

# Vontobel Financial Products GmbH, Frankfurt am Main

## Interim financial statements as at 30 June 2021 (unaudited) and interim management report

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## I. Balance sheet as at 30 June 2021

ASSETS	30/06/2021	31/12/2020
	EUR	EUR
<b>A. Fixed assets</b>		
<b>Tangible fixed assets</b>		
1. Technical equipment and machinery	10	
2. Other equipment, operating and office equipment	4,040	
		4,050
		4,345
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Trade receivables	0	399,362
2. Receivables from affiliated companies	2,819,630,046	2,615,684,962
- of which trade receivables EUR 0 thousand (prior year EUR 0 thousand)		
3. Other assets	9,779,808	7,581,141
<b>II. Bank balances</b>	3,452,677	2,854,572
- of which due from affiliated companies EUR 3,231 thousand (prior year EUR 2,692 thou- sand)		
		2,832,862,531
		2,626,520,037
<b>C. Prepaid expenses</b>		413,115
		7,517
		2,833,279,696
		2,626,531,899

EQUITY AND LIABILITIES	30/06/2021		31/12/2020	
	EUR	EUR	EUR	EUR
<b>A. Equity</b>				
<b>I. Subscribