to maintain a sound level of liquidity at all times. The liquidity status is reported on a monthly or quarterly basis to various committees. In the event of exceptional liquidity requirements, SIX can also access a portfolio of financial instruments such as equities and bonds that can be liquidated within a reasonable time. SIX has invested funds with a carrying amount of CHF 622.9 million (31 December 2018: CHF 597.2 million). In addition, SIX maintains credit lines with a limited number of financial institutions. For Swiss Group entities, the total amount of unused credit lines as at 31 December 2019 was CHF 275.0 million (31 December 2018: CHF 275.0 million). Additionally, SIX SIS Ltd has foreign currency settlement limits in connection with the cross boarder business in the amount of CHF 3,063.4 million (31 December 2018: CHF 3,063.4 million). There are additional credit lines with banks in Norway in the amount of CHF 59.7 million (31 December 2018: CHF 67.6 million). As at 31 December 2019, these credit facilities had not been utilized (31 December 2018: nil). Liquidity is managed for various currencies. The main currencies are the Swiss franc, the euro, the US dollar and the pound sterling. Additionally, SIX has an undrawn bridge facility available for the offer made to acquire BME. For further information, see note 31.

The Group's operational liquidity on 31 December 2019 was CHF 3,805.2 million (31 December 2018: CHF 5,496.9 million). It is deposited with appropriate investment limits at commercial banks, the Swiss National Bank (SNB), European central banks and clearing houses approved by the SNB. Operational liquidity of the Swiss and various foreign subsidiaries, with the exception of SIX SIS Ltd, SIX x-clear Ltd and SECB, is held and managed centrally at SIX as part of a cash pool. Treasury is responsible for the management of the cash pool. The liquidity in excess of operational liquidity required by the subsidiaries is provided by Treasury to cover any short to medium-term structural liquidity requirements.

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

The liquidity managed by SIX SIS Ltd and SIX x-clear Ltd as at 31 December 2019 amounted to CHF 3,246.2 million (31 December 2018: CHF 5,056.9 million). Liquidity management is one of the main operating activities in the settlement business. Liquidity risk in the post trading business area is managed by ensuring that the expected inflows match the expected outflows in the respective currency.

The cash managed by SECB as at 31 December 2019 amounted to CHF 36.3 million. The liquidity risk (also during the day) is observed to the extent that current accounts of customers shall generally be held with credit balances. In the event of an unexpected liquidity bottleneck, the securities portfolio held by SECB can be used at any time to obtain liquidity from the Deutsche Bundesbank as part of lombard transactions.

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

### Maturity analysis for financial liabilities

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

| | | | | | | 31/12/2019 |
|---|---|---|---|---|---|---|
| **CHF million** | **Within 3 months** | **Between 3 and 12 months** | **Between 1 and 5 years** | **More than 5 years** | **Total contractual cash flows** | **Carrying amount** |
| **Liabilities** | | | | | | |
| Bank overdrafts | 0.7 | – | – | – | 0.7 | 0.7 |
| Trade and other payables | 24.1 | 0.3 | – | – | 24.4 | 24.4 |
| Payables from clearing & settlement | 7,117.3 | – | – | – | 7,117.3 | 7,117.3 |
| Borrowings | – | 6.3 | 3.9 | – | 10.2 | 10.2 |
| Lease liabilities | 4.4 | 12.5 | 53.9 | 111.4 | 182.3 | 158.8 |
| **Non-derivative financial liabilities** | **7,146.5** | **19.2** | **57.9** | **111.4** | **7,334.8** | **7,311.3** |
| Derivative financial instruments, net [1] | 3.6 | – | 98.5 | – | 102.1 | 102.1 |
| **Derivative financial liabilities** | **3.6** | **–** | **98.5** | **–** | **102.1** | **102.1** |
| **Total financial liabilities** | **7,150.1** | **19.2** | **156.4** | **111.4** | **7,437.0** | **7,413.4** |

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

| | | | | | | 31/12/2018 |
|---|---|---|---|---|---|---|
| **CHF million** | **Within 3 months** | **Between 3 and 12 months** | **Between 1 and 5 years** | **More than 5 years** | **Total contractual cash flows** | **Carrying amount** |
| **Liabilities** | | | | | | |
| Trade and other payables | 24.9 | 0.3 | – | – | 25.2 | 25.2 |
| Payables from clearing & settlement | 6,725.4 | – | – | – | 6,725.4 | 6,725.4 |
| **Non-derivative financial liabilities** | **6,750.3** | **0.3** | **–** | **–** | **6,750.6** | **6,750.6** |
| **Total financial liabilities** | **6,750.3** | **0.3** | **–** | **–** | **6,750.6** | **6,750.6** |

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

## Market risk

### *General*

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

### *Foreign currency risk*

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

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

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

The table below illustrates a hypothetical sensitivity of earnings before tax to increases and decreases in foreign exchange rates at year-end due to revaluation of balance sheet items, assuming all other variables remain unchanged. The changes in exchange rates used for 2019 and 2018 are based on historical volatility. Positive figures represent an increase in earnings before tax.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Change in exchange rate | Effect on earnings before tax | | Change in exchange rate | Effect on earnings before tax | |
| **Amounts in CHF million** | +/– | + | – | +/– | + | – |
| CHF/EUR | 6.2% | –33.5 | 33.5 | 6.6% | –0.9 | 0.9 |
| CHF/USD | 3.6% | –0.7 | 0.7 | 7.6% | –3.0 | 3.0 |
| CHF/GBP | 13.8% | –0.5 | 0.5 | 10.1% | –0.2 | 0.2 |
| **Total** | | **–34.7** | **34.7** | | **–4.1** | **4.1** |

At 31 December 2019, if Swiss franc had strengthened by 6.2% against euro, 3.6% against US dollar and 13.8% against pound sterling with all other variables unchanged, earnings before tax would have been CHF 34.7 million lower. If Swiss franc had weakened by the above rates, the effect on equity would have been the opposite. The exposure in euro, US dollar and pound sterling of the Group mainly relates to financial investments which are not hedged based on treasury policy. The main exposure in euro relate to the Worldline collar shares, see note 17.

For disclosure of the contract volumes of foreign currency derivative financial instruments, see note 28.

### *Interest rate risk*

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

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

In interest margin business, interest rate changes could have a major impact on earnings. However, SIX is subject to low interest rate risk, as the cash received from business partners is invested primarily in overnight interest-bearing accounts, short-term financial instruments or secured reverse repos with a term to maturity of less than one year. From the interest earned or negative interest paid, SIX may pay or charge interest less or plus a margin to its business partners for the deposits on their ordinary cash vostro accounts.

The interest rate risk arises primarily from exposures in Swiss francs, euros, US dollars and pounds sterling. The exposures relate to cash and cash equivalents, receivables from reverse repurchase agreements and payables from clearing & settlement (i.e. customer deposits). The table below illustrates a hypothetical sensitivity of earnings before tax to a reasonably possible change of a +/–50 basis points parallel shift in yield curves. Positive figures represent an increase in earnings before tax.

| | | | 2019 | | | 2018 |
|---|---|---|---|---|---|---|
| | Change in interest rate | Effect on earnings before tax | | Change in interest rate | Effect on earnings before tax | |
| **Amounts in CHF million** | +/– | + | – | +/– | + | – |
| | | | | | | |
| CHF | 50 bps | 3.1 | –3.1 | 50 bps | 3.7 | –3.7 |
| EUR | 50 bps | –5.5 | 5.5 | 50 bps | 0.2 | –0.2 |
| USD | 50 bps | 5.3 | –5.3 | 50 bps | 4.8 | –4.8 |
| GBP | 50 bps | 0.7 | –0.7 | 50 bps | 0.2 | –0.2 |
| **Total** | | **3.7** | **–3.7** | | **8.8** | **–8.8** |

According to the simulation, with a 50 bps rise in interest rates in each currency, earnings before tax would have been CHF 3.7 million higher (31 December 2018: CHF 8.8 million higher). With a 50 bps drop in interest rates, earnings before tax would have been CHF 3.7 million lower (31 December 2018: CHF 8.8 million lower). A 50 bps rise (drop) in euro would have a negative (positive) effect on earnings which relates to customer deposits (payables from clearing & settlement) of SECB which was acquired in 2019, see note 30.

### *Index price risk*

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

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

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

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

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

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Change in index | Effect on earnings before tax | | Change in index | Effect on earnings before tax | |
| Amounts in CHF million | +/– | + | – | +/– | + | – |
| **Index** | | | | | | |
| SPI® | 7.9% | 12.3 | –13.1 | 11.3% | 12.6 | –12.6 |
| SBI® | 4.2% | 11.4 | –11.4 | 2.1% | 5.1 | –5.1 |
| SXI® | 5.5% | 3.7 | –3.7 | 7.0% | 4.6 | –4.6 |
| **Total** | | **27.4** | **–28.2** | | **22.3** | **–22.3** |

If the increases in the three indices had been reflected in a change in the financial instruments classified as FVtPL held as at 31 December 2019, earnings before tax would have been CHF 27.4 million higher (31 December 2018: CHF 22.3 million higher). If the indices had fallen, earnings before tax would have been CHF 28.2 million lower (31 December 2018: CHF 22.3 million lower). The SPI® effect includes an increase in earnings before taxes of CHF 5.9 million (if the index had increased) and a decrease in earnings of CHF 6.7 million (if the index had fallen) related to the Wordline equity collar.

