

Vontobel Financial Products GmbH, Frankfurt am Main

Interim financial statements as at 30 June 2019 (unaudited) and interim management report

| | |
|---|----|
| Interim financial statements | 2 |
| I. Balance sheet as at 30 June 2019 | 2 |
| II. Income statement for the period from 1 January 2019 to 30 June 2019 | 4 |
| III. Statement of cash flows (indirect method) for the period from 1 January to 30 June 2019 | 5 |
| IV. Notes to the financial statements as at 30 June 2019..... | 6 |
| 1. Accounting policies | 6 |
| 2. Notes to the interim financial statements..... | 7 |
| 3. Supplementary disclosures | 11 |
| Interim management report..... | 13 |

I. Balance sheet as at 30 June 2019

| ASSETS | EUR | 30/06/2019 EUR | 31/12/2018 EUR |
|---|------------------|----------------------|----------------------|
| A. Fixed assets | | | |
| Tangible fixed assets | | | |
| 1. Technical equipment and machinery | 10 | | |
| 2. Other equipment, operating and office equipment | 5,388 | | |
| | | 5,398 | 5,812 |
| B. Current assets | | | |
| I. Receivables and other assets | | | |
| 1. Receivables from affiliated companies | 1,881,627,922 | | 1,727,182,617 |
| - of which trade receivables EUR 0 thousand (prior year EUR 0 thousand) | | | |
| 2. Other assets | 10,779,805 | | 11,090,443 |
| II. Bank balances | <u>2,797,471</u> | | <u>2,398,423</u> |
| - of which due from affiliated companies EUR 2,495 thousand (prior year EUR 2,306 thousand) | | | |
| | | 1,895,205,198 | 1,740,671,483 |
| C. Prepaid expenses | | 598,285 | 513,686 |
| | | <u>1,895,808,879</u> | <u>1,741,190,981</u> |

| EQUITY AND LIABILITIES | 30/06/2019 | 31/12/2018 |
|---|----------------------|----------------------|
| | EUR | EUR |
| A. Equity | | |
| I. Subscribed capital | 50,000 | 50,000 |
| II. Capital reserves | 2,000,000 | 2,000,000 |
| IV. Net income for the year | <u>377,356</u> | <u>439,374</u> |
| | 2,427,356 | 2,489,374 |
| B. Provisions | | |
| 1. Provisions for taxes | 183,120 | 53,078 |
| 2. Other provisions | <u>339,962</u> | <u>149,632</u> |
| | 523,082 | 202,710 |
| C. Liabilities | | |
| 1. Issuance liabilities | 1,881,314,513 | 1,726,522,817 |
| 2. Liabilities to banks | 55,539 | 79,509 |
| - of which due to affiliated companies EUR 56 thousand (prior year EUR 80 thousand) | | |
| 3. Trade payables | 297,629 | 776,621 |
| - of which due to affiliated companies EUR 0 thousand (prior year EUR 0 thousand) | | |
| 4. Liabilities to affiliated companies | 526,615 | 43,358 |
| - of which with a remaining term of up to one year EUR 215 thousand (prior year EUR 43 thousand) | | |
| 5. Other liabilities | 10,664,146 | 11,076,592 |
| - of which for taxes EUR 6 thousand (prior year EUR 6 thousand) | | |
| - of which for social security EUR 8 thousand (prior year EUR 0 thousand) | | |
| - of which with a remaining term of up to one year EUR 10,664 thousand (prior year EUR 11,077 thousand) | | |
| | <u>1,892,858,441</u> | <u>1,738,498,897</u> |
| | <u>1,895,808,879</u> | <u>1,741,190,981</u> |

II. Income statement for the period from 1 January 2019 to 30 June 2019

| | EUR | 30/06/2019 EUR | 30/06/2018 EUR |
|--|--------------|-------------------|-------------------|
| 1. Realised and unrealised gains and losses from the issuance business | -243,563,320 | | 159,309,803 |
| 2. Realised and unrealised gains and losses from hedging transactions | 247,021,680 | | -156,683,211 |
| | | 3,458,360 | 2,626,592 |
| 3. Other operating income | | 908 | 27,615 |
| 4. Personnel expenses | | | |
| a) wages and salaries | 222,301 | | 186,030 |
| b) social security contributions and expenses for old-age pensions and other employee benefits | 55,480 | | 60,535 |
| - of which in respect of old-age pensions EUR 6 thousand (prior year EUR 15 thousand) | | | |
| | | 277,781 | 246,565 |
| 5. Depreciation of tangible fixed assets | | 415 | 601 |
| 6. Other operating expenses | | 2,664,176 | 2,243,838 |
| 7. Other interest and similar income | 22,295,926 | | 19,051,674 |
| - of which from affiliated companies EUR 22,296 thousand (prior year EUR 19,052 thousand) | | | |
| 8. Interest and similar expenses | 22,275,470 | | 19,064,215 |
| - of which in respect of affiliated companies EUR 22,276 thousand (prior year EUR 19,064 thousand) | | | |
| | | 20,456 | -12,541 |
| 9. Result from ordinary activities | | 537,352 | 150,663 |
| 10. Taxes on income | | 159,996 | 45,199 |
| 11. Net income for the year | | 377,356 | 105,464 |

