

Vontobel Financial Products GmbH, Frankfurt am Main

Interim financial statements as at 30 June 2017 (unaudited) and interim management report

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I. Balance sheet as at 30 June 2017

ASSETS	30/06/2017	31/12/2016
	EUR	EUR
A. Fixed assets		
Tangible fixed assets		
1. Technical equipment and machinery	11	
2. Other equipment, operating and office equipment	<u>7,655</u>	
		7,666
		8,345
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	1,545,988,854	1,351,901,297
- of which trade receivables EUR 0 thousand (prior year EUR 0 thousand)		
2. Other assets	13,006,221	13,643,214
II. Bank balances	<u>2,578,528</u>	<u>2,634,324</u>
- of which due from affiliated companies EUR 2,486 thousand (prior year EUR 2,303 thousand)		
		1,561,573,603
		1,368,178,835
C. Prepaid expenses		
		261,552
		5,607
		<u>1,561,842,821</u>
		<u>1,368,192,787</u>

EQUITY AND LIABILITIES	30/06/2017		31/12/2016	
	EUR	EUR	EUR	EUR
A. Equity				
I. Subscribed capital	50,000		50,000	
II. Capital reserves	2,000,000		2,000,000	
III. Retained profits brought forward	0		0	
IV. Net income for the year	<u>144,996</u>		<u>331,782</u>	
		2,194,996		2,381,782
B. Provisions				
1. Provisions for taxes	143,678		100,971	
2. Other provisions	<u>195,649</u>		<u>238,917</u>	
		339,327		339,888
C. Liabilities				
1. Issuance liabilities	1,545,988,854		1,351,709,919	
2. Liabilities to banks	45,042		0	
- of which due to affiliated companies EUR 45 thousand (prior year EUR 0 thousand)				
3. Trade payables	93,415		99,116	
- of which due to affiliated companies EUR 0 thousand (prior year EUR 0 thousand)				
4. Liabilities to affiliated companies	203,860		15,000	
- of which with a remaining term of up to one year EUR 204 thousand (prior year EUR 15 thousand)				
5. Other liabilities	12,977,327		13,647,082	
- of which for taxes EUR 0 thousand (prior year EUR 8 thousand)				
- of which for social security EUR 5 thousand (prior year EUR 6 thousand)				
- of which with a remaining term of up to one year EUR 12,977 thousand (prior year EUR 13,647 thousand)				
		<u>1,559,308,498</u>		<u>1,365,471,117</u>
		<u>1,561,842,821</u>		<u>1,368,192,787</u>

II. Income statement for the period from 1 January 2017 to 30 June 2017

	EUR	30/06/2017 EUR	30/06/2016 EUR
1. Realised and unrealised gains and losses from the issuance business	-39,310,631		105,917,216
2. Realised and unrealised gains and losses from hedging transactions	41,986,796		-103,808,711
		2,676,165	2,108,505
3. Other operating income		6,553	16,899
4. Personnel expenses			
a) wages and salaries	187,091		247,801
b) social security contributions and expenses for old-age pensions and other employee benefits	79,070		40,856
- of which in respect of old-age pensions EUR 42 thousand (prior year EUR 5 thousand)			
		266,161	288,657
5. Depreciation of tangible fixed assets		679	956
6. Other operating expenses		2,146,209	1,643,928
7. Other interest and similar income	16,906,872		21,956,425
- of which from affiliated companies EUR 16,907 thousand (prior year EUR 21,956 thousand)			
8. Interest and similar expenses	16,965,270		22,046,126
-of which from affiliated companies EUR 16,965 thousand (prior year EUR 22,046 thousand)			
		-58,398	-89,701
9. Result from ordinary activities		211,271	102,162
10. Taxes on income		66,275	34,732
11. Net income for the year		144,996	67,430

III. Notes to the financial statements and statement of cash flows (indirect method) as at 30 June 2017

1. Accounting policies

a. General

The interim financial statements as at 30 June 2017 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 2016.

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

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

Receivables were 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 were recognised at the nominal amount.

