

Vontobel Financial Products GmbH, Frankfurt am Main

Interim financial statements as at 30 June 2020 (unaudited) and interim management report

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I. Balance sheet as at 30 June 2020

ASSETS	30/06/2020	31/12/2019
	EUR	EUR
A. Fixed assets		
Tangible fixed assets		
1. Technical equipment and machinery	10	
2. Other equipment, operating and office equipment	<u>4,631</u>	
		4,641 4,983
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	0	269,949
2. Receivables from affiliated companies	2,070,649,250	1,942,763,026
- of which trade receivables EUR 0 thousand (prior year EUR 0 thousand)		
3. Other assets	10,057,190	9,915,777
II. Bank balances	<u>2,964,054</u>	<u>3,157,917</u>
- of which due from affiliated companies EUR 2,602 thousand (prior year EUR 2,936 thou- sand)		
		2,083,670,494 1,956,106,669
C. Prepaid expenses		325,681 3,848
		<u>2,084,000,816 1,956,115,500</u>

EQUITY AND LIABILITIES

	30/06/2020	31/12/2019
	EUR	EUR
A. Equity		
I. Subscribed capital	50,000	50,000
II. Capital reserves	2,000,000	2,000,000
III. Net income for the year	<u>273,519</u>	<u>876,859</u>
	2,323,519	2,926,859
B. Provisions		
1. Provisions for taxes	263,295	290,285
2. Other provisions	<u>544,556</u>	<u>95,359</u>
	807,852	385,644
C. Liabilities		
1. Issuance liabilities	2,070,036,366	1,942,166,550
2. Liabilities to banks	155,295	83,613
- of which due to affiliated companies EUR 155 thousand (prior year EUR 84 thousand)	190,331	537,621
3. Trade payables		
- of which due to affiliated companies EUR 0 thousand (prior year EUR 0 thousand)		
- of which with a remaining term of up to one year EUR 190 thousand (prior year EUR 538 thousand)		
4. Liabilities to affiliated companies	426,030	94,260
- of which with a remaining term of up to one year EUR 426 thousand (prior year EUR 94 thousand)		
5. Other liabilities	10,061,422	9,920,953
- of which for taxes EUR 8 thousand (prior year EUR 5 thousand)		
- of which for social security EUR 26 thousand (prior year EUR 15 thousand)		
- of which with a remaining term of up to one year EUR 10,061 thousand (prior year EUR 9,921 thousand)		
	<u>2,080,869,444</u>	<u>1,952,802,997</u>
	<u>2,084,000,816</u>	<u>1,956,115,500</u>

II. Income statement for the period from 1 January 2020 to 30 June 2020

	EUR	30/06/2020 EUR	30/06/2019 EUR
1. Realised and unrealised gains and losses from the issuance business	179,023,321		-243,563,320
2. Realised and unrealised gains and losses from hedging transactions	-174,826,453		247,021,680
		4,196,868	3,458,360
3. Other operating income		101,494	908
4. Personnel expenses			
a) wages and salaries	247,573		222,301
b) social security contributions and expenses for old-age pensions and other employee benefits	64,708		55,480
- of which in respect of old-age pensions EUR 10 thousand (prior year EUR 6 thousand)			
		312,280	277,781
5. Depreciation of tangible fixed assets		342	415
6. Other operating expenses		3,686,768	2,664,176
7. Other interest and similar income	20,342,220		22,295,926
- of which from affiliated companies EUR 20,342 thousand (prior year EUR 22,296 thousand)			
8. Interest and similar expenses	20,262,162		22,275,470
		80,059	20,456
9. Result from ordinary activities		379,030	537,352
10. Taxes on income		105,511	159,996
11. Net income for the year		273,519	377,356

III. Statement of cash flows (indirect method) for the period from 1 January to 30 June 2020

		30/06/2020	30/06/2019
		EUR	EUR
1.	Profit for the period (including profit attributable to non-controlling interests) before extraordinary items	273,519.25	377,355.71
2.	+/- Depreciation, write-downs and reversals of write-downs on fixed assets	342.48	414.47
3.	+/- Increase/decrease in provisions	422,208.08	320,372.42
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	0.00
6.	-/+ Increase/decrease in inventories, trade receivables and other assets not allocated to investing or financing activities	-128,079,372.69	154,219,264.88
7.	+/- Increase/decrease in trade payables and other liabilities not allocated to investing or financing activities	127,994,616.71	154,383,514.71
8.	+/- Cash inflows and outflows from extraordinary items	0.00	0.00
9.	= Cash flow from operating activities	611,313.85	862,392.43
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)	876,859.33	439,374.48
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)	-876,859.33	-439,374.48
26.	Change in cash funds (total of 9, 20, 25)	-265,545.48	423,017.95
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	3,074,304.25	2,318,914.61
29.	= Cash funds at the end of the period (total of 26 to 28)	2,808,758.77	2,741,932.56

IV. Notes to the financial statements as at 30 June 2020

1. Accounting policies

a. General

The interim financial statements as at 30 June 2020 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 2019.

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 2020:

EUR 1 = CHF 1.06424	EUR 1 = USD 1.12315	EUR 1 = GBP 0.90899
EUR 1 = SEK 10.46399		

2. Notes to the balance sheet

a. Receivables from affiliated companies

Receivables from affiliated companies consist mainly of OTC hedging instruments amounting to EUR 2,070,036 thousand (prior year EUR 1,942,167 thousand) acquired for the purpose of fully hedging the securities issued and also current remuneration in the amount of EUR 613 thousand (prior year EUR 596 thousand).

b. Bank balances

Bank balances amounting to EUR 2,964 thousand (prior year EUR 3,158 thousand) are payable on demand and include receivables from affiliated companies of EUR 2,602 thousand (prior year EUR 2,936 thousand)

c. Other assets

Other assets primarily include receivables from affiliated companies in respect of accrued interest amounting to EUR 10,027 thousand (prior year EUR 9,900 thousand) and tax receivables of EUR 30 thousand (prior year EUR 7 thousand).

d. Equity

The share capital of the Company amounted to EUR 50 thousand as at 30 June 2020 (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 155 thousand (prior year EUR 84 thousand).

g. Trade payables

The trade payables include obligations for other services amounting to EUR 190 thousand (prior year EUR 538 thousand).

h. Liabilities to affiliated companies

Liabilities to affiliated companies include EUR 29 thousand (prior year EUR 21 thousand) in liabilities to Bank Vontobel AG, Zurich, EUR 389 thousand (prior year: EUR 0 thousand) to Vontobel Holding AG, and EUR 9 thousand (prior year EUR 73 thousand) to Bank Vontobel Europe AG, Munich.

i. Other liabilities

Other liabilities amounting to EUR 10,061 thousand (prior year EUR 9,921 thousand) mainly comprise liabilities from accrued interest of EUR 10,027 thousand (prior year EUR 9,900 thousand) and income tax deducted from wages for June of EUR 8 thousand (prior year EUR 5 thousand) and liabilities for social security of EUR 26 thousand (prior year EUR 15 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
Trade receivables	-	-	-	-
	(prior year 270)	(prior year 270)	(prior year -)	(prior year -)
Receivables from affiliated companies	2,070,649	820,152	693,777	556,720
	(prior year 1,942,763)	(prior year 873,992)	(prior year 699,264)	(prior year 369,507)
Other assets	10,057	10,057	-	-
	(prior year 9,916)	(prior year 9,916)	(prior year -)	(prior year -)
Total	2,080,706	830,209	693,777	556,720
	(prior year 1,952,949)	(prior year 884,178)	(prior year 699,264)	(prior year 369,507)

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 liabilities¹	2,070,037	819,540	693,777	556,720
	(prior year 1,942,167)	(prior year 873,396)	(prior year 699,264)	(prior year 369,507)
Liabilities to banks	155	155	-	-
	(prior year 84)	(prior year 84)	(prior year -)	(prior year -)
Trade payables	190	190	-	-
	(prior year 538)	(prior year 537)	(prior year -)	(prior year -)
Liabilities to affiliated companies	426	426	-	-
	(prior year 94)	(prior year 94)	(prior year -)	(prior year -)
Other liabilities	10,061	10,061	-	-
	(prior year 9,921)	(prior year 9,921)	(prior year -)	(prior year -)
Total	2,080,869	830,372	693,777	556,720
	(prior year 1,952,803)	(prior year 884,032)	(prior year 699,264)	(prior year 369,507)

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 2020 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 Issuance liabilities
 OTC hedging instruments Receivables from affiliated companies

Warrants issued Issuance liabilities
 OTC hedging instruments Receivables from affiliated companies

Summary analysis of the derivative financial instruments and the related hedging instruments as at 30 June 2020:

Category	30/06/2020 Number of securities	30/06/2020 Fair value in EUR	Prior year Number of securities	Prior year Fair value in EUR
Type of security:				
Certificates	26,549,703	1,821,818,210.13	14,355,568	1,748,756,576.97
Underlying shares	4,477,861	798,014,416.93	5,741,236	973,702,809.88
Underlying indices	8,192,783	818,072,590.47	7,236,625	671,116,977.22
Underlying interest rate instruments	0	0	5,989	1,303,094.00
Underlying precious metals	77,447	2,172,031.89	60,698	1,513,470.30
Underlying commodities	3,275	77,277.41	10,135	537,265.96
Underlying currencies*	13,798,337	203,481,893.43	1,300,884	100,582,959.61
Warrants	2,545,142,516	248,218,154.62	1,168,790,265	193,409,971.11
Underlying shares	286,005,251	79,768,606.65	229,691,400	90,180,935.57
Underlying indices	2,130,156,476	103,819,556.78	834,964,469	61,002,472.53
Underlying interest rate instruments	390,854	675,527.28	143,171	532,572.48
Underlying precious metals	110,649,496	49,774,601.04	83,999,529	32,859,334.82
Underlying commodities	16,421,175	11,985,714.63	19,005,890	7,626,368.07
Underlying currencies*	1,519,264	2,194,148.24	985,806	1,208,287.64
Total	2,571,692,219	2,070,036,364.75	1,183,145,833	1,942,166,548.08

*Items also include products with cryptocurrencies as the underlying.

OTC hedging instruments linked to:

Certificates	26,549,703	1,821,818,210.13	14,355,568	1,748,756,609.09
Underlying shares	4,477,861	798,014,416.93	5,741,236	973,702,809.88
Underlying indices	8,192,783	818,072,590.47	7,236,625	671,117,009.34
Underlying interest rate instruments	0	0	5,989	1,303,094.00
Underlying precious metals	77,447	2,172,031.89	60,698	1,513,470.30
Underlying commodities	3,275	77,277.41	10,135	537,265.96
Underlying currencies*	13,798,337	203,481,893.43	1,300,884	100,582,959.61
Warrants	2,545,142,516	248,218,154.62	1,168,790,265	193,409,971.11
Underlying shares	286,005,251	79,768,606.65	229,691,400	90,180,935.57
Underlying indices	2,130,156,476	103,819,556.78	834,964,469	61,002,472.53
Underlying interest rate instruments	390,854	675,527.28	143,171	532,572.48
Underlying precious metals	110,649,496	49,774,601.04	83,999,529	32,859,334.82
Underlying commodities	16,421,175	11,985,714.63	19,005,890	7,626,368.07
Underlying currencies*	1,519,264	2,194,148.24	985,806	1,208,287.64
Total	2,571,692,219	2,070,036,364.75	1,183,145,833	1,942,166,580.20

* Items also include hedging instruments linked to products with cryptocurrencies as the underlying.

3. Notes to the income statement

a. Sales

Sales amounting to EUR 4,298 thousand (prior year EUR 3,459 thousand) comprise EUR 4,197 thousand (prior year EUR 3,458 thousand) from the issuance business and EUR 101 thousand (prior year EUR 1 thousand) from other operating income. Other operating income includes EUR 80 thousand in currency translation gains (prior year EUR 1 thousand), income from the reversal of provisions amounting to EUR 6 thousand (prior year EUR 0 thousand) and prior-period income of EUR 16 thousand (prior year EUR 0 thousand).

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 4,333 thousand is attributable to the issuance margin (prior year EUR 3,458 thousand), which the Company receives as compensation pursuant to the Issuance Agreement for its business activities.

b. Personnel expenses

Personnel expenses amount to EUR 312 thousand (prior year EUR 278 thousand).

c. Fees

The fee for the audit of the financial statements recorded as an expense in the financial year amounted to EUR 36 thousand (prior year EUR 24 thousand).

d. Other financial obligations

Other financial obligations consist primarily of rental agreements.

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

e. Other operating expenses

Other operating expenses consist primarily of issuance costs amounting to EUR 3,195 thousand (prior year EUR 2,339 thousand).

The expenses amount in total to EUR 3,687 thousand (prior year EUR 2,664 thousand). That figure also includes currency translation expenses amounting to EUR 89 thousand (prior year EUR 5 thousand).

f. Interest

The financial result amounts to EUR 80 thousand (prior year EUR 20 thousand).

g. Taxes on income

Taxes on income amounting to EUR 106 thousand (prior year EUR 160 thousand) relate entirely to the net income for the year.

4. 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

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 5.7 employees during the financial year (prior year: 5.0) and 1.3 trainees/temporary members of staff (prior year: 1.6).

c. Audit committee

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

d. 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.

Frankfurt am Main, 13 August 2020

Vontobel Financial Products GmbH

The Management

Anton Hötzl

Daniela Werner

Vontobel Financial Products GmbH, Frankfurt am Main

Interim management report for the period from 1 January to 30 June 2020

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 largest capital market for the securities issued by the Company. In German-speaking countries, the Company's securities are also offered by Bank Vontobel Europe AG in Austria, Luxembourg and Liechtenstein. In addition, the Company has been issuing securities in non-German-speaking countries since 2015, starting with Sweden and Finland. Since then Vontobel Financial Products GmbH has been issuing securities in Italy (since 2016), France and the Netherlands (since 2016/2017), Hungary and the Czech Republic (since 2018) and Denmark (since 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, increased significantly in all markets compared with the previous year. In the first half of 2020, the Company issued a total of 328,002 securities. In the first half of 2019, the total amounted to 214,448 securities. The increase is due primarily to the market turbulence caused by COVID-19 and the constant need for new securities with features adapted to the changing market levels. Issuance activity on the German market rose to 273,732 securities, as compared to 190,317 in H1 2019. The Company also increased its issuance activities in markets outside Germany – in Finland the figure was 4,458 securities (prior year 2,401), Denmark 1,107 (prior year 502), France 21,974 (prior year 11,007), the Netherlands 15,971 (prior year 6,232), Sweden 8,044 (prior year 3,517), Hungary 0 (prior year 3) and Italy 2,716 (prior year 469).

Over the first half of 2020, structured securities provided a clear picture for turnover on the relevant European exchanges. In Germany, the first half of 2020 saw turnover on the Frankfurt and Stuttgart stock exchanges rise by 86.9% to EUR 33.4 billion from EUR 17.9 billion in 2019 (source: German Derivatives Association (*Deutscher Derivate Verband*)). Turnover in Italy increased by 27.5% from EUR 8.1 billion to EUR 10.3 billion (source: Technolab). The first half of 2020 also saw a year-on-year

increase in Sweden from EUR 7.4 billion to EUR 14.8 billion (up 99.8%); in Finland turnover rose from EUR 726 million to EUR 1.9 billion (up 166.7%), compared to an increase in Denmark from EUR 603 million to EUR 1.5 billion (up 155.8%) (source: Nordic Growth Market, NGM Statistics). The Euronext market in France and the Netherlands performed similarly. France recorded an increase from EUR 1.6 billion in 2019 to EUR 3.2 billion in the first half of 2020 (up 100.2%), while turnover in the Netherlands rose by 76.0% to EUR 4.0 billion in 2020 (prior year EUR 2.3 billion) (source: Euronext Paris & Amsterdam Warrants & Certificates Stats).