III. Statement of cash flows (indirect method) for the period from 1 January to 30 June 2019

| | | 30/06/2019 | 30/06/2018 |
|------------|--|---------------------|---------------------|
| | | EUR | EUR |
| 1. | Profit for the period (including profit attributable to non-controlling interests) before extraordinary items | 377,355.71 | 105,463.82 |
| 2. | +/- Depreciation, write-downs and reversals of write-downs on fixed assets | 414.47 | 600.96 |
| 3. | +/- Increase/decrease in provisions | 320,372.42 | 130,799.25 |
| 4. | +/- Other non-cash income and expenses (e.g., amortisation of discounts capitalised) | 0.00 | 0.00 |
| 5. | -/+ Gain/loss from disposals of fixed assets | 0.00 | 1.00 |
| 6. | -/+ Increase/decrease in inventories, trade receivables and other assets not allocated to investing or financing activities | 154,219,264.88 | 22,791,051.14 |
| 7. | +/- Increase/decrease in trade payables and other liabilities not allocated to investing or financing activities | 154,383,514.71 | 22,468,327.40 |
| 8. | +/- Cash inflows and outflows from extraordinary items | 0.00 | 0.00 |
| 9. | = Cash flow from operating activities | 862,392.43 | -347,457.21 |
| 10. | Proceeds from disposals of tangible fixed assets | 0.00 | 0.00 |
| 11. | - Payments for investments in tangible fixed assets | 0.00 | 0.00 |
| 12. | + Proceeds from disposals of intangible fixed assets | 0.00 | 0.00 |
| 13. | - Payments for investments in intangible fixed assets | 0.00 | 0.00 |
| 14. | + Proceeds from disposals of long-term financial assets | 0.00 | 0.00 |
| 15. | - Payments for investments in long-term financial assets | 0.00 | 0.00 |
| 16. | + Proceeds from the sale of consolidated companies and other business entities | 0.00 | 0.00 |
| 17. | - Payments for the acquisition of consolidated companies and other business entities | 0.00 | 0.00 |
| 18. | + Proceeds from cash deposits in connection with short-term liquidity management | 0.00 | 0.00 |
| 19. | - Payments arising from cash deposits in connection with short-term liquidity management | 0.00 | 0.00 |
| 20. | = Cash flow from investing activities | 0.00 | 0.00 |
| 21. | Proceeds from additions to equity (capital increases, sale of own shares, etc.) | 0.00 | 0.00 |
| 22. | - Payments to owners and non-controlling interests (dividends, purchase of own shares, repayments of capital, other distributions) | 439,374.48 | 347,331.88 |
| 23. | + Proceeds from bond issues and new borrowings | 0.00 | 0.00 |
| 24. | - Repayments of bonds and borrowings | 0.00 | 0.00 |
| 25. | = Cash flow from financing activities (total of 21 to 24) | -439,374.48 | -347,331.88 |
| 26. | Change in cash funds (total of 9, 20, 25) | 423,017.95 | -694,789.09 |
| 27. | +/- Changes in cash funds due to exchange rate movements, changes in the group of consolidated companies and remeasurement | 0.00 | 0.00 |
| 28. | + Cash funds at the beginning of the period | 2,318,914.61 | 2,788,907.84 |
| 29. | = Cash funds at the end of the period (total of 26 to 28) | 2,741,932.56 | 2,094,118.75 |

IV. Notes to the financial statements as at 30 June 2019

1. Accounting policies

a. General

The interim financial statements as at 30 June 2019 of Vontobel Financial Products GmbH, Frankfurt am Main, also referred to in the following as the "Company", were prepared in accordance with the requirements of the German Commercial Code (*Handelsgesetzbuch*, "HGB") and the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*, "GmbHG").

The nature of expense format was chosen for the presentation of the income statement in accordance with § 275 (2) HGB.

b. Measurement methods

The accounting policies applied were unchanged as against the annual financial statements as at 31 December 2018.

Tangible fixed assets are recorded at cost less depreciation. Depreciation was based on the rates permitted for tax purposes. Low-value items are written off in full in the year of addition pursuant to § 6 (2) of the German Income Tax Act (*Einkommensteuergesetz*, "EStG").

Tangible fixed assets are depreciated over periods of between 1 and 13 years depending on the nature of the particular asset.

Receivables are recorded at the nominal amount with the exception of the OTC hedging instruments.

The hedging transactions reported under **receivables from affiliated companies** were combined with **issuance liabilities** into individual hedges in accordance with § 254 HGB and measured at fair value. The individual hedges are recognised using the gross hedge presentation method. In other words, the offsetting changes in the fair value of the hedged risk attributable to both the securities issued and the hedging transactions are reported in the balance sheet. In each case, the offsetting changes in fair value are presented in the income statement on a gross basis.

Other assets were recognised at their nominal amount.

Bank balances were recorded at the nominal amount.

Prepaid expenses and deferred income result from accruals of income and expenses.

Provisions were recognised in the amount required by prudent business judgment in accordance with § 253 (1) HGB.

Liabilities were recorded at the settlement amount.

Income and **expenses** were recorded in the periods to which they relate.

Valuation allowances in respect of receivables and other assets were not required.

No material amounts of **foreign currency assets or liabilities** were contained in the receivables from and liabilities to banks. The hedging transactions reported under issuance liabilities and receivables from affiliated companies include significant foreign currency exposures that offset each other when combined into individual hedges as described above.

Amounts denominated in foreign currencies were translated using the following mid-rates as at 30 June 2019:

EUR 1 = CHF 1.11033 EUR 1 = USD 1.13218 EUR 1 = GBP 0.87481
EUR 1 = SEK 10.56602

2. Notes to the interim financial statements

a. Bank balances

The bank balances represent demand deposits and include receivables from affiliated companies amounting to EUR 2,798 thousand (prior year EUR 2,398 thousand).

b. Receivables from affiliated companies

Receivables from affiliated companies mainly consist of OTC hedging instruments amounting to EUR 1,881,628 thousand (prior year EUR 1,727,183 thousand) acquired for the purpose of fully hedging the securities issued.

c. Other assets

Other assets primarily include receivables from affiliated companies in respect of accrued interest amounting to EUR 10,651 thousand (prior year EUR 11,070 thousand) and tax receivables of EUR 98 thousand (prior year EUR 20 thousand).

d. Equity

The share capital of the Company amounted to EUR 50 thousand as at 30 June 2019 (prior year EUR 50 thousand) and is fully paid-up.

Capital reserves amounting to EUR 2,000 thousand reflect capital contributions by the sole shareholder. No amounts were either contributed to or withdrawn from the capital reserves during the financial year.

e. Issuance liabilities

Issuance liabilities consist entirely of the securities issued.

f. Liabilities to banks

Liabilities to banks amount to EUR 56 thousand (prior year EUR 80 thousand).

g. Trade payables

The trade payables include obligations for other services amounting to EUR 298 thousand (prior year EUR 777 thousand).

h. Liabilities to affiliated companies

Liabilities to affiliated companies include EUR 56 thousand (prior year EUR 11 thousand) in liabilities to Bank Vontobel AG, Zurich, EUR 450 thousand (prior year: EUR 0 thousand) to Vontobel Holding AG, and EUR 21 thousand (prior year EUR 32 thousand) to Bank Vontobel Europe AG, Munich.

i. Other liabilities

Other liabilities amounting to EUR 10,664 thousand (prior year EUR 11,077 thousand) mainly comprise liabilities from accrued interest of EUR 10,651 thousand (prior year EUR 11,070 thousand) and income tax and social security contributions deducted from wages for June of EUR 13 thousand (prior year EUR 7 thousand).

j. Maturity analysis of receivables

The receivables were made up as follows:

| Item | of which with a remaining term of | | | |
|--|--|------------------------------------|---------------------------------------|------------------------------------|
| | Total amount EUR '000 | up to 1 year EUR '000 | more than 1 to 5 years EUR '000 | more than 5 years EUR '000 |
| Receivables from affiliated companies | 1,881,628 (prior year 1,727,183) | 833,117 (prior year 922,534) | 639,653 (prior year 578,304) | 408,858 (prior year 226,345) |
| Other assets | 10,780 (prior year 11,090) | 10,780 (prior year 11,090) | - (prior year -) | - (prior year -) |
| Total | 1,892,408 (prior year 1,738,273) | 843,897 (prior year 933,624) | 639,653 (prior year 578,304) | 408,858 (prior year 226,345) |

k. Maturity analysis of liabilities

The analysis of the liabilities is as follows:

| Item | of which with a remaining term of | | | |
|--|--|--------------------------------------|---------------------------------------|------------------------------------|
| | Total amount EUR '000 | up to 1 year EUR '000 | more than 1 to 5 years EUR '000 | More than 5 years EUR '000 |
| Issuance liabilities ¹ | 1,881,315 (prior year 1,726,523) | 832,803 (prior year 921,874) | 639,653 (prior year 578,304) | 408,858 (prior year 226,345) |
| Liabilities to banks | 56 (prior year 80) | 56 (prior year 80) | - (prior year -) | - (prior year -) |
| Trade payables | 298 (prior year 777) | 298 (prior year 777) | - (prior year -) | - (prior year -) |
| Liabilities to affiliated companies | 527 (prior year 43) | 527 (prior year 43) | - (prior year -) | - (prior year -) |
| Other liabilities | 10,664 (prior year 11,076) | 10,664 (prior year 11,076) | - (prior year -) | - (prior year -) |
| Total | 1,892,858 (prior year 1,738,499) | 1,892,858 (prior year 933,850) | 639,653 (prior year 578,304) | 408,858 (prior year 226,345) |

¹ The issuance liabilities with a remaining term of more than 5 years consist entirely of open-end certificates (tracker certificates, factor certificates, mini-futures and open-end turbo warrants).

I. Nature and scope of derivative financial instruments

The table below shows the nature and scope of the derivative financial instruments and the related hedging instruments. The volume of these securities is given in numbers of individual securities. The securities issued and the hedging instruments acquired are combined into perfect micro hedges in accordance with § 254 HGB, eliminating all fair value and cash flow risk (including price fluctuation, interest rate, foreign currency, credit/default and liquidity risk). The terms and parameters of the underlying and hedging transactions are matched to ensure the effectiveness of the individual hedge. Effectiveness is measured using the critical term match method. The fair value of these financial instruments after initial recognition is determined on the basis of quoted market prices or prices quoted by dealers, if the financial instrument is traded on an active market. In the case of unquoted financial instruments, fair value is determined solely by the use of generally recognised valuation models which rely on input parameters that are observable in the market. Complex structured products were measured separately in accordance with accounting principle AcP HFA 22 of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland*, "IDW"). The interim management report for the period from 1 January to 30 June 2019 contains further disclosures in accordance with § 285 no. 23 HGB.

The derivative financial instruments were reported in the balance sheet under the following items:

Certificates issued
OTC hedging instruments

Issuance liabilities
Receivables from affiliated companies

Warrants issued
OTC hedging instruments

Issuance liabilities
Receivables from affiliated companies

Summary analysis of the derivative financial instruments and the related hedging instruments as at 30 June 2019:

| Category | 30/06/2019 Number of securities | 30/06/2019 Fair value in EUR | Prior year Number of securities | Prior year Fair value in EUR |
|---|---------------------------------------|------------------------------------|---------------------------------------|------------------------------------|
| Type of security: | | | | |
| Certificates | 13,040,647 | 1,724,204,078.70 | 19,110,328 | 1,607,111,799.00 |
| Underlying shares | 5,450,887 | 919,132,836.41 | 6,351,542 | 835,342,991.99 |
| Underlying indices | 6,997,461 | 652,165,323.88 | 12,521,272 | 737,299,348.92 |
| Underlying interest rate instruments | 907 | 921,730.81 | 1,237 | 1,260,899.85 |
| Underlying precious metals | 17,764 | 717,369.15 | 34,426 | 944,306.84 |
| Underlying commodities | 60 | 2,730.19 | 0 | 0.00 |
| Underlying currencies* | 573,569 | 151,264,088.26 | 201,851 | 32,264,251.40 |
| Warrants | 1,203,968,391 | 157,110,432.54 | 1,170,942,255 | 119,479,508.21 |
| Underlying shares | 262,652,132 | 71,262,216.48 | 394,767,137 | 48,759,307.21 |
| Underlying indices | 853,063,530 | 50,041,539.10 | 673,297,887 | 37,021,702.98 |
| Underlying interest rate instruments | 408,182 | 501,735.01 | 225,674 | 401,630.77 |
| Underlying precious metals | 66,187,715 | 20,660,879.24 | 55,675,110 | 23,588,386.97 |
| Underlying commodities | 19,465,241 | 12,489,695.99 | 45,454,218 | 8,160,947.10 |
| Underlying currencies* | 2,191,591 | 2,154,366.72 | 1,522,229 | 1,547,533.18 |
| Total | 1,217,009,038 | 1,881,314,511.24 | 1,190,052,583 | 1,726,591,307.21 |

*Items also include securities with cryptocurrencies as the underlying.

OTC hedging instruments linked to:

| | | | | |
|--------------------------------------|----------------------|-------------------------|----------------------|-------------------------|
| Certificates | 13,040,647 | 1,724,204,078.70 | 19,110,328 | 1,607,111,799.00 |
| Underlying shares | 5,450,887 | 919,132,836.41 | 6,351,542 | 835,342,991.99 |
| Underlying indices | 6,997,461 | 652,165,323.88 | 12,521,272 | 737,299,348.92 |
| Underlying interest rate instruments | 907 | 921,730.81 | 1,237 | 1,260,899.85 |
| Underlying precious metals | 17,764 | 717,369.15 | 34,426 | 944,306.84 |
| Underlying commodities | 60 | 2,730.19 | 0 | 0.00 |
| Underlying currencies* | 573,569 | 151,264,088.26 | 201,851 | 32,264,251.40 |
| Warrants | 1,203,968,391 | 157,110,432.54 | 1,170,942,255 | 119,479,508.21 |
| Underlying shares | 262,652,132 | 71,262,216.48 | 394,767,137 | 48,759,307.21 |
| Underlying indices | 853,063,530 | 50,041,539.10 | 673,297,887 | 37,021,702.98 |
| Underlying interest rate instruments | 408,182 | 501,735.01 | 225,674 | 401,630.77 |
| Underlying precious metals | 66,187,715 | 20,660,879.24 | 55,675,110 | 23,588,386.97 |
| Underlying commodities | 19,465,241 | 12,489,695.99 | 45,454,218 | 8,160,947.10 |
| Underlying currencies* | 2,191,591 | 2,154,366.72 | 1,522,229 | 1,547,533.18 |
| Total | 1,217,009,038 | 1,881,314,511.24 | 1,190,052,583 | 1,726,591,307.21 |

*Items also include securities with cryptocurrencies as the underlying.

3. Supplementary disclosures

a. Contingent liabilities

At the balance sheet date, there were no contingent liabilities that were not reported in the balance sheet.

b. Management and employees

Stefan Armbruster, Managing Director (business studies graduate)

Anton Hötzl, Managing Director (attorney)

Daniela Werner, Managing Director (business studies graduate)

The Company made use of the exemption granted by § 286 (4) HGB with respect to the disclosures required by § 285 sentence 1 no. 9 a) and b) HGB.

The Company had an average of 5.3 employees during the financial year (prior year: 4.5) and 1.6 trainees/temporary members of staff (prior year: 1).

c. Audit committee

The Company has formed an Audit Committee in accordance with § 324 HGB. This committee currently comprises three members.

d. Sales

Sales amounting to EUR 3,459 thousand (prior year EUR 2,654 thousand) comprise EUR 3,458 thousand (prior year EUR 2,627 thousand) from the issuance business and EUR 1 thousand (prior year EUR 28 thousand) from other operating income.

Income from the issuance business is reflected in the income statement as the difference between the realised and unrealised gains and losses from the issuance business and hedging transactions; EUR 3,458 thousand is attributable to the issuance margin (prior year EUR 2,670 thousand), which the Company receives as compensation pursuant to the Issuance Agreement for its business activities.

e. Fees

The fee for the audit of the financial statements recorded as an expense in the financial year amounted to EUR 24 thousand (prior year EUR 20 thousand).

f. Other financial obligations

Other financial obligations consist primarily of rental agreements.

The obligations amount in total to EUR 66 thousand (prior year EUR 92 thousand), including obligations amounting to EUR 66 thousand (prior year EUR 69 thousand) with a remaining term of up to 1 year and EUR 0 thousand (prior year EUR 23 thousand) with a remaining term of 2 to 5 years. Other financial obligations relate in their full amount to affiliated companies.

g. Taxes on income

Taxes on income amounting to EUR 160 thousand (prior year EUR 45 thousand) relate entirely to the result from ordinary activities.

h. Group and shareholdings

The consolidated financial statements for the largest group of companies are prepared by Vontobel Holding AG, Zurich, Switzerland, and are available for inspection at their offices. The Company is included in those consolidated financial statements. There are no smaller groups of consolidated companies.

Vontobel Financial Products GmbH

Frankfurt am Main, 6 August 2019

The Management

Stefan Armbruster

Anton Hötzl

Daniela Werner

Vontobel Financial Products GmbH, Frankfurt am Main

Interim management report for the period from 1 January to 30 June 2019

I. Fundamental information about the Company

Vontobel Financial Products GmbH (the "Company") is a wholly owned subsidiary of Vontobel Holding AG, Zurich. The object of the Company is to issue securities and derivative securities and to carry out financial transactions and auxiliary transactions of financial transactions. Activities that require authorisation under the German Banking Act (*Gesetz über das Kreditwesen*) are excluded.

The Company commenced its business activities as an issuance company (company whose main purpose is to issue securities) in spring 2005. The activities relating to the issuance of investment and leveraged products (issuance of certificates, bonds, warrants and knock-out products) commenced in April 2005. The securities issued are acquired exclusively by Bank Vontobel AG, Zurich. Simultaneously, the Company enters into OTC hedging transactions, i.e. hedging transactions negotiated individually between two parties, with other companies within the Vontobel Group (Bank Vontobel AG, Zurich, Switzerland, and Vontobel Financial Products Ltd., Dubai, United Arab Emirates). Bank Vontobel Europe AG, Frankfurt am Main branch, offers the Company's securities to the public and conducts marketing activities for the Company's securities.

II. Business and general environment

Germany is the most important capital market for the securities issued by the Company. The Company's securities are also offered by Bank Vontobel Europe AG in Austria and Luxembourg. The Company has issued securities (mini futures, open-end turbo warrants and factor certificates) for the Swedish and Finnish markets since 2015. Also in the recent past, Vontobel Financial Products GmbH made its debut on the Italian market in 2016 with an IPO on the Borsa Italiana and the French and Dutch markets at the end of 2016/beginning of 2017 with its IPO on the Euronext in Paris and Amsterdam. The Company continued its expansion, adding the Czech and Hungarian markets in 2018 and the Danish market in the reporting period, in January 2019. Bank Vontobel Europe AG serves as the distributor and liquidity provider for these securities.

The Company's issuance activities, its most important performance indicator, decreased compared with the previous year. In the first half of 2019, the Company issued a total of 214,448 securities. In the first half of 2018, the total amounted to 236,046 securities. The decline is mainly due to reduced activity in the German market. The Company increased its issuance activities in some markets outside Germany – in Finland the figure was 2,401 securities (prior year 1,549), Denmark 1,004 securities (prior year 0), France 11,007 (prior year 7,237), and the Netherlands 6,232 (prior year 3,7469). The following was observed on the remaining markets: Sweden 3,517 (prior year 3,661), Italy 469 (prior year 1,356), the Czech Republic 0 and Hungary 3.

To date in 2019, structured securities provided a mixed picture for turnover on the relevant European exchanges. In Germany, the first half of 2019 saw turnover on the Frankfurt and Stuttgart stock exchanges fall by 13.4% to EUR 17.9 billion from EUR 20.6 billion in 2018

(source: German Derivatives Association (*Deutscher Derivate Verband*)). Turnover in Italy declined by 19.1% from EUR 10.0 billion to EUR 8.1 billion (source: Technolab). The segment of the Nordic Growth Market (NGM) for Sweden recorded a slight year-on-year decline from SEK 11.5 billion to SEK 11.3 billion in the first half of 2019 (down 1.8%). Finland saw a decrease from EUR 234 million to EUR 368 million (down 22.8%), which was offset by a rise in Denmark, from EUR 234 million to 368 million (up +57.5%). (Source: Nordic Growth Market, NDX Sweden, Finland and Denmark market segments). The Euronext market in France and the Netherlands performed similarly. France recorded a decrease from EUR 1.8 billion in 2018 to EUR 1.6 billion in the first half of 2019 (down 12.3%), while the Netherlands saw a more pronounced decline of 30.0% to EUR 2.3 billion in 2019 (prior year EUR 3.3 billion) (source: Euronext Paris & Amsterdam Warrants & Certificates Stats).

In Germany, turnover in securities issued by the Company declined by 17.2% from EUR 2,026 million to EUR 1,678 million, with a slight decrease in its market share from 9.8% (fifth-largest) to 9.4% (fifth-largest). In Sweden, Finland and Denmark, Vontobel has become an established provider of structured products. Over the first half of 2019, Vontobel's market share in the NDX segment for Sweden reached 51.3% (largest), 23.8% for Finland (second-largest) and 42.6% for Denmark (second-largest); its market share amounted to 9.8% in Italy (fourth-largest), 7.0% in France (fifth-largest) and 5.1% in the Netherlands (sixth-largest).

The outstanding volume on the overall German certificates market rose by 7.9% (EUR 73.9 billion, up from EUR 68.5 billion in the first half of 2018), and the Company's volume of sales also increased accordingly. The outstanding volume thus rose from EUR 1,727 million to EUR 1,881 million, representing an increase of 9.0% (see the key figure "Issuance liabilities" in the balance sheet).

The Company's tasks include ongoing compliance with Regulation (EU) No 1286/2014 ("PRIIP Regulation"). This Regulation requires that, from 2018 onwards, issuers of structured securities prepare key information documents for securities slated to be offered to retail investors. This required additional time and effort, in particular when expanding the product range. The Company is working closely with other Vontobel Group entities on this issue and on implementing Directive 2014/65/EU on Markets in Financial Instruments (MiFID II) and Regulation (EU) 2017/1129 (Prospectus Regulation). Membership of various national derivatives associations ensures close links with other market participants and cooperation in developing market standards. These bodies include the German Derivatives Association (*Deutscher Derivate Verband – DDV*), the Italian Association of Certificates and Investment Products (ACEPI) and the Association Française des Produits d'investissements de Detail et de Bourse (AFPDB).

III. Management system

The Company is integrated into the global management system of the Vontobel Group and performs its business activities in close cooperation with its affiliated companies in particular: Bank Vontobel AG, Zurich, Switzerland, Vontobel Financial Products Ltd., Dubai, United Arab Emirates, and Bank Vontobel Europe AG, Frankfurt am Main branch. The management of the Company is therefore also coordinated with these affiliated companies and in line with strategy of the Vontobel Group.

The Company aims to offer the broadest possible range of issuable redemption profiles and combinations of underlyings and at the same time, continuously increase the degree of automation. All planned issues are subject to statutory requirements.

IV. Results of operations/ financial position/ net assets

1. Results of operations

The Company's issuance activities are governed by an agreement ("Issuance Agreement") with Bank Vontobel AG, Zurich, Switzerland, and with Vontobel Financial Products Ltd., Dubai,

United Arab Emirates. The remuneration for the issuance activities is calculated and agreed on a year by year basis within the framework of this agreement.

A key performance indicator in this connection is the volume of securities sold by affiliated companies (issuance volume). Since the Company did not meet or exceed the target figures agreed for 2019 during the first half of 2019, income from the issuance activities amounted to the minimum budgeted figure for income agreed between the parties of EUR 3,458 thousand. This represents an increase of 31.7% compared with the prior year (EUR 2,627 thousand).

The increase was primarily due to the higher issuance volumes in EU markets, as a result of which the Company increased the budget accordingly and thus agreed a minimum income figure. Although the actual number of securities issued, as set out above, is relatively low compared with the German market, the new markets account for an above-average share of issuance costs. On the one hand, exchange listing fees are significantly higher and, on the other, the issuance fees of the local central custodians are higher and are borne directly by the Company as the issuer, while the central custodians in Germany and Switzerland charge the issuance costs to the institution that underwrites and markets the issue, i.e. Bank Vontobel AG, Zurich.

Other operating income decreased to EUR 1 thousand (prior year EUR 27 thousand). In addition, personnel expenses of EUR 278 thousand (prior year EUR 247 thousand), depreciation of EUR 0 thousand (prior year EUR 1 thousand) and other operating expenses amounting to EUR 2,664 thousand (prior year EUR 2,244 thousand) were incurred. The other operating expenses mainly comprised EUR 2,339 thousand for issuance costs (prior year EUR 1,661 thousand) and Group cost allocations of EUR 143 thousand (prior year EUR 129 thousand).

The increase in interest and similar income to EUR 22,296 thousand (prior year EUR 19,052 thousand) and in interest and similar expenses to EUR 22,276 thousand (prior year EUR 19,064 thousand) is due to the greater demand for interest-bearing securities and the higher interest coupons in general in the reporting period than in the prior year.

The result from ordinary activities therefore amounted to EUR 537 thousand (prior year EUR 151 thousand).

An expense for taxes on income amounting to EUR 160 thousand (prior year EUR 45 thousand) was incurred. Net income for the first half of 2019 therefore rose by EUR 272 thousand compared with the previous year to EUR 377 thousand (prior year EUR 106 thousand).

2. Financial position

As at 30 June 2019, the liquid funds of the Company increased to EUR 2,798 thousand (prior year EUR 2,398 thousand). The share of total assets represented by liquid funds also rose, amounting to 0.15% (prior year 0.14%).

Cash flow from operating activities for the first half of 2019 was positive and amounted to EUR 379 thousand (prior year EUR -348 thousand). Starting from the net income of EUR 377 thousand for the first half of 2019 (prior year EUR 106 thousand), the principal factors contributing to the cash flow figure were the increase in other assets of EUR 154,219 thousand (prior year decrease of EUR 50,757 thousand), the increase in other liabilities of EUR 154,379 thousand (prior year decrease of EUR 51,837 thousand), the decrease in trade payables of EUR 479 thousand (prior year decrease of EUR 698 thousand) and the increase in provisions of EUR 320 thousand (prior year decrease of EUR 209 thousand).

Liquidity is secured by the corporate structure, bank balances and the integration into the Vontobel Group. No liquidity squeezes are expected. The Company also has the ability obtain funds from the Vontobel Group at any time.

3. Net assets

Receivables from affiliated companies amounted to EUR 1,881,628 thousand as at 30 June 2019 (prior year EUR 1,727,183 thousand) and represented the largest component of total assets with a share of 99.3% (prior year 99.2%).

The liabilities side of the balance sheet as at 30 June 2019 was dominated by issuance liabilities of EUR 1,881,315 thousand or 99.2% (prior year EUR 1,726,523 thousand or 99.2%). In addition, trade payables amounted to EUR 298 thousand (prior year EUR 777 thousand). Other liabilities mostly relate to accrued interest amounting to EUR 10,651 thousand (prior year EUR 11,070 thousand). Provisions amounted to EUR 523 thousand (prior year EUR 203 thousand) and consisted of provisions for taxes of EUR 183 thousand (prior year EUR 53 thousand) and other provisions (particularly liabilities accrued for bonus payments (EUR 18 thousand; prior year EUR 56 thousand), liabilities for the costs of auditing (EUR 30 thousand; prior year EUR 60 thousand), personnel (EUR 5 thousand; prior year EUR 5 thousand) and preparing the annual financial statements (EUR 9 thousand; prior year EUR 9 thousand) as well as miscellaneous provisions (EUR 278 thousand, prior year EUR 20 thousand)).

The retained profit brought forward from the previous year (EUR 439 thousand; prior year EUR 347 thousand) was distributed to the sole shareholder in the financial year. Based on the net income of EUR 377 thousand generated for the first half of 2019 (prior year EUR 106 thousand), equity therefore decreased to EUR 2,427 thousand (prior year EUR 2,489 thousand). Equity represents 0.13% (prior year 0.14%) of total assets.

The largest asset and liability items are therefore receivables from hedging transactions and issuance liabilities, and so the Company's equity structure is presented very clearly.

4. Overall assessment of economic position

The management's assessment of the Company's economic position is positive. There was a continuation of the constant growth in issuance activity seen in recent years. The close integration of the Company into the Vontobel Group and its Financial Products division will enable the Company to generate income on a stable basis. Rigorous cost discipline is a significant factor for achieving these positive results.

V. Report on expected developments and on opportunities and risks

1. Report on expected developments

The Vontobel Group has confirmed its strategy of continuing to expand its business activities with investment and leveraged products in 2019 and 2020. Accordingly, the Group intends to continue with the internationalisation of the business activities of the Financial Products division, in particular in the area of investment products. It can be assumed that business will continue to grow year on year – particularly in Italy – and with significant contributions to that growth coming from France, the Netherlands and, from 2019, Denmark. In 2019, the Company intends to review entering the Norwegian market in addition to its launch in Denmark.

The Company will incur increased expansion costs because certain start-up expenses, for instance to engage local attorneys, are incurred up-front in each country. The international expansion to Denmark and potentially Norway will not result in any material increase in issuance liabilities because the focus for leveraged products to be launched lies on short-term trading by speculative investors. Leveraged products are usually held for a few days at most, and often even for less than a day. However, internationalising the investment products should help boost issuance volumes.

At the beginning of 2019, development remains dominated by the subdued market environment, particularly by low volumes on the back of a general reluctance to invest.

The business development of the first months cannot be extrapolated to forecast the development throughout the remainder of the year. As in the previous year, the markets may

be turbulent and volatile, not least due to political and economic uncertainties, which could negatively impact business in investment products. However, it is likely in this case that new securities issuance activity will increase in order to ensure that there are products on offer for any possible market situation.