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 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 2017:

EUR 1 = CHF 1.09225	EUR 1 = USD 1.14055	EUR 1 = GBP 0.87806
EUR 1 = SEK 9.62004		

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 2,486 thousand (prior year EUR 2,303 thousand).

b. Receivables from affiliated companies

Receivables from affiliated companies consist of OTC hedging instruments amounting to EUR 1,545,989 thousand (prior year EUR 1,351,901 thousand) acquired for the purpose of fully hedging the securities issued.

c. Other assets

Other assets include receivables from affiliated companies in respect of accrued interest amounting to EUR 12,971 thousand (prior year EUR 13,634 thousand) and tax receivables of EUR 35 thousand (prior year EUR 10 thousand).

d. Prepaid expenses

Prepaid expenses consist primarily of contributions to supervisory authorities and association dues.

e. Equity

The share capital of the Company amounted to EUR 50 thousand as at 30 June 2017 (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.

f. Issuance liabilities

Issuance liabilities consist entirely of the securities issued.

g. Liabilities to banks

Liabilities to banks relate to a transitory account in CHF, which is held with Bank Vontobel, Zürich.

h. Trade payables

The trade payables include obligations for other services amounting to EUR 93 thousand (prior year EUR 99 thousand).

i. Liabilities to affiliated companies

Liabilities to affiliated companies contains EUR 181 thousand (prior year: EUR 0 thousand) in liabilities to Vontobel Holding AG, Zürich, EUR 8 thousand (prior year: EUR 0 thousand) to Bank Vontobel AG, Zürich, and EUR 15 thousand (prior year: EUR 15 thousand) to Bank Vontobel Europe AG, Munich.

j. Other liabilities

Other liabilities amounting to EUR 12,977 thousand (prior year EUR 13,647 thousand) mainly comprise liabilities from accrued interest of EUR 12,971 thousand (prior year EUR 13,634 thousand) and income tax and social security contributions deducted from wages for June of EUR 5 thousand (prior year EUR 14 thousand).

k. 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	1,545,989 (prior year 1,351,901)	1,025,444 (prior year 1,000,164)	340,416 (prior year 208,694)	180,129 (prior year 143,043)
Other assets	13,006 (prior year 13,643)	13,006 (prior year 13,643)	- (prior year -)	- (prior year -)
Total	1,558,995 (prior year 1,365,544)	1,038,450 (prior year 1,013,807)	340,416 (prior year 208,694)	180,129 (prior year 143,043)

l. 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	1,545,989 (prior year 1,351,710)	1,025,444 (prior year 999,973)	340,416 (prior year 208,694)	180,129 (prior year 143,043)
Liabilities to banks	45 (prior year -)	45 (prior year -)	- (prior year -)	- (prior year -)
Trade payables	93 (prior year 99)	93 (prior year 99)	- (prior year -)	- (prior year -)
Liabilities to affiliated companies	204 (prior year 15)	204 (prior year 15)	- (prior year -)	- (prior year -)
Other liabilities	12,977 (prior year 13,647)	12,977 (prior year 13,647)	- (prior year -)	- (prior year -)
Total	1,559,308 (prior year 1,365,471)	1,038,763 (prior year 1,013,734)	340,416 (prior year 208,694)	180,129 (prior year 143,043)

¹The 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).

m. 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 2017 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 2017:

Category	30/06/2017 Number of securities	30/06/2017 Fair value in EUR	Prior year Number of securities	Prior year Fair value in EUR
Type of security:				
Certificates	18,454,826	1,385,010,983.39	16,182,529	1,213,594,935.69
Underlying shares	10,709,948	872,476,296.53	7,404,889	657,916,209.37
Underlying indices	7,588,606	486,298,840.46	8,693,485	533,066,667.72
Underlying interest rate instruments	9,452	9,503,244.50	19,667	19,326,204.06
Underlying precious metals	79,783	2,280,483.52	38,432	570,635.14
Underlying commodities	6,197	222,401.03	5,397	197,207.46
Underlying currencies	60,840	14,229,717.35	20,659	2,518,011.94
Warrants	958,117,620	160,977,868.62	530,866,559	138,114,981.73
Underlying shares	269,930,865	75,163,329.20	157,461,962	55,323,394.82
Underlying indices	236,421,726	43,650,329.81	200,323,643	50,683,079.39
Underlying interest rate instruments	91,246	310,337.72	295,528	675,443.00
Underlying precious metals	71,165,222	16,792,251.43	40,848,267	11,585,600.39
Underlying commodities	378,859,072	21,615,894.04	129,603,357	15,311,358.35
Underlying currencies	1,649,489	3,445,726.42	2,333,802	4,536,105.78
Total	976,572,446	1,545,988,852.01	547,049,088	1,351,709,917.42