## 27. Fair Value of Financial Instruments

### Classification of financial instruments

The table below shows the classification for each class of financial instruments. The valuation methods and assumptions applied to determine the fair values are explained further below.

| | | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|---|
| **CHF million** | **Notes** | **At amortized cost** | **At fair value** | **At amortized cost** | **At fair value** |
| **Assets** | | | | | |
| Cash and cash equivalents | 14 | 3,805.2 | – | 5,496.9 | – |
| Trade and other receivables | 15 | 141.5 | – | 130.6 | – |
| Receivables from clearing & settlement | 16 | 2,695.8 | – | 2,699.6 | – |
| Current and non-current financial assets | 17 | 2,228.5 | 1,135.7 | 300.2 | 877.6 |
| *Bonds* | | *2,182.4* | – | *295.2* | – |
| *Other debt instruments at amortized cost* | | *46.1* | – | *5.1* | – |
| *Debt instruments at FVtPL* | | – | *5.5* | – | *133.0* |
| *Equity instruments at FVtPL* | | – | *650.4* | – | *47.5* |
| *Units in investment funds at FVtPL* | | – | *413.4* | – | *391.8* |
| *Financial instruments from settlement business* | | – | *14.3* | – | *194.2* |
| *Derivatives at FVtPL* | | – | *52.1* | – | *111.0* |
| **Total** | | **8,870.9** | **1,135.7** | **8,627.3** | **877.6** |
| **Liabilities** | | | | | |
| Bank overdrafts | 14 | 0.7 | – | – | – |
| Trade and other payables | | 24.4 | – | 25.2 | – |
| Payables from clearing & settlement | 16 | 7,117.3 | – | 6,725.4 | – |
| Current and non-current financial liabilities | 17 | 169.0 | 154.2 | – | 110.1 |
| *Lease liabilities* | | *158.8* | – | – | – |
| *Borrowings* | | *10.2* | – | – | – |
| *Derivatives at FVtPL* | | – | *154.2* | – | *110.1* |
| **Total** | | **7,311.3** | **154.2** | **6,750.6** | **110.1** |

The fair value of bonds amounts to CHF 2,203.5 million (31 December 2018: CHF 296.2 million), which is CHF 21.1 million higher than the carrying amount (31 December 2018: CHF 1.0 million higher). For all other financial assets the fair value equals the book value.

For cash and cash equivalents, trade and other receivables, receivables and payables from clearing & settlement, bank overdrafts, trade and other payables, borrowings and lease liabilities, it is assumed that the carrying amount corresponds to their fair value.

### 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 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:

*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 therefore 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. 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.

*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 were 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.
- For forward contracts from the clearing and settlement of options (derivatives at FVtPL), 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 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 formula. The inputs into the calculation include the share price of the 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. An increase or decrease in historical volatility of 1 percentage point results in an increase or decrease in fair value of CHF 0.9 million.
- For contingent considerations (debt instruments at FVtPL) which are connected to a share price for a reference period, the fair value is determined based on the Black-Scholes formula. The inputs into the calculation include share price, strike price, risk-free interest rate and historical volatility. As historical volatility represents a level 3 input, the contingent consideration receivable is assigned to level 3 of the fair value hierarchy.

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

## Financial instruments in the fair value hierarchy

| | | | | 31/12/2019 |
|---|---|---|---|---|
| | 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 | 645.4 | – | 5.0 | 650.4 |
| Units in investment funds at FVtPL | 403.7 | 9.7 | – | 413.4 |
| Financial instruments from settlement business | 14.3 | – | – | 14.3 |
| Derivatives at FVtPL | – | 44.2 | 7.9 | 52.1 |
| Debt instruments at FVtPL | – | – | 5.5 | 5.5 |
| **Financial assets at fair value** | **1,063.4** | **53.9** | **18.4** | **1,135.7** |
| | | | | |
| Bonds | 2,060.2 | 143.3 | – | 2,203.5 |
| **Financial assets for which fair values are disclosed** | **2,060.2** | **143.3** | **–** | **2,203.5** |
| | | | | |
| Derivatives at FVtPL | – | –47.8 | –106.5 | –154.2 |
| **Financial liabilities at fair value** | **–** | **–47.8** | **–106.5** | **–154.2** |

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

## Transfers between levels

SIX recognizes transfers between the levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer. In 2019 and 2018, there were no transfers between level 1 and level 2 or between level 2 and level 3.

## Movements in level 3 financial assets

The movements in level 3 instruments since 31 December 2018 mainly relate to the contingent consideration (debt instruments at FVtPL) in connection with the sale of the cards business and the Worldline equity collar as described in note 17. SIX also carries unquoted equity instruments and option contracts from the derivative clearing and settlement business as financial instruments at fair value through profit or loss classified within the fair value hierarchy as level 3.

| CHF million | 31/12/2019 Financial assets | 31/12/2019 Financial liabilities | 31/12/2018 Financial assets | 31/12/2018 Financial liabilities |
|---|---|---|---|---|
| **Carrying amount at the beginning of the year** | **167.8** | **–30.7** | **51.1** | **–17.9** |
| Additions | 1.4 | – | 112.9 | – |
| Disposals | –0.9 | – | –2.2 | – |
| Business combinations | 0.3 | – | – | – |
| Change in forward contracts from clearing & settlement | –22.8 | 22.8 | 12.8 | –12.8 |
| Losses recognized in the income statement | –127.7 | –98.5 | –0.4 | – |
| Gains recognized in the income statement | 0.7 | – | 27.6 | – |
| Disposals due to changes in the scope of consolidation | – | – | –33.9 | – |
| Translation adjustments | –0.4 | – | –0.1 | – |
| **Carrying amount at closing** | **18.4** | **–106.5** | **167.8** | **–30.7** |
| **Income/expenses on holdings at closing** | | | | |
| Unrealized losses recognized in the income statement | –0.5 | –98.5 | –0.4 | – |
| Unrealized gains recognized in the income statement | 0.7 | – | 26.1 | – |

In 2019, losses of financial assets recognized in income statement included losses of CHF 127.1 million related to the write-off of the contingent consideration in connection with the sale of the cards business. Losses of financial liabilities of CHF 98.5 million are related to the Worldline equity collar.

In 2018, additions of financial assets are mainly related to the contingent consideration of CHF 110.4 million in connection with sale of the cards business.

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

As at 31 December 2019, SIX had CHF 7.9 million (31 December 2018: CHF 30.7 million) of outstanding forward contracts from clearing and settlement of options. As such, the positive fair values of the outstanding option contracts equal the negative fair values. Accordingly, the decrease in the fair value of the forward contracts from clearing and settlement of options of CHF 22.8 million (31 December 2018: increase of CHF 12.8 million) impacted neither profit or loss nor total comprehensive income.

## 28. Derivative Financial Instruments

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

| | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| CHF million | Positive replacement values | Negative replacement values | Contract volumes | Positive replacement values | Negative replacement values | Contract volumes |
| **Trading derivatives** | | | | | | |
| Forward contracts | 51.7 | 55.7 | 8,805.5 | 110.6 | 109.9 | 13,185.1 |
| *Foreign currency* | *0.1* | *0.3* | *57.4* | *0.1* | *0.1* | *95.6* |
| *Clearing & settlement business* | *51.6* | *55.5* | *8,748.1* | *110.5* | *109.8* | *13,089.6* |
| Swaps | 0.4 | – | 24.6 | 0.4 | 0.2 | 118.3 |
| *Foreign currency* | *0.4* | *–* | *24.6* | *0.4* | *0.2* | *118.3* |
| Equity collar | – | 98.5 | 526.6 | – | – | – |
| **Total trading derivatives** | **52.1** | **154.2** | **9,356.7** | **111.0** | **110.1** | **13,303.4** |
| **Total derivative financial instruments** | **52.1** | **154.2** | **9,356.7** | **111.0** | **110.1** | **13,303.4** |

### Trading derivatives

SIX holds foreign currency forwards and swaps for the purpose of hedging foreign exchange effects as part of its risk strategy, with no application of hedge accounting. Derivative financial instruments also include the positive and negative fair value of forward contracts from the clearing and settlement business of SIX.

In 2019, SIX entered into an equity collar transaction related to a stake of the investment in Worldline. For further information about the equity collar transaction, see note 17.

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

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

# 29. Offsetting

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

31/12/2019

| CHF million | Gross assets before balance sheet netting | Balance sheet netting with gross liabilities | **Net assets reported on the balance sheet[1]** | Financial liabilities | Collateral received[2] | **Assets after consideration of netting potential** | **Assets not subject to enforceable netting arrangements[1]** | **Balance sheet total[1]** |
|---|---|---|---|---|---|---|---|---|
| | **Assets subject to enforceable netting arrangements** | | | | | | | |
| | **Effects of offsetting on balance sheet** | | | **Related amounts not offset** | | | | |
| Receivables from C&S | 1,990.2 | – | 1,990.2 | – | –1,990.2 | – | 705.6 | 2,695.8 |
| *Receivables from C&S* | *130.8* | – | *130.8* | – | *–130.8* | – | *705.6* | *836.4* |
| *Reverse repurchase agreements* | *1,859.4* | – | *1,859.4* | – | *–1,859.4* | – | – | *1,859.4* |
| Financial assets (current) | 66.0 | –13.9 | 52.1 | –41.4 | –10.7 | – | 657.4 | 709.5 |
| *Forward contracts from C&S business* | *66.0* | *–13.9* | *52.1* | *–41.4* | *–10.7* | – | – | *52.1* |
| *Other financial assets* | – | – | – | – | – | – | *657.4* | *657.4* |
| **Total assets** | **2,056.2** | **–13.9** | **2,042.3** | **–41.4** | **–2,000.9** | **–** | **1,363.0** | **3,405.3** |

31/12/2018

| CHF million | Gross assets before balance sheet netting | Balance sheet netting with gross liabilities | **Net assets reported on the balance sheet[1]** | Financial liabilities | Collateral received[2] | **Assets after consideration of netting potential** | **Assets not subject to enforceable netting arrangements[1]** | **Balance sheet total[1]** |
|---|---|---|---|---|---|---|---|---|
| | **Assets subject to enforceable netting arrangements** | | | | | | | |
| | **Effects of offsetting on balance sheet** | | | **Related amounts not offset** | | | | |
| Receivables from C&S | 1,486.9 | – | 1,486.9 | – | –1,486.9 | – | 1,212.7 | 2,699.6 |
| *Receivables from C&S* | *134.0* | – | *134.0* | – | *–134.0* | – | *1,212.7* | *1,346.8* |
| *Reverse repurchase agreements* | *1,352.8* | – | *1,352.8* | – | *–1,352.8* | – | – | *1,352.8* |
| Financial assets (current) | 128.5 | –17.9 | 110.5 | –79.8 | –30.7 | – | 713.3 | 823.8 |
| *Forward contracts from C&S business* | *128.5* | *–17.9* | *110.5* | *–79.8* | *–30.7* | – | – | *110.5* |
| *Other financial assets* | – | – | – | – | – | – | *713.3* | *713.3* |
| **Total assets** | **1,615.3** | **–17.9** | **1,597.4** | **–79.8** | **–1,517.6** | **–** | **1,926.0** | **3,523.4** |

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

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

31/12/2019

| CHF million | Gross liabilities before balance sheet netting | Balance sheet netting with gross assets | Net liabilities reported on the balance sheet[1] | Financial assets | Collateral pledged[2] | Liabilities after consideration of netting potential | Liabilities not subject to enforceable netting arrangements[1] | Balance sheet total[1] |
|---|---|---|---|---|---|---|---|---|
| | Liabilities subject to enforceable netting arrangements | | | | | | | |
| | Effects of offsetting on balance sheet | | | Related amounts not offset | | | | |
| Payables from C&S | 1,426.7 | – | 1,426.7 | – | – | 1,426.7 | 5,690.5 | 7,117.3 |
| *Payables from C&S* | *1,426.7* | – | *1,426.7* | – | – | *1,426.7* | *5,690.5* | *7,117.3* |
| Financial liabilities (current and non-current) | 206.0 | –51.8 | 154.2 | –41.4 | – | 112.8 | 169.0 | 323.2 |
| *Forward contracts from C&S business* | *69.6* | *–13.9* | *55.7* | *–41.4* | – | *14.3* | – | *55.7* |
| *Derivatives* | *136.4* | *–37.9* | *98.5* | – | – | *98.5* | – | *98.5* |
| *Other financial liabilities* | – | – | – | – | – | – | *169.0* | *169.0* |
| **Total liabilities** | **1,632.7** | **–51.8** | **1,580.9** | **–41.4** | **–** | **1,539.6** | **5,859.5** | **7,440.5** |

31/12/2018

| CHF million | Gross liabilities before balance sheet netting | Balance sheet netting with gross assets | Net liabilities reported on the balance sheet[1] | Financial assets | Collateral pledged[2] | Liabilities after consideration of netting potential | Liabilities not subject to enforceable netting arrangements[1] | Balance sheet total[1] |
|---|---|---|---|---|---|---|---|---|
| | Liabilities subject to enforceable netting arrangements | | | | | | | |
| | Effects of offsetting on balance sheet | | | Related amounts not offset | | | | |
| Payables from C&S | 1,432.9 | – | 1,432.9 | – | – | 1,432.9 | 5,292.4 | 6,725.4 |
| *Payables from C&S* | *1,432.9* | – | *1,432.9* | – | – | *1,432.9* | *5,292.4* | *6,725.4* |
| Financial liabilities (current) | 127.8 | –17.9 | 109.8 | –79.8 | – | 30.0 | 0.3 | 110.1 |
| *Forward contracts from C&S business* | *127.8* | *–17.9* | *109.8* | *–79.8* | – | *30.0* | – | *109.8* |
| *Other financial liabilities* | – | – | – | – | – | – | *0.3* | *0.3* |
| **Total liabilities** | **1,560.7** | **–17.9** | **1,542.8** | **–79.8** | **–** | **1,462.9** | **5,292.7** | **6,835.5** |

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

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

## Related amounts offset

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

The Worldline equity collar agreement was concluded in accordance with the International Swaps and Derivatives Association (ISDA) master netting agreement which allows for payment netting and netting in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. At settlement of the transaction a net amount is payable by one party to the other, i.e. it is intended to settle on a net basis.

### Related amounts not offset

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

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

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

### Reverse repurchase agreements

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

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

# Group Composition

## 30. Interests in Other Entities

### Subsidiaries

The list below shows SIX Group Ltd and its subsidiaries as at 31 December 2019 in comparison with 31 December 2018:

### *Fully consolidated participations*

| Name of entity | Principal place of business | Principal activities | Share capital in 1,000 | | 31/12/2019 Equity interest in % | 31/12/2018 Equity interest in % |
|---|---|---|---|---|---|---|
| SIX Group Ltd | Zurich | Holding company | CHF | 19,522 | – | – |
| Finaccess SIX Financial Information SA | Casablanca | Financial information services | MAD | 8,548 | 55.0 | 55.0 |
| SDX Trading Ltd | Zurich | Digital exchange services | CHF | 100 | 100.0 | – |
| SECB Swiss Euro Clearing Bank GmbH | Frankfurt a. M. | Clearing services | EUR | 30,000 | 100.0 | –[1] |
| SIX Corporate Bonds Ltd | Zurich | Stock exchange services | CHF | – | – | 100.0 |
| SIX Digital Exchange Ltd | Zurich | Digital exchange services | CHF | 5,500 | 100.0 | 100.0 |
| SIX Exchange Regulation Ltd | Zurich | Exchange regulation | CHF | 100 | 100.0 | 100.0 |
| SIX Exfeed Ltd | Zurich | Distribution of financial information | CHF | 1,100 | 100.0 | 100.0 |
| SIX Financial Information Belgium SA | Brussels | Financial information services | EUR | 505 | 100.0 | 100.0 |
| SIX Financial Information Denmark A/S | Copenhagen | Financial information services | DKK | 1,600 | 100.0 | 100.0 |
| SIX Financial Information Deutschland GmbH | Frankfurt a. M. | Financial information services | EUR | 512 | 100.0 | 100.0 |
| SIX Financial Information España SA | Madrid | Financial information services | EUR | 424 | 100.0 | 100.0 |
| SIX Financial Information France SAS | Paris | Financial information services | EUR | 44,900 | 100.0 | 100.0 |
| SIX Financial Information Hong Kong Limited | Hong Kong | Inactive | HKD | 4,000 | 100.0 | 100.0 |
| SIX Financial Information Italia Srl | Milan | Financial information services | EUR | 100 | 100.0 | 100.0 |
| SIX Financial Information Japan Ltd | Tokyo | Financial information services | JPY | 40,000 | 100.0 | 100.0 |
| SIX Financial Information Ltd | Zurich | Financial information services | CHF | 5,400 | 100.0 | 100.0 |
| SIX Financial Information Luxembourg SA | Leudelange | Financial information services | EUR | 31 | 100.0 | 100.0 |
| SIX Financial Information Monaco SAM | Monaco | Financial information services | EUR | 150 | 100.0 | 100.0 |
| SIX Financial Information Nederland BV | Amsterdam | Financial information services | EUR | 250 | 100.0 | 100.0 |
| SIX Financial Information Nordic AB | Stockholm | Financial information services | SEK | 100 | 100.0 | 100.0 |
| SIX Financial Information Singapore Pte Ltd | Singapore | Financial information services | SGD | 25 | 100.0 | 100.0 |
| SIX Financial Information UK Ltd | London | Financial information services | GBP | 500 | 100.0 | 100.0 |
| SIX Financial Information USA Inc. | Stamford USA | Financial information services | USD | 0 | 100.0 | 100.0 |
| SIX Global Services Ltd | Zurich | Services for Group companies and third parties | CHF | 100 | 100.0 | 100.0 |
| SIX Group Services Ltd | Zurich | IT and management services | CHF | 11,550 | 100.0 | 100.0 |
| SIX Interbank Clearing Ltd | Zurich | Interbank payment services | CHF | 1,000 | 100.0 | 75.0 |
| SIX Management Ltd | Zurich | Management services | CHF | – | – | 100.0 |
| SIX Paynet Ltd | Zurich | E-billing and direct debit services | CHF | 100 | 100.0 | 100.0 |
| SIX Repo Ltd | Zurich | Swiss money market trading platform | CHF | 1,000 | 100.0 | 100.0 |

[1] As at 31 December 2018, SECB Swiss Euro Clearing Bank GmbH was accounted for at the equity method. See below.

| Name of entity | Principal place of business | Principal activities | | Share capital in 1,000 | 31/12/2019 Equity interest in % | 31/12/2018 Equity interest in % |
|---|---|---|---|---|---|---|
| SIX Securities Services Ltd | Zurich | Holding company | CHF | 26,000 | 100.0 | 100.0 |
| SIX SIS Ltd | Olten | Settlement and custody | CHF | 26,000 | 100.0 | 100.0 |
| SIX SIS Nominee U.K. Ltd | Olten | Inactive | CHF | – | – | 100.0 |
| SIX Swiss Exchange Ltd | Zurich | Stock exchange and stock exchange services | CHF | 10,000 | 100.0 | 100.0 |
| SIX Terravis Ltd | Zurich | Real estate information portal | CHF | 4,100 | 100.0 | 100.0 |
| SIX Trade Repository Ltd | Zurich | Trade repository | CHF | 500 | 100.0 | 100.0 |
| SIX x-clear Ltd | Zurich | Clearing | CHF | 30,000 | 100.0 | 100.0 |
| Swisskey Ltd | Zurich | Banking services | CHF | 100 | 100.0 | 100.0 |
| SWISSTRADINGBOX Ltd | Zurich | IT services | CHF | 800 | 50.1 | 50.1 |

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

## Changes in the composition of the Group during 2019

### *SECB Swiss Euro Clearing Bank GmbH*

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

### *SIX Interbank Clearing Ltd*

On 27 March 2019, SIX acquired the remaining 25% of the shares in SIX Interbank Clearing Ltd, increasing its ownership from 75% to 100%. The cash consideration paid was CHF 11.9 million. SIX recognized a decrease in non-controlling interests of CHF 7.6 million and a decrease in retained earnings of CHF 4.3 million.

### *SIX Corporate Bonds Ltd*

In May 2019, SIX Corporate Bonds Ltd was merged with SIX Swiss Exchange Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2019.

### *SIX Management Ltd*

In May 2019, SIX Management Ltd was merged with SIX Group Services Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2019.

### *SIX SIS Nominee U.K. Ltd*

In June 2019, SIX SIS Nominee U.K. Ltd was merged with SIX SIS Ltd. The merger had no impact on the Group's consolidated figures as at 31 December 2019.

### *SDX Trading Ltd*

In August 2019, SDX Trading Ltd was founded with fully paid-up share capital of CHF 0.1 million.

### *SIX Digital Exchange Ltd*

In December 2019, SIX Digital Exchange Ltd realized a capital increase of CHF 5.4 million.

## Changes in the composition of the Group during 2018

### *SIX Financial Information Sweden AB*

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

### *SIX Payment Ltd*

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

### *SIX Digital Exchange Ltd*

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

***SIX Payment Services (Austria) GmbH***

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

***Cards business***

In November 2018, SIX entered in a strategic partnership with Wordline. SIX brought the existing cards business (merchant acceptance & acquiring and international card processing) into the partnership and received a 26.9% stake in Worldline SA. For further details, see note 18. The cards business included the following entities:

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

***SIX Financial Information Finland Oy***

In December 2018, SIX Financial Information Finland Oy was liquidated.

***SIX Financial Information Norway AS***

In December 2018, SIX Financial Information Norway AS was liquidated.

## Non-controlling interests in subsidiaries

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

| | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| CHF million | SIX Interbank Clearing Ltd | Other | Total | SIX Interbank Clearing Ltd | Other | Total |
| **NCI percentage** | **0.0%**[1] | | | **25.0%** | | |
| Current assets | – | 4.5 | 4.5 | 29.8 | 4.7 | 34.4 |
| Non-current assets | – | 0.8 | 0.8 | 10.2 | 1.0 | 11.2 |
| Current liabilities | – | 1.8 | 1.8 | 6.2 | 1.9 | 8.1 |
| Non-current liabilities | – | 0.2 | 0.2 | 1.0 | 0.0 | 1.0 |
| **Net assets** | **–** | **3.2** | **3.2** | **32.8** | **3.7** | **36.4** |
| **NCI equity** | **–** | **1.0** | **1.0** | **8.2** | **1.3** | **9.5** |
| **Revenues** | **7.9** | **4.7** | **12.7** | **33.3** | **4.8** | **38.0** |
| Net profit | 1.0 | 0.6 | 1.6 | 3.5 | 0.9 | 4.4 |
| Other comprehensive income | – | –0.0 | –0.0 | –0.6 | –0.0 | –0.7 |
| **Total comprehensive income** | **1.0** | **0.6** | **1.6** | **2.8** | **0.9** | **3.8** |
| **NCI total comprehensive income** | **0.3** | **–0.2** | **0.1** | **0.7** | **0.0** | **0.8** |
| Cash flows from operating activities | 0.0 | 1.0 | 1.0 | 3.3 | –0.5 | 2.8 |
| Cash flows from investing activities | – | –0.0 | –0.0 | – | –0.0 | –0.0 |
| Cash flows from financing activities before dividends to NCI | 1.0 | –1.0 | –0.1 | –2.4 | 0.9 | –1.5 |
| Cash flows from financing activities, dividends to NCI | –1.0 | –0.1 | –1.0 | –1.0 | –0.1 | –1.1 |
| **Net increase/decrease in cash and cash equivalents** | **0.0** | **–0.2** | **–0.2** | **–0.0** | **0.2** | **0.2** |

[1] SIX acquired the remaining 25% of the shares in March 2019. Accordingly, the income statement and cash flows only cover the respective period.

## Significant associates and joint ventures

| Name of entity | Principal place of business | Principal activities | Share capital in 1,000 | | 31/12/2019 Equity interest in % | 31/12/2018 Equity interest in % |
|---|---|---|---|---|---|---|
| 12H Ltd | Zurich | Provider of low-latency solutions | CHF | 100 | 49.9 | 49.9 |
| SECB Swiss Euro Clearing Bank GmbH | Frankfurt a. M. | Clearing services | EUR | – | –[1] | 25.0 |
| SwissSign Group Ltd | Glattbrugg | Identity and certificate services | CHF | 12,500 | 13.5 | 13.5 |
| TWINT Ltd | Zurich | Mobile payment solutions | CHF | 12,750 | 26.7 | 26.7 |
| Worldline SA | Bezons | Electronic payment and transactional services | EUR | 124,280 | 21.8[2] | 26.9[2] |

[1] As at 31 December 2019, SECB Swiss Euro Clearing Bank GmbH is fully consolidated. See above.
[2] Voting rights as at 31 December 2019: 19.6% (31 December 2018: 17.9%)

### Changes during 2019

#### *Worldline SA*

In September 2019, Worldline SA acquired the minority stake of 36.4% in equensWorldline for EUR 1,070 million and recognized EUR 846.8 million in retained earnings. Accordingly, SIX recognized its share of the transaction of CHF 228.7 million by reducing the investment in Worldline SA against retained earnings.

In the fourth quarter 2019, upon the commitment of SIX to dispose 9.2 million shares of Worldline SA (i.e. the collar shares) in the near future, the corresponding stake of the investment has been reclassified to equity instruments measured at FVtPL. The reclassification resulted in a remeasurement gain of CHF 183.9 million and a loss of CHF 17.5 million from the recycling of other comprehensive income. The net remeasurement gain of CHF 166.3 million has been included in other financial income (see note 9). As a result of the reclassification, the share of SIX decreased to 21.8%.

### Changes during 2018

#### *SwissSign Group Ltd*

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

#### *12H Ltd*

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

#### *Worldline SA*

In November 2018, in connection with the sale of the cards business SIX acquired 26.9% of the shares in Worldline SA. Worldline SA is a listed company at the Euronext stock exchange in Paris and is the European leader in the payment and transactional services industry. The participation in Worldline SA is classified as an associate and is accounted for using the equity method. The total purchase price was CHF 2,625.8 million plus transaction costs of CHF 0.7 million.

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

| | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| CHF million | Worldline | Others | Total | Worldline | Others | Total |
| **Carrying amount** | **1,932.2** | **27.3** | **1,959.5** | **2,606.6** | **49.5** | **2,656.1** |
| Share of profit | 70.1 | –0.4 | 69.6 | 1.8 | –8.3 | –6.4 |
| Share of other comprehensive income incl. currency translation adjustments | –75.6 | 0.4 | –75.2 | –21.8 | –0.9 | –22.6 |
| **Share of total comprehensive income** | **–5.5** | **–0.1** | **–5.6** | **–19.9** | **–9.1** | **–29.1** |
| **Share of other changes in equity of associates** | **–224.1** | **–** | **–224.1** | **–** | **–** | **–** |

The following table summarizes financial information for material associates.

| | 31/12/2019 | 31/12/2018[1] |
|---|---|---|
| CHF million | Worldline SA | Worldline SA |
| Current assets | 2,468.5 | 2,185.2 |
| Non-current assets | 6,289.7 | 6,402.7 |
| Current liabilities | –2,237.8 | –2,358.5 |
| Non-current liabilities | –2,107.7 | –900.3 |
| Non-controlling interests | – | –235.2 |
| **Net assets** | **4,412.7** | **5,093.9** |
| SIX share of associates' net assets | 963.7 | 1,369.1 |
| Goodwill and other adjustments | 968.6 | 1,237.4 |
| **Total carrying amount** | **1,932.2** | **2,606.6** |
| **Revenues** | **2,650.3** | **1,986.8** |
| **Net profit** | **376.1** | **161.0** |
| *of which attributable to shareholders of Worldline SA* | *346.3* | *116.1* |
| Other comprehensive income | 62.4 | –36.0 |
| **Total comprehensive income** | **438.6** | **125.0** |
| *of which attributable to shareholders of Worldline SA* | *408.7* | *79.3* |
| Fair value of investment | 2,733.2 | 2,331.2 |

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

# 31. Acquisitions of Subsidiaries

### Acquisitions in 2019

#### *SECB Swiss Euro Clearing Bank GmbH*

On 31 January 2019, SIX obtained control of SECB by acquiring the remaining 75% of the shares and voting interests in the company. Previously, SIX had held a 25% stake in SECB and accounted for the investment as an associate by applying the equity method. The other shareholders were the Swiss banks UBS, Credit Suisse and PostFinance, with a 25% holding each. The cash consideration paid for the 75% stake totaled EUR 71.3 million (CHF 81.4 million). The fair value of the 25% stake previously held was CHF 27.1 million.

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

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

From the date of acquisition, the business contributed CHF 21.7 million of revenues and positively impacted Group profit before tax by CHF 6.9 million in 2019. Assuming that the acquisition had taken place on 1 January 2019, management estimates that Group revenues and profit would have been CHF 1.9 million and CHF 0.8 million higher, respectively.

The transaction costs of the acquisition, which totaled CHF 0.7 million, were mainly recognized in other operating expenses and personnel expenses in 2018.

*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 | 521.7 |
| Trade and other receivables | 0.6 |
| Receivables from clearing & settlement | 1.0 |
| Financial assets | 97.3 |
| Current income tax receivables | 2.0 |
| Other current assets | 8.4 |
| **Current assets** | **631.0** |
| Property, plant and equipment | 1.3 |
| Intangible assets | 0.3 |
| Financial assets | 1,892.1 |
| **Non-current assets** | **1,893.7** |
| **Total assets** | **2,524.7** |
| Payables from clearing & settlement | 2,381.5 |
| Financial liabilities | 0.2 |
| Current income tax payables | 0.9 |
| Other current liabilities | 1.8 |
| **Current liabilities** | **2,384.4** |
| Financial liabilities | 0.9 |
| Deferred tax liabilities | 12.9 |
| **Non-current liabilities** | **13.8** |
| **Total liabilities** | **2,398.2** |
| **Net assets acquired** | **126.6** |
| Fair value of pre-existing interest | 27.1 |
| Cash consideration | 81.4 |
| **Gain from bargain purchase** | **18.0** |

*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.

No assets and liabilities were identified in the context of the purchase price allocation (PPA). The acquisition resulted in a gain from bargain purchase of CHF 18.0 million, included in financial income, as the fair value of the assets acquired and liabilities assumed exceeded the sum of the fair value of the consideration paid and the pre-existing equity interest. The economic transfer of the remaining 75% of the shares and voting interests to SIX took effect on 1 January 2018 and is the main reason for the gain from bargain purchase.

## Ongoing tender

***Bolsas y Mercados Españoles***

In November 2019, SIX announced all-cash voluntary tender offer for 100% of the share capital of Bolsas y Mercados Españoles (BME) for EUR 34.00 per share, implying a total equity value of EUR 2.8 billion. The offer will be subject to the following conditions and requirements:

- minimum acceptance level of at least 50% plus one share of BME's share capital
- authorization of the transaction or non-opposition by the Spanish National Commission on Markets and Competition (CNMC) and the Spanish Securities Exchange Commission (CNMV)
- approval from the Spanish Government

The application for authorization of the offer, including the prospectus, have been filed with the CNMV.

Several banks are providing SIX with a fully underwritten bridge facility for the funding need of the proposed transaction. In this respect, the banks also issued guarantees to the CNMV. As at 31 December 2019, the guarantees provided by qualifying shareholders of SIX totaled EUR 2.8 billion. The bridge facility is expected to be refinanced by a mix of existing resources and long-term debt market instruments.

# Additional Information

## 32. Assets Pledged or Assigned to Secure Own Liabilities

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

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Cash and cash equivalents | – | 0.6 |
| Financial assets at amortized cost | 39.3 | 41.1 |
| Financial assets at FVtPL | 84.7 | – |
| **Total** | **124.0** | **41.7** |

SIX has pledged assets and provided cash deposits as security for operating lease agreements. These amounts are restricted in use. Additionally in 2018, cash at a bank was pledged as collateral to receive a forward limit for foreign exchange transactions.

As at 31 December 2019, SIX x-clear Ltd has pledged debt instruments of CHF 38.0 million for the interoperability and the intraday credit facility used in connection with the Norwegian equities settlement (31 December 2018: CHF 39.6 million).

As at 31 December 2019, 1.2 million Worldline shares were pledged in connection with the equity collar transaction. Additionally, ATOS and SIX agreed a lock-up period for Worldline shares until the end of February 2020. The lock-up applies to all Worldline shares except the delta shares of the collar transaction. For further details on the equity collar transaction, see note 17.

## 33. Contingent Liabilities

SIX provided guarantees to third parties in the amount of CHF 159.1 million (31 December 2018: CHF 226.1 million). Of this figure, CHF 106.5 million related to credit facilities granted to entities of SIX Group (31 December 2018: CHF 119.0 million) and CHF 47.0 million related to the Group's cash pooling (31 December 2018: CHF 47.0 million). The credit facilities granted for the cards business (for further details, see note 18) were cancelled in 2019 (31 December 2018: CHF 60.1 million).

## 34. Leases

### SIX as lessee

SIX leases many assets including office space, vehicles and IT equipment.

Leases of buildings and office space are negotiated on an individual bases and contain a wide range of different terms and conditions. Typically, they run for periods up to 13 years and may include an option to renew the lease for an additional period and/or to terminate the lease early. Some leases include variable lease payments that depend on local price indices. SIX subleases some of the leased properties.

The leases of vehicles and IT equipment typically run for periods of three to five years.

SIX also leases IT printers and other office equipment with contract terms of up to 5 years. These are leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for theses leases.

***Right-of-use assets***
For the quantitative disclosures on the right-of-use assets, see note 20.

***Lease liabilities***
The maturity analysis of the contractual undiscounted cash flows is set out in note 26.

***Extension and termination options***
Some leases of office buildings contain extension options exercisable by SIX prior to the end of the non-cancellable period. The extension options held are exercisable only by the Group and not by the lessor. Additionally, some leases of office buildings contain termination options only exercisable by SIX. These termination options are usually subject to a termination fee of up to six monthly rentals. SIX assesses at lease commencement whether it is reasonably certain to exercise the extension option or not to exercise a termination option and performs a reassessment if there is a significant event or significant change in the circumstances within its control.

| CHF million | Notes | 31/12/2019 |
|---|---|---|
| **Amounts recognized in the income statement** | | |
| Income from subleasing of right-of-use assets | | 1.4 |
| Interest expenses on lease liabilities | 10 | –2.9 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | | –0.5 |
| **Amounts recognized in the statement of cash flows** | | |
| Total cash outflow for leases | | 12.5 |
| **Lease commitments and undiscounted potential future lease payments not included in the lease liabilities** | | |
| Future lease payments related to leases not yet commenced to which SIX is committed | | 0.9 |
| Extension options not reasonably certain | | 3.4 |
| Termination options not reasonably certain not to be exercised | | 1.6 |

As at 31 December 2018, the future minimum lease payments under non-cancellable operating lease agreements were as follows:

| CHF million | 31/12/2018 |
|---|---|
| Within one year | 15.6 |
| Between one and five years | 59.8 |
| More than five years | 114.8 |
| **Total** | **190.2** |

## SIX as lessor

SIX partially leases out some office buildings owned and subleases some office space. These leases are classified as operating leases, because they do not transfer substantially all the risk and rewards incidental to ownership of the assets. Operating lease income also include fees earned for the renting of conference rooms and the income from recharges of ancillary costs. In 2019, operating lease income totaled CHF 12.8 million.

The table below sets out a maturity analysis of the future undiscounted lease payments:

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Within one year | 8.2 | 7.9 |
| Between one and five years | 25.8 | 31.9 |
| More than five years | 22.0 | 22.7 |
| **Total** | **56.0** | **62.6** |

The breakdown of property, plant and equipment in assets used by SIX and assets leased to third parties is provided in note 20.

# 35. Defined Benefit Plans

SIX has established its own pension plan in Switzerland. Outside of Switzerland, SIX uses different, generally legally independent, pension providers. Defined benefit plans are in place for Switzerland and France. In 2018, the defined benefit plans in Luxembourg, Austria and Germany were derecognized due to the sale of the cards business (for further details refer to note 18). Independent actuarial valuations for the plans are performed as required for the defined benefit plans. Less than 1% of the present value of the defined benefit obligation can be ascribed to the French pension plan. For this reason, SIX has elected not to present the French pension plan separately.

## Swiss pension plan

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

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

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

The employer contributions expected to be made to the Swiss pension plan in 2020 are CHF 36.8 million.

## Plan assets and defined benefit obligation

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

The plan assets comprise:

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Listed equity instruments | 456.3 | 406.0 |
| Listed debt instruments | 642.7 | 572.7 |
| Listed real estate | 312.4 | 272.4 |
| Cash and cash equivalents | 24.8 | 27.1 |
| Unlisted other financial investments | 91.2 | 73.5 |
| **Total plan assets** | **1,527.5** | **1,351.8** |

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

An asset-liability matching (ALM) study is performed periodically by an external investment advisor, in which the consequences of the strategic investment policies are analyzed. The strategic investment policy of the pension fund for 2019 can be summarized as follows:

- The strategic asset allocation comprises 20.0% to 34.0% (neutral: 27.0%) equity instruments; 36.0% to 56.0% debt instruments (neutral: 46.0%); and 18.0% to 37.0% (neutral: 27.0%) other investments (e.g. real estate, alternative investments and cash).
- Interest rate risk is not managed actively, but the pension plan is strongly underweighted in duration.
- The foreign currency risk of the main currencies is managed by a currency overlay program and/or foreign currency hedge directly in the funds.