In Germany, turnover in securities issued by the Company rose by 110.8% from EUR 1,678 million to EUR 3,538 million, with an increase in its market share from 9.4% (fifth-largest) to 10.6% (second-largest). In Scandinavia, Vontobel has become an established provider of structured products. Over the first half of 2020, Vontobel's market share in Sweden reached 10.4% (third-largest), 8.9% for Finland (second-largest) and 9.7% for Denmark (third-largest); its market share amounted to 13.1% in Italy (fourth-largest), 11.7% in France (third-largest) and 8.0% in the Netherlands (fourth-largest).

The outstanding volume on the overall German certificates market declined by 10.2% (EUR 64.0 billion² as compared to EUR 71.3 billion in December 2019). By contrast, the Company's volume of sales increased as at June 30, 2020. The outstanding volume thus rose from EUR 1,942 million in December 2019 to EUR 2,070 million, representing an increase of 6.6% (see the key figure "Issuance liabilities" in the balance sheet).

During the year under review, the Company was preparing for the implementation of Regulation (EU) 2017/1129 (Prospectus Regulation), which, in the opinion of the management, will have an impact on the base prospectuses used by the Company, including the model Final Terms, by the time implementation has been completed in 2020. The change of issuing and paying agent in the French and Dutch markets also place demands on the Company.

The products issued by the Company will be increasingly affected in 2020 by measures relating to the conversion of reference interest rates in connection with Regulation (EU) No 596/2014 (Benchmark Regulation). The Company is working closely together with other units of the Vontobel Group, as well as with the German Derivatives Association and other European derivatives associations, on these issues.

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, 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 2020

² Source: DDV, April 2020

during the first half of 2020, income from the issuance activities amounted to the minimum budgeted figure for income agreed between the parties of EUR 4,333 thousand. This represents an increase of 25.3% compared with the prior year (EUR 3,458 thousand).

The year-on-year increase was primarily due to the significantly higher issuance volumes in all markets, as a result of which the Company agreed the respective budget figure and thus a minimum income figure.

Other operating income rose to EUR 101 thousand (prior year EUR 1 thousand). In addition, personnel expenses of EUR 312 thousand (prior year EUR 278 thousand), depreciation of EUR 0 thousand (prior year EUR 0 thousand) and other operating expenses amounting to EUR 3,687 thousand (prior year EUR 2,664 thousand) were incurred. The other operating expenses mainly comprised EUR 3,195 thousand for issuance costs (prior year EUR 2,339 thousand) and Group cost allocations of EUR 141 thousand (prior year EUR 143 thousand).

The decrease in interest and similar income to EUR 20,342 thousand (prior year EUR 22,296 thousand) and in interest and similar expenses to EUR 20,262 thousand (prior year EUR 22,276 thousand) was due to the fact that the key volatility for coupon rates initially lingered at a low level in the year under review. Many investors then sold their securities as a first reaction to the COVID-19 crisis before increasingly reinvesting in interest-bearing securities in June. In addition, as in previous years demand is shifting away from interest-bearing securities.

The result from ordinary activities therefore amounted to EUR 379 thousand (prior year EUR 537 thousand).

An expense for taxes on income amounting to EUR 106 thousand (prior year EUR 160 thousand) was incurred. Net income for the first half of 2020 therefore fell by EUR 103 thousand compared with the previous year to EUR 274 thousand (prior year EUR 377 thousand).

2. Financial position

As at 30 June 2020, the liquid funds of the Company increased to EUR 2,964 thousand (prior year EUR 2,798 thousand). The share of total assets represented by liquid funds amounted to 0.14% (prior year 0.15%).

Cash flow from operating activities for the first half of 2020 was positive and amounted to EUR 611 thousand (prior year EUR 862 thousand). Starting from the net income for H1 2020 of EUR 274 thousand (prior year EUR 377 thousand), the principal factors contributing to the cash flow figure were the increase in other assets of EUR -128,079 thousand (prior year EUR 154,219 thousand), the increase in other liabilities of EUR 127,995 thousand (prior year EUR 154,384 thousand) and the increase in provisions of EUR 422 thousand (prior year EUR 320 thousand).

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 2,070,649 thousand as at 30 June 2020 (prior year EUR 1,942,763 thousand) and represented the largest component of total assets with a share of 99.4% (prior year 99.3%).

The liabilities side of the balance sheet as at 30 June 2020 was dominated by issuance liabilities of EUR 2,070,036 thousand or 99.3% (prior year EUR 1,942,167 thousand or 99.2%). In addition, trade payables amounted to EUR 190 thousand (prior year EUR 538 thousand). Other liabilities mostly relate to accrued interest amounting to EUR 10,027 thousand (prior year EUR 9,900 thousand). Provisions amounted to EUR 808 thousand (prior year EUR 386 thousand) and consisted of provisions for taxes of EUR 263 thousand (prior year EUR 290 thousand) and other provisions (particularly liabilities accrued for bonus payments (EUR 27 thousand; prior year EUR 28 thousand) and Performance Shares (EUR 4 thousand, prior year EUR 2 thousand), liabilities for the costs of auditing (EUR 30 thousand;

prior year EUR 60 thousand), personnel (EUR 0 thousand; prior year EUR 3 thousand) and preparing the annual financial statements (EUR 2 thousand; prior year EUR 0 thousand) as well as miscellaneous provisions (EUR 482 thousand, prior year EUR 5 thousand)).

The retained profit brought forward from the previous year (EUR 877 thousand; prior year EUR 439 thousand) was distributed to the sole shareholder in the financial year. Based on the net income of EUR 274 thousand generated for the first half of 2020 (prior year EUR 877 thousand), equity decreased to EUR 2,324 thousand (prior year EUR 2,927 thousand). Equity represents 0.11% (prior year 0.15%) 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 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 integration of the Company into the Vontobel Group and its Structured Solutions & Treasury (prior to the end of 2019: Financial Products) division will enable the Company to generate income. Constant 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 2020 and 2021. Accordingly, the Group intends to continue with the internationalisation of the business activities of the Structured Solutions & Treasury division. It is expected that business in all markets will continue to grow in the second half of the year, which will make a noticeable contribution. In the second half of 2020, Bank Vontobel Europe AG intends to publicly offer securities in Belgium that were issued in the Netherlands and France. It also plans to publicly offer the Company's securities in Norway in Q1 2021.

The Company's performance in H1 2020 was marked by a volatile market environment which saw higher volumes compared to the same period of the previous year.

The business development of the first half of 2020 cannot be extrapolated to forecast the development throughout the remainder of the year. Although we expect the capital markets to develop similarly to the development seen in the first half of 2020, not least because of COVID-19, the markets may be volatile, not least due to political and economic uncertainties, which could negatively impact the business. 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. This effect was recently apparent in connection with the current market development due to the global measures initiated in order to contain and combat the COVID-19 (coronavirus) outbreak and pandemic.

Liquidity is secured by the corporate structure, bank balances and the integration into the Vontobel Group. No liquidity squeezes are expected.

On the whole, management is confident that the Company is well positioned to further significantly expand its business in the coming two financial years despite the major hurdles that the 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.

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 outlook³.

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 Structured Solutions & Treasury (prior to end of 2019: Financial Products) division of the Vontobel Group means that growth in the Company's income is conditional on growth in the Structured Solutions & Treasury division as a whole.

³ <https://www.vontobel.com/en-ch/about-vontobel/investor-relations/credit-ratings/>

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. 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, 13 August 2020

The Management

Anton Hötzl

Daniela Werner