OTC hedging instruments linked to:

Certificates	18,454,826	1,385,010,983.39	16,182,529	1,213,594,935.69
Underlying shares	10,709,948	872,476,296.53	7,404,889	657,916,209.37
Underlying indices	7,588,606	486,298,840.46	8,693,485	533,066,667.72
Underlying interest rate instruments	9,452	9,503,244.50	19,667	19,326,204.06
Underlying precious metals	79,783	2,280,483.52	38,432	570,635.14
Underlying commodities	6,197	222,401.03	5,397	197,207.46
Underlying currencies	60,840	14,229,717.35	20,659	2,518,011.94
Warrants	958,117,620	160,977,868.62	530,866,559	138,114,981.73
Underlying shares	269,930,865	75,163,329.20	157,461,962	55,323,394.82
Underlying indices	236,421,726	43,650,329.81	200,323,643	50,683,079.39
Underlying interest rate instruments	91,246	310,337.72	295,528	675,443.00
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Underlying commodities	378,859,072	21,615,894.04	129,603,357	15,311,358.35
Underlying currencies	1,649,489	3,445,726.42	2,333,802	4,536,105.78
Total	976,572,446	1,545,988,852.01	547,049,088	1,351,709,917.42

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

Since 1 July 2017: Stefan Armbruster, Managing Director (qualified business administrator)

Dr. Lysander M. Heigl, Managing Director (attorney/tax advisor)

Anton Hötzl, Managing Director (attorney)

Until 30 April 2017: Dr. Wolfgang Gerhardt (economics 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.

In addition to the managing directors, the Company had an average of 4.5 employees during the financial year (prior year 4) and 1 trainee/temporary member 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 2,683 thousand (prior year EUR 2,125 thousand) comprise EUR 2,676 thousand (prior year EUR 2,109 thousand) from the issuance business and EUR 7 thousand (prior year EUR 17 thousand) from other sources of 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.

e. Fees

The fee for the audit of the financial statements recorded as an expense in the financial year amounted to EUR 35 thousand (prior year EUR 30 thousand).

f. Other financial obligations

Other financial obligations consist of EUR 126 thousand under rental agreements (prior year EUR 257 thousand), including obligations amounting to EUR 69 thousand (prior year EUR 91 thousand) with a remaining term of up to 1 year and EUR 57 thousand (prior year EUR 166 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 66 thousand (prior year EUR 35 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.

i. Statement of cash flows

The statement of cash flows for the interim financial statements as at 30 June 2017 was prepared using the indirect method. As in the prior year, cash funds in the statement of cash flows comprise deposits with banks less liabilities to banks. The statement of cash flows is attached to the notes as an appendix.

Vontobel Financial Products GmbH

Frankfurt am Main, 18 August 2017

The Management

Stefan Armbruster

Dr. Lysander M. Heigl

Anton Hötzl

**Appendix to the notes to the financial statements: statement of cash flows (indirect method)
for the period from 1 January to 30 June 2017**

		30/06/2017	30/06/2016
		EUR	EUR
1.	Profit for the period (including profit attributable to non-controlling interests) before extraordinary items	144,996.04	67,429.95
2.	+/- Depreciation, write-downs and reversals of write-downs on fixed assets	678.94	956.14
3.	+/- Increase/decrease in provisions	560.64	10,439.19
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	193,706,389.00	63,435,342.30
7.	+/- Increase/decrease in trade payables and other liabilities not allocated to investing or financing activities	193,792,218.88	63,381,917.67
8.	+/- Cash inflows and outflows from extraordinary items	0.00	0.00
9.	= Cash flow from operating activities	230,944.22	132,249.91
10.	Proceeds from disposals of tangible fixed assets	0.00	0.00
11.	- Payments for investments in tangible fixed assets	-479.46	-499.17
12.	+ Proceeds from disposals of intangible fixed assets	0.00	0.00
13.	- Payments for investments in intangible fixed assets	479.46	499.17
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)	331,781.50	148,186.09
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)	-331,781.50	-148,186.09
26.	Change in cash funds (total of 9, 20, 25)	-100,837.28	-15,936.18
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	2,634,323.55	2,141,158.91
29.	= Cash funds at the end of the period (total of 26 to 28)	2,533,486.27	2,125,222.73

Vontobel Financial Products GmbH, Frankfurt am Main

Interim management report for the period from 1 January to 30 June 2017

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 currently 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 market since January 2015. The Finnish market was also entered in August 2015. These securities are listed on the Nordic Growth Market (NGM) based in Stockholm, Sweden. The Italian market followed in May 2016. The securities are listed there on the Borsa Italiana, in the SeDeX segment. The Company has also been issuing its products for the French and Dutch markets since January 2017, with the securities listed on Euronext in Paris and Amsterdam, respectively. Bank Vontobel Europe AG serves as the distributor and liquidity provider for these securities.

The Company's issuance activity, the most important KPI, was at a level similar to that reported in the previous year. In the first half of 2017, the Company issued a total of 149,116 securities; in financial year 2016, it had issued a total of 303,478 securities (2015: 319,805). Of that number, 1,744 securities were issued in Sweden (2016: 3,411), 900 in Finland (2,413) and 1,139 in Italy (2016: 113). In the markets newly developed during the reporting period, 2,053 securities were issued in France in the first half of 2017 and 1,545 in the Netherlands.

Overall turnover in the first half of 2017 was virtually identical to the prior period (EUR 21.3 billion as compared to EUR 21.1 billion in the first half of 2016; source: German Derivatives Association (DDV); turnover on the Stuttgart Stock Exchange (EUWAX) and the Frankfurt Stock Exchange - certificates) The Company's market share in investment and leveraged products was 9.00% in the reporting period, as compared to 6.5% in 2016. This encouraging growth in market share was attributable primarily to growth in the investment products segment, where the Company's innovative product

range (incl. Industry 4.0 and Bitcoin) and affiliated companies impressed the market with competitive pricing.

Turnover in the Swedish segment of the Nordic Growth Market (NGM) fell sharply (from SEK 56.7 billion to SEK 17.9 billion) in the first half of the year due to increased competition and a steep drop in customer activity. Turnover in the securities of the Company amounted to SEK 7.1 billion (39.7%, second place) as compared to SEK 10.0 billion (17.7%, second place) in the first half of 2016 (source: Nordic Growth Market). Securities turnover on the Finnish segment of the NGM (EUR 349 million total volume) amounted to EUR 106 million (30.3% share, third place; first half of the prior year: EUR 85.5 million out of EUR 383.8 million total volume, i.e. 22.3%, third place; source: Nordic Growth Market). On the Borsa Italiana, where the Company has operated as an issuer since 2016, the volume of the Company's securities amounted to EUR 481 million out of a total volume of EUR 9.6 billion during the reporting period, representing a 5.0% market share (source: Borsa Italiana). The Company's profile in the two most recently developed markets, i.e., Euronext Paris and Amsterdam, is still very low (turnover remains in the six figures range in France and the Netherlands and the Company's market share is below one percent).

The Company's volume of sales increased in the first half of 2017 from EUR 1,351.7 million as at 31 December 2016 to EUR 1,546.0 million. By contrast, the share of the issuance volume accounted for by markets developed only in recent years remained small (Sweden: EUR 18.4 million; Finland: EUR 2.4 million; Italy: EUR 12.5 million, France and the Netherlands EUR 0.1 million each) since the only leveraged products placed here to date are generally only held by investors for a very short period of time, often less than a day.

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, Zürich, 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). It became evident in the first half of 2017 that the Company would not be able to meet or exceed the target figures agreed for 2017, resulting in income from the issuance activities during the first half of the year amounting to the minimum budgeted figure for income agreed between the parties.

Other operating income fell to EUR 7 thousand (prior year EUR 17 thousand). In addition, personnel expenses of EUR 266 thousand (prior year EUR 289 thousand), depreciation of EUR 1 thousand (prior year EUR 1 thousand) and other operating expenses amounting to EUR 2,146 thousand (prior year EUR 1,644 thousand) were incurred. The other operating expenses mainly comprised EUR 1,672 thousand for issuance costs (prior year EUR 1,195 thousand), Group cost allocations of EUR 137

thousand (prior year EUR 125 thousand) and contributions of EUR 131 thousand (prior year EUR 80 thousand).