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

| CHF million | 2019 | 2018 |
|---|---|---|
| **Present value of obligation at 1 January** | **–1,404.9** | **–1,646.5** |
| Effect of business combinations and disposals | – | 264.4 |
| Interest expenses on defined benefit obligation | –11.5 | –11.7 |
| Current service costs (employer) | –44.5 | –58.0 |
| Employee contributions | –28.2 | –33.4 |
| Benefits paid | 20.4 | 40.1 |
| Actuarial gains or (losses) | –61.3 | 40.4 |
| Administration costs | –0.7 | –0.8 |
| Translation adjustments | 0.2 | 0.5 |
| **Present value of obligation at 31 December** | **–1,530.4** | **–1,404.9** |

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

| CHF million | 2019 | 2018 |
|---|---|---|
| **Fair value of plan assets at 1 January** | **1,351.8** | **1,656.0** |
| Effect of business combinations and disposals | – | –276.5 |
| Employer contributions | 38.1 | 45.4 |
| Employee contributions | 28.2 | 33.4 |
| Interest income on assets | 11.0 | 11.6 |
| Return on plan assets (excl. contributions in interest income) | 118.7 | –77.8 |
| Benefits paid | –20.3 | –40.1 |
| Translation adjustments | – | –0.2 |
| **Present value of plan assets at 31 December** | **1,527.5** | **1,351.8** |

Amounts recognized in the balance sheet:

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Present value of defined benefit obligation | –1,530.4 | –1,404.9 |
| Fair value of plan assets | 1,527.5 | 1,351.8 |
| **Recognized pension assets/(liabilities)** | **–3.0** | **–53.1** |
| *of which presented as pension assets* | *3.5* | *–* |
| *of which presented as other liabilities* | *–6.5* | *–53.1* |

All benefits were vested at the end of the reporting period. The weighted average duration of the defined benefit obligation at the reporting date was 16 years (31 December 2018: 16 years).

The following table provides information on pension costs for defined benefit plans. The costs for the financial year 2018 include continuing and discontinued operations.

| CHF million | 2019 | 2018 |
|---|---|---|
| Current service costs | –44.5 | –58.0 |
| Net interest expenses | –0.5 | 0.0 |
| Administration costs | –0.7 | –0.8 |
| **Total pension expense for the period** | **–45.7** | **–58.8** |

Remeasurements recognized in other comprehensive income:

| CHF million | 2019 | 2018 |
|---|---|---|
| Actuarial gains/(losses) | –61.3 | 40.4 |
| Return on plan assets excl. interest income | 118.7 | –77.8 |
| **Total income/(expense) recognized in OCI** | **57.5** | **–37.3** |

The actuarial gains/(losses) arising from changes in financial assumptions totaled CHF –73.0 million (2018: CHF 22.5 million).

## Assumptions used to determine the defined benefit obligation

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

| | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Discount rate | 0.3% | 0.8% |
| Salary trend | 0.7% | 1.0% |
| Interest rate on retirement savings capital | 0.3% | 0.9% |
| Mortality tables | BVG 2015 GT | BVG 2015 GT |

## Sensitivity analysis

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

| | 31/12/2019 | | | 31/12/2018 | | |
|---|---|---|---|---|---|---|
| | Change in actuarial assumption | Effect on defined benefit obligation | | Change in actuarial assumption | Effect on defined benefit obligation | |
| CHF million | +/– | + | – | +/– | + | – |
| Discount rate | 0.50% | 115.7 | –133.7 | 0.50% | 102.0 | –117.6 |
| Salary trend | 0.25% | –7.1 | 6.9 | 0.25% | –6.3 | 6.2 |
| Interest rate on retirement savings capital | 0.50% | –31.4 | 18.1 | 0.50% | –29.4 | 28.0 |
| Life expectancy | 1 year | –36.5 | 36.8 | 1 year | –30.8 | 31.2 |

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation in 2019 and are applied to adjust the defined benefit obligation at the reporting date based on the assumptions concerned. While the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity to the assumptions shown.

## 36. Related Party Disclosures

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

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

Transactions with related parties and companies are made at terms equivalent to those that prevail in arm's length transactions. 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 26.5 million are collateralized (31 December 2018: CHF 12.0 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 31 December 2019 or 31 December 2018.

Qualifying shareholders of SIX have provided guarantees in connection with the bridge facility for the proposed acquisition of BME. For further details, see note 31.

Transactions and outstanding balances with related parties of SIX as stated in the following tables have been included in the Group´s consolidated balance sheet and statement of comprehensive income as at and for the years ending 31 December 2019 and 31 December 2018. The figures for the financial year 2018 in the income statement table include continuing and discontinued operations.

| | | | | 2019 |
|---|---|---|---|---|
| **CHF million** | **Qualifying shareholders** | **Associates** | **Post-employment benefit plans** | **Total** |
| **Income statement** | | | | |
| Operating income | 324.3 | 62.3 | – | 386.6 |
| Total other operating expenses | –4.4 | –44.7 | – | –49.1 |
| Net interest income | –1.0 | – | – | –1.0 |
| Contributions | – | – | –38.1 | –38.1 |

| | | | | 31/12/2019 |
|---|---|---|---|---|
| **CHF million** | **Qualifying shareholders** | **Associates** | **Post-employment benefit plans** | **Total** |
| **Balance sheet** | | | | |
| Cash and cash equivalents | 341.5 | – | – | 341.5 |
| Trade receivables/receivables from clearing & settlement | 57.4 | 13.0 | – | 70.3 |
| Financial assets | 211.6 | 627.5 | – | 839.1 |
| Other current assets | 0.1 | – | – | 0.1 |
| Trade payables/payables from clearing & settlement | 1,796.2 | 114.0 | 0.1 | 1,910.3 |
| Financial liabilities non-current | 98.5 | – | – | 98.5 |
| Other liabilities | – | 59.1 | – | 59.1 |

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

| CHF million | Qualifying shareholders | Associates | Post-employment benefit plans | Total |
|---|---|---|---|---|
| | | | | 31/12/2018 |
| **Balance sheet** | | | | |
| Cash and cash equivalents | 409.7 | 850.0 | – | 1,259.7 |
| Trade receivables/receivables from clearing & settlement | 81.7 | 6.0 | – | 87.7 |
| Financial assets | 207.5 | – | – | 207.5 |
| Other current assets | 0.0 | 1.6 | – | 1.6 |
| Trade payables/payables from clearing & settlement | 1,667.1 | 123.5 | 0.1 | 1,790.7 |
| Other liabilities | 0.1 | 93.2 | – | 93.3 |

## Compensation paid to key management personnel

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

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

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

| CHF million | 2019 | 2018 |
|---|---|---|
| Salaries and other short-term employee benefits | –11.4 | –13.0 |
| Other long-term benefits | –2.9 | –2.6 |
| **Total compensation to key management** | **–14.3** | **–15.6** |

## 37. Events after the Balance Sheet Date

In February 2020, SIX obtained control of 12H Ltd by acquiring additional 40% of the shares and voting interests in the company.

As at 12 March 2020, the date of approval for issue of the financial statements by the Board of Directors, the Group had undergone no other subsequent events warranting a modification of the value of the assets and liabilities or an additional disclosure.

# Statutory Auditor's Report on the Audit of the Consolidated Financial Statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 13 March 2020

### Opinion

We have audited the consolidated financial statements of SIX Group Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 33 to 122) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

### Basis for opinion

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

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

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

### Other information in the annual report

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

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

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

## Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

## Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

| | |
|---|---|
| Jan Marxfeld<br>Licensed audit expert<br>(Auditor in charge) | Slaven Cosic<br>Licensed audit expert |

# SIX Group Ltd
# Financial Statements 2019

# 1. Balance sheet

| CHF million | Notes | 31/12/2019 | 31/12/2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 3.2.2 | 319.0 | 340.5 |
| Financial assets with quoted market price | 3.2.3 | 427.5 | 402.3 |
| Current financial assets | 3.2.6 | 35.0 | 34.3 |
| Trade receivables | 3.2.4 | 6.2 | 19.2 |
| Other receivables | 3.2.5 | 577.5 | 995.7 |
| Positive replacement values of derivatives | | 0.5 | 0.6 |
| Accrued income and prepaid expenses | | 3.9 | 1.8 |
| **Current assets** | | **1,369.6** | **1,794.4** |
| Non-current financial assets | 3.2.6 | 316.4 | 327.9 |
| Investments in subsidiaries and associated entities | 3.2.7 | 4,126.9 | 3,926.8 |
| **Non-current assets** | | **4,443.4** | **4,254.7** |
| **Total assets** | | **5,812.9** | **6,049.1** |
| **Liabilities** | | | |
| Trade payables | 3.2.8 | 14.7 | 24.4 |
| Current interest-bearing liabilities | 3.2.9 | 377.9 | 321.2 |
| Other current liabilities | 3.2.10 | 59.0 | 49.3 |
| Negative replacement values of derivatives | | 0.2 | 0.3 |
| Accrued expenses and deferred income | | 17.6 | 24.5 |
| **Current liabilities** | | **469.5** | **419.8** |
| Other non-current liabilities | 3.2.11 | 26.1 | 35.1 |
| Non-current provisions | | 3.2 | 3.2 |
| **Non-current liabilities** | | **29.3** | **38.3** |
| **Total liabilities** | | **498.8** | **458.1** |
| **Equity** | | | |
| Share capital | | 19.5 | 19.5 |
| Legal capital reserves | | | |
| Reserves from capital contributions | | 230.2 | 230.2 |
| Legal retained earnings | | | |
| Reserves for indirectly held treasury shares | | 23.3 | 23.3 |
| Free reserves | | | |
| Profit carried forward | | 4,900.2 | 2,447.9 |
| Profit for the year | | 140.8 | 2,870.0 |
| Treasury shares | 3.2.15 | –0.0 | –0.0 |
| **Total equity** | | **5,314.1** | **5,591.0** |
| **Total liabilities and equity** | | **5,812.9** | **6,049.1** |