On the whole, management is confident that, as in previous years, the Company is well positioned to further significantly expand its business in the coming two financial years despite the major hurdles that the challenging economic, political and regulatory environment will no doubt present. The Company will amend the annual budget agreements with the parties to the Issuance Agreement to reflect the costs resulting from the entry into additional European markets. This ensures that the increase in costs correlates to an increase in income for the Company and thus stable earnings.

2. Risk report

The principal factors affecting the Company's risk position are its clearly arranged corporate structure and the close integration of the Company into the Vontobel Group, in particular into its risk management system. The Risk Management and Risk Control units ensure that all risks are managed and monitored with utmost care.

The most important principles regarding risk management and control are:

- clear responsibilities and authority;
- alignment of risk profile and risk appetite;
- independent control functions and adequate human and technical resources;
- adequate internal control systems; and
- transparency with respect to the risks assumed.

All market price risks arising from investment and leveraged products issued are fully hedged by means of hedging transactions with other companies within the Vontobel Group (Bank Vontobel AG, Zurich, Switzerland, and Vontobel Financial Products Ltd., Dubai, United Arab Emirates) using micro hedges, i.e. each individual security issued by the Company is directly matched against an individual hedging instrument. There are therefore no risks arising from movements in prices. Since the payments associated with the sale of the securities issued and the purchase of the hedging instruments as well as with the exercise and maturity of securities always offset each other, there are also no settlement risks arising. The Company does not represent an independent risk.

Credit risks primarily relate to the hedging transactions entered into with Bank Vontobel AG, Zurich, and Vontobel Financial Products Ltd., Dubai. Each of the Company's issuances is guaranteed by either Vontobel Holding AG, Zurich, or Bank Vontobel Europe AG, Munich. If Bank Vontobel Europe AG guarantees issuances by the Company, the Company grants Bank Vontobel Europe AG a right of lien in respect of the hedges concluded and provides further collateral upon request, which can be lent to Bank Vontobel AG, Zurich, for that purpose. Default risk is classified as low. The external rating issued by Moody's for the Group parent's long-term liabilities was "A3" with a stable outlook.

No liquidity risks or cash flow risks were recognised due to the integration into the Vontobel Group.

Comprehensive reconciliation procedures are performed to mitigate operational risk. The reconciliation process for intragroup receivables and liabilities is reviewed by the Group Accounting department on an ongoing basis. Where necessary, external legal advisers are involved in preparing and reviewing securities prospectuses. Most of the final terms and all of the documents required for an issue are generated automatically. Furthermore, the distribution of issue documentation to market participants, stock exchanges, clearing systems and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) is also largely automated.

The Company does not have its own IT systems. The Company uses the systems and standard software of the Vontobel Group. As a result, operational risks relating to processes and IT systems are covered by contingency plans at affiliated companies.

There were no significant changes in risks compared with the previous year.

3. Report on opportunities

The Company's opportunities of increasing and expanding its income correspond to this risk position. The close integration of the Company into the Financial Products division of the Vontobel Group means that growth in the Company's income is conditional to a great extent on growth in the Financial Products division as a whole.

VI. Internal control and risk management system relevant for the financial reporting process

The Company's internal control and risk management system is safeguarded by means of appropriate organisational precautions. The basic principles, the organisation of the structure and processes and the procedures of the accounting-related internal control and risk management system are laid down on a Group-wide basis in guidelines and instructions that are updated at regular intervals to reflect current external and internal developments.

Compliance with internal requirements and instructions is monitored as part of Group-wide internal audit activities.

1. Responsibility

The management is independently responsible for managing the Company and works closely together with the other governing bodies to the benefit of the Company. It has overall responsibility for the preparation of the annual and interim financial statements, among other things.

An Audit Committee was formed in 2015. This addresses the development of the net assets, financial position and results of operations at least twice a year, in particular for the annual and interim financial statements.

The shareholder is responsible for the adoption of the annual financial statements as part of annual financial statement process. To meet these responsibilities, the financial statement documents are submitted to the Audit Committee. The Audit Committee then discusses the preliminary key findings of the audit of the financial statements with the auditors.

2. Organisation and components of the financial reporting process

Business transactions settled by the Company (issues, repurchases) are recorded – largely automatically – in the existing application of Bank Vontobel AG in Zurich. The Group Accounting department continuously checks that these transactions have been recorded correctly.

Furthermore, the Company's financial accounting is outsourced to a specialised, independent company in Düsseldorf. Supplier invoices are allocated and approved by the Company's employees. After they are paid, the records are sent electronically to the external service provider.

Bank Vontobel AG issues monthly reports on the Company's issuance-related assets and liabilities to the service provider. The service provider consolidates this data with the other financial accounts and prepares it for reporting to the Vontobel Group and the management.

VII. Report on post-balance sheet date events

No events of particular significance have occurred since the close of the reporting period.

VIII. Responsibility statement

The Managing Directors of the Company assure that, to the best of their knowledge and belief, this interim management report includes fair view of the development and performance of the business and the position of the Company, together with a description of the opportunities and risks associated with the expected development of the Company.

Vontobel Financial Products GmbH

Frankfurt am Main, 6 August 2019

The Management

Stefan Armbruster

Anton Hötzl

Daniela Werner