This increase in other operating expenses was due primarily to the significant increase in issuance costs in the new markets, particularly in Italy. In light of the increase in costs, the Company has agreed with Bank Vontobel AG to increase the budget and hence the minimum income.

Interest and similar income amounted to EUR 16,907 thousand (prior year: EUR 21,956 thousand) and interest and similar expenses amounted to EUR 16,965 thousand (prior year: EUR 22,046 thousand) and were thus at a similar level as in the years from 2013 to 2015.

The result from ordinary activities therefore amounted to EUR 211 thousand (prior year EUR 102 thousand).

An expense for taxes on income amounting to EUR 66 thousand (prior year EUR 35 thousand) was also incurred. Net income for financial year 2017 therefore rose by EUR 78 thousand compared with the previous year to EUR 145 thousand (prior year EUR 67 thousand).

2. Financial position

As at 30 June 2017, the liquid funds of the Company decreased to EUR 2,579 thousand (prior year EUR 2,634 thousand). Since the volume of assets increased at the same time, the share of total assets represented by liquid funds declined to 0.17% (prior year 0.19%).

Cash flow from operating activities for 2017 was positive and amounted to EUR 231 thousand (prior year EUR 132 thousand). Starting from the net income for 2017 of EUR 145 thousand (prior year EUR 67 thousand), the principal factors contributing to the cash flow figure were the increase in receivables from affiliated companies of EUR 193,706 thousand, the increase in issuance liabilities of EUR 193,792 thousand (including an increase of EUR 188 thousand in guarantee liabilities) and the decline in provisions amounting to EUR 1 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 1,545,989 thousand as at 30 June 2017 (prior year EUR 1,351,901 thousand) and represented the largest component of total assets with a share of 99.0% (prior year 98.8%).

The liabilities side of the balance sheet as at 30 June 2017 was dominated by issuance liabilities of EUR 1,545,989 thousand or 99.0% (prior year EUR 1,351,710 thousand or 98.8%). In addition, trade payables amounted to EUR 93 thousand (prior year EUR 99 thousand). Other liabilities mostly relate to accrued interest and amounted to EUR 12,971 thousand (prior year EUR 13,634 thousand). Provisions of EUR 339 thousand (prior year EUR 340 thousand) comprised provisions for taxes of EUR 144 thousand (prior year EUR 101 thousand) and miscellaneous provisions of EUR 195 thousand (prior year EUR 239 thousand). Other major components of other provisions included liabilities accrued for bonus payments (EUR 36 thousand, prior year EUR 105 thousand) and liabilities for the costs of auditing (EUR 30 thousand, prior year EUR 60 thousand) and preparing the annual financial statements (EUR 2 thousand, prior year EUR 6 thousand).

All retained profits brought forward (EUR 332 thousand) were distributed to the sole shareholder in the financial year. Based on the net income generated for the year of EUR 145 thousand, equity therefore declined to EUR 2,195 thousand (prior year EUR 2,382 thousand). Equity represents 0.14% (prior year 0.17%) 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. 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 the coming years. Accordingly, the Group intends to continue with the internationalisation of the business activities of the Financial Products division.

Now that Project Euronext has been successfully completed with the exchanges in Amsterdam and Paris during the reporting period, the Vontobel Group is now looking into developing other markets. However, the Company does not expect that it will expand its sales territory until in the next calendar year.

The Company expects the macroeconomic and political environments to be increasingly volatile in the second half of the year. Geopolitical turbulence, elections in Germany and potential interest rate hikes by the Federal Reserve and the ECB could result in increased market volatility.

The transposition of Regulation (EU) No 1286/2014 ("PRIIP Regulation") will place considerable requirements on the Company. Among other things, this Regulation requires that, from 2018 onward, issuers of structured securities prepare key information documents for securities slated to be sold to retail investors.

On the whole, management is confident that the Company is well positioned to further expand its business in the coming two financial years despite the major challenges that the current economic, political and regulatory environment will no doubt present.

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
- 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 issues is guaranteed by Vontobel Holding AG, Zurich. The external issuer rating issued by Moody's for the Group parent as at 17 May 2017 was "A3" with a stable outlook. Default risk is classified as low.

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 Risk Control 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 as far as possible 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 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 Risk Control 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, 18 August 2017

The Management

Stefan Armbruster

Dr. Lysander M. Heigl

Anton Hötzl