# 2. Income statement

| CHF million | Notes | 2019 | 2018 |
|---|---|---|---|
| Dividend income from investments | | 143.3 | 130.1 |
| Service revenues | | 14.4 | 26.1 |
| Other trade revenues | | 9.7 | 1.9 |
| **Total operating income** | | **167.4** | **158.1** |
| Service-related expenses | | –5.5 | –8.2 |
| Consulting and other professional fees | | –40.6 | –53.1 |
| Depreciation and amortization | 3.2.17 | 5.4 | –5.4 |
| Valuation adjustments and losses | | 0.0 | 0.0 |
| Other operating expenses | | –0.5 | –1.3 |
| **Total operating expenses** | | **–41.2** | **–68.0** |
| **Operating profit before interest and tax** | | **126.1** | **90.2** |
| Financial income | 3.2.18 | 54.6 | 67.3 |
| Financial expenses | 3.2.18 | –48.2 | –86.9 |
| **Earnings before tax and extraordinary items** | | **132.6** | **70.6** |
| Extraordinary income | 3.2.20 | 18.9 | 2,834.2 |
| Extraordinary expenses | 3.2.20 | –7.2 | –30.3 |
| **Earnings before tax** | | **144.3** | **2,874.6** |
| Taxes | | –3.4 | –4.5 |
| **Profit for the year** | | **140.8** | **2,870.0** |

# 3. Notes to the financial statements

## 3.1 Principles of the financial statements

### 3.1.1 General principles

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

### 3.1.2 Foreign currency translation

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

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

| Foreign currency | 31/12/2019 | 31/12/2018 |
|---|---|---|
| EUR | 1.0846 | 1.1259 |
| GBP | 1.2693 | 1.2497 |
| SEK | 10.3466 | 10.9750 |
| USD | 0.9678 | 0.9853 |

### 3.1.3 Investments in subsidiaries and associated entities

Investments in subsidiaries and associated entities are carried at cost less accumulated impairment losses.

### 3.1.4 Financial assets

Bonds are measured at the lower of amortized cost or market value. Financial assets which are due within one year are presented within current assets. Loans are carried at nominal value less accumulated impairment losses.

### 3.1.5 Derivative financial instruments

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

### 3.1.6 Treasury shares

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

### 3.1.7 Revenue recognition

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

### 3.1.8 Hedge accounting

SIX Group Ltd may apply hedge accounting in case a hedging transaction (i.e. derivative) was concluded to hedge a market risk of a balance sheet item, the hedging transaction is embedded in the company's internal risk system and the hedge relationship is effective. When applying hedge accounting to balance sheet items which are measured at costs, any gain in the market value of the balance sheet item and the effective portion of the loss on hedging transaction are offset, i.e. market value changes are not recognized. If the loss on the hedging instrument exceeds the gain on the balance sheet item, the net loss is recognized in the income statement. A net gain is not recognized. In case the market value of the balance sheet item decreases below its carrying amount, the loss on the balance sheet item and the effective portion of the positive replacement value of the hedge are recognized. If the gain on the hedging instrument exceeds the loss on the balance sheet item, the net gain is not recognized.

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

### 3.2.1 Number of full-time equivalents

The annual average number of full-time equivalents in the reporting year was nil (2018: nil).

### 3.2.2 Cash and cash equivalents

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due from shareholders | 319.0 | 340.5 |
| **Cash and cash equivalents** | **319.0** | **340.5** |

### 3.2.3 Financial assets with quoted market price

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Money market funds | 86.2 | 63.3 |
| Equities | 16.2 | 12.7 |
| Funds | 325.1 | 326.4 |
| **Financial assets with quoted market price** | **427.5** | **402.3** |

### 3.2.4 Trade receivables

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due from third parties | 0.0 | 1.2 |
| Due from Group and associated entities | 6.2 | 17.9 |
| **Trade receivables** | **6.2** | **19.2** |

### 3.2.5 Other receivables

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due from third parties | 49.5 | 42.8 |
| Due from Group and associated entities | 527.9 | 952.9 |
| **Other receivables** | **577.5** | **995.7** |

## 3.2.6 Financial assets

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Loans due from third parties | 1.1 | 3.1 |
| Loans due from Group and associated entities | 150.0 | 159.5 |
| Bonds | 195.3 | 194.7 |
| Other current financal assets | 1.0 | – |
| Other financial assets | 4.1 | 5.0 |
| **Financial assets** | **351.5** | **362.2** |
| *of which current* | *35.0* | *34.3* |
| *of which non-current* | *316.4* | *327.9* |

## 3.2.7 Investments in subsidiaries and associated entities

**Fully consolidated participations**

| | | | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|---|---|
| Name | Place | Currency | Share capital in 1,000 | Share in %[2] | Share capital in 1,000 | Share in %[2] |
| Finaccess SIX Financial Information SA[1] | Casablanca | MAD | 8,548 | 55.0 | 8,548 | 55.0 |
| SDX Trading Ltd[1] | Zurich | CHF | 100 | 100.0 | – | – |
| SECB Swiss Euro Clearing Bank GmbH | Frankfurt a.M. | EUR | 30,000 | 100.0 | – | – |
| SIX Corporate Bonds Ltd[1] | Zurich | CHF | – | – | 5,100 | 100.0 |
| SIX Digital Exchange Ltd | Zurich | CHF | 5,500 | 100.0 | 100 | 100.0 |
| SIX Exchange Regulation Ltd | Zurich | CHF | 100 | 100.0 | 100 | 100.0 |
| SIX Exfeed Ltd | Zurich | CHF | 1,100 | 100.0 | 1,100 | 100.0 |
| SIX Financial Information Belgium SA[1] | Brussels | EUR | 505 | 100.0 | 505 | 100.0 |
| SIX Financial Information Denmark A/S[1] | Copenhagen | DKK | 1,600 | 100.0 | 1,600 | 100.0 |
| SIX Financial Information Deutschland GmbH | Frankfurt a.M. | EUR | 512 | 100.0 | 512 | 100.0 |
| SIX Financial Information España SA[1] | Madrid | EUR | 424 | 100.0 | 424 | 100.0 |
| SIX Financial Information France SAS | Paris | EUR | 44,900 | 100.0 | 44,900 | 100.0 |
| SIX Financial Information Hong Kong Limited | Hong Kong | HKD | 4,000 | 100.0 | 4,000 | 100.0 |
| SIX Financial Information Italia Srl | Milan | EUR | 100 | 100.0 | 100 | 100.0 |
| SIX Financial Information Japan Ltd | Tokyo | JPY | 40,000 | 100.0 | 40,000 | 100.0 |
| SIX Financial Information Ltd | Zurich | CHF | 5,400 | 100.0 | 5,400 | 100.0 |
| SIX Financial Information Luxembourg SA | Leudelange | EUR | 31 | 100.0 | 31 | 100.0 |
| SIX Financial Information Monaco SAM[1] | Monaco | EUR | 150 | 100.0 | 150 | 100.0 |
| SIX Financial Information Nederland BV | Amsterdam | EUR | 250 | 100.0 | 250 | 100.0 |
| SIX Financial Information Nordic AB | Stockholm | SEK | 100 | 100.0 | 100 | 100.0 |

[1] Investments held indirectly

[2] Equity interest and voting rights

**Fully consolidated participations (continued)**

| Name | Place | Currency | 31/12/2019 Share capital in 1,000 | 31/12/2019 Share in %[2] | 31/12/2018 Share capital in 1,000 | 31/12/2018 Share in %[2] |
|---|---|---|---|---|---|---|
| SIX Financial Information Singapore Pte Ltd | Singapore | SGD | 25 | 100.0 | 25 | 100.0 |
| SIX Financial Information UK Ltd | London | GBP | 500 | 100.0 | 500 | 100.0 |
| SIX Financial Information USA Inc. | Stamford USA | USD | 0 | 100.0 | 0 | 100.0 |
| SIX Global Services Ltd | Zurich | CHF | 100 | 100.0 | 100 | 100.0 |
| SIX Group Services Ltd | Zurich | CHF | 11,550 | 100.0 | 11,550 | 100.0 |
| SIX Interbank Clearing Ltd | Zurich | CHF | 1,000 | 100.0 | 1,000 | 75.0 |
| SIX Management Ltd | Zurich | CHF | – | – | 100 | 100.0 |
| SIX Paynet Ltd | Zurich | CHF | 100 | 100.0 | 100 | 100.0 |
| SIX Repo Ltd | Zurich | CHF | 1,000 | 100.0 | 1,000 | 100.0 |
| SIX Securities Services Ltd | Zurich | CHF | 26,000 | 100.0 | 26,000 | 100.0 |
| SIX SIS Ltd[1] | Olten | CHF | 26,000 | 100.0 | 26,000 | 100.0 |
| SIX SIS Nominee U.K. Ltd[1] | Olten | CHF | – | – | 100 | 100.0 |
| SIX Swiss Exchange Ltd | Zurich | CHF | 10,000 | 100.0 | 10,000 | 100.0 |
| SIX Terravis Ltd | Zurich | CHF | 4,100 | 100.0 | 4,100 | 100.0 |
| SIX Trade Repository Ltd | Zurich | CHF | 500 | 100.0 | 500 | 100.0 |
| SIX x-clear Ltd[1] | Zurich | CHF | 30,000 | 100.0 | 30,000 | 100.0 |
| Swisskey Ltd | Zurich | CHF | 100 | 100.0 | 100 | 100.0 |
| SWISSTRADINGBOX Ltd[1] | Zurich | CHF | 800 | 50.1 | 800 | 50.1 |

[1] Investments held indirectly

[2] Equity interest and voting rights

**Significant associated companies**

| Name | Place | Currency | 31/12/2019 Share capital in 1,000 | 31/12/2019 Share in %[2] | 31/12/2018 Share capital in 1,000 | 31/12/2018 Share in %[2] |
|---|---|---|---|---|---|---|
| 12H Ltd | Zurich | CHF | 100 | 49.9 | 100 | 49.9 |
| SECB Swiss Euro Clearing Bank GmbH | Frankfurt a.M. | EUR | – | – | 30,000 | 25.0 |
| SwissSign Group Ltd | Glattbrugg | CHF | 12,500 | 13.5 | 12,500 | 13.5 |
| TWINT Ltd[1] | Zurich | CHF | 12,750 | 26.7 | 12,750 | 26.7 |
| Worldline SA | Bezons | EUR | 124,280 | 21.8 | 124,137 | 26.9 |

[1] Investments held indirectly

[2] Equity interest and voting rights

### 3.2.8 Trade payables

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due to third parties | 0.0 | 0.3 |
| Due to Group and associated entities | 14.7 | 24.2 |
| **Trade payables** | **14.7** | **24.4** |

### 3.2.9 Current interest-bearing liabilities

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due to third parties | 0.1 | 0.1 |
| Due to Group and associated entities | 377.8 | 321.1 |
| **Current interest-bearing liabilities** | **377.9** | **321.2** |

### 3.2.10 Other current liabilities

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due to third parties | – | 0.4 |
| Due to Group and associated entities | 59.0 | 48.9 |
| **Other current liabilities** | **59.0** | **49.3** |

### 3.2.11 Other non-current liabilities

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Due to Group and associated entities | 26.1 | 35.1 |
| **Other non-current liabilities** | **26.1** | **35.1** |

### 3.2.12 Hedge accounting – additional information

| CHF million | | | 31/12/2019 | 31/12/2018 |
|---|---|---|---|---|
| **Hedged item (balance sheet position)** | **Hedged risk** | **Type of hedging instrument (derivative)** | **Negative replacement values of not recognized derivatives due to hedge accounting** | |
| Investment in subsidiaries and associated entities | Market risk of listed company | Equity options (collar) | –98.5 | – |

In 2019, SIX entered into an equity collar whereby SIX bought put options on 9.2 milllion underlying Worldline SA shares and sold simultaneously the same number of call options. The call and put options mature simultaneously in eight tranches from January 2022 to October 2023. Additionally the counterparty borrowed 7.9 million shares from SIX. The remaining 1.2 million shares have been pledged.

### 3.2.13 Liabilities due to pension fund

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Liabilities due to pension fund | 0.1 | 0.1 |

### 3.2.14 Contingent liabilities

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| **Total amount of guarantees and warranty obligations** | | |
| In favor of third parties | 159.1 | 226.1 |
| Joint liability from consolidated value-added tax filing status | p.m. | p.m. |

Contingent liabilities in favor of third parties include:

- CHF 47.0 million (2018: CHF 47.0 million) guarantee in the event of insolvency of a cash pooling member
- CHF 5.6 million (2018: CHF 5.6 million) contingent liability related to credit facilities granted to Group entities
- CHF 103.0 million (2018: CHF 159.8 million) guarantee related to an intraday facility
- CHF 3.5 million (2018: CHF 3.5 million) guarantee related to the VISA license for Swisskey
- The guarantee related to the disposal of the issuing business at SPS Austria was cancelled in 2019 (2018: CHF 10.1 million).

### 3.2.15 Treasury shares including treasury shares held by Group entities

| | 31/12/2019 | | 31/12/2018 | |
|---|---|---|---|---|
| Values in CHF million | Number | Value | Number | Value |
| Held by SIX Group Ltd | 10 | 0.0 | 10 | 0.0 |
| Held by subsidiaries | 607,854 | 23.3 | 607,854 | 23.3 |

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

### 3.2.16 Securities in favor of third parties

| CHF million | 31/12/2019 | 31/12/2018 |
|---|---|---|
| Assets pledged as collateral | 66.2 | 0.6 |

### 3.2.17 Depreciation of non-current financial assets

| CHF million | 2019 | 2018 |
|---|---|---|
| Financial assets | 5.4 | –5.4 |
| **Depreciation of non-current financial assets** | **5.4** | **–5.4** |

In the reporting year, allowances in the amount of CHF 5.4 million were released (2018: impairment on loans due from Group entities in the amount of CHF 18.4 million and allowances in the amount of CHF 13.0 million were released.

### 3.2.18 Financial result

| CHF million | 2019 | 2018 |
|---|---|---|
| Foreign exchange gains | 13.7 | 54.7 |
| Income from financial assets | 35.7 | 7.3 |
| Interest income | 5.2 | 5.1 |
| Other financial income | 0.0 | 0.2 |
| **Financial income** | **54.6** | **67.3** |
| Foreign exchange losses | –15.3 | –59.0 |
| Expenses from financial assets | –2.1 | –20.6 |
| Interest expenses | –7.5 | –6.4 |
| Other financial expenses | –23.2 | –1.0 |
| **Financial expenses** | **–48.2** | **–86.9** |

### 3.2.19 Hidden reserves released

Hidden reserves in the amount of CHF 0.0 million were released in the reporting year (2018: CHF 3.0 million).

### 3.2.20 Explanations of extraordinary positions in the income statement

In the reporting year, investments in subsidiaries were valued individually. As a result, a reversal of impairment of CHF 18.9 million was recognized in extraordinary income (2018: CHF 65.5 million). An impairment of investments of CHF 7.2 million was recognized in extraordinary expenses (2018: CHF 29.8 million). Furthermore, in 2018 SIX Payment Services entities were sold for CHF 2,768.8 million to Worldline SA.

### 3.2.21 Significant events after the balance sheet date

In February 2020, SIX obtained control of 12H Ltd by acquiring additional 40% of the shares and voting interests by the company.

# 4. Statement of changes in equity

| | | Legal capital reserves | Legal retained earnings | Free reserves | | |
|---|---|---|---|---|---|---|
| **CHF million** | **Share capital** | **Reserves from capital contributions** | **Reserves for treasury shares** | **Profit carried forward** | **Treasury shares** | **Total equity** |
| **Balance at 1 January 2018** | **19.5** | **230.2** | **23.3** | **2,584.6** | **–0.0** | **2,857.7** |
| Dividends paid | – | – | – | –136.7 | – | –136.7 |
| Profit for the year | – | – | – | 2,870.0 | – | 2,870.0 |
| **Balance at 31 December 2018** | **19.5** | **230.2** | **23.3** | **5,318.0** | **–0.0** | **5,591.0** |
| Dividends paid | – | – | – | –80.0 | – | –80.0 |
| Extraordinary dividends paid | – | – | – | –337.7 | – | –337.7 |
| Profit for the year | – | – | – | 140.8 | – | 140.8 |
| **Balance at 31 December 2019** | **19.5** | **230.2** | **23.3** | **5,041.0** | **–0.0** | **5,314.1** |

The share capital consists of 19,521,905 registered shares with a par value of CHF 1.00 each.

An ordinary dividend of CHF 4.10 and an extraordinary dividend of CHF 17.30 per registered share was paid during the reporting period.

# 5. Appropriation of profit

| CHF million | 2019 | 2018 |
|---|---|---|
| **Profit carried forward from previous year** | **4,900.2** | **2,447.9** |
| Profit for the year | 140.8 | 2,870.0 |
| **Available profit carried forward** | **5,041.0** | **5,318.0** |
| Dividend of CHF 3.90 per registered share of CHF 1.00 nominal value (previous year: CHF 4.10) | 76.1 | 80.0 |
| Extraordinary dividend of CHF 0.00 per registered share (previous year: CHF 17.30) | – | 337.7 |
| **Profit carried forward to the following year** | **4,964.9** | **4,900.2** |

The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table above.

# Report of the Statutory Auditor on the Financial Statements

To the General Meeting of SIX Group Ltd, Zurich
Zurich, 13 March 2020

As statutory auditor, we have audited the accompanying financial statements of SIX Group Ltd, which comprise the balance sheet, income statement, notes and statement of changes in equity (pages 126 to 136), for the year ended 31 December 2019.

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

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

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

**Opinion**
In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

### Report on other legal requirements

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

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

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

Ernst & Young Ltd

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(Auditor in charge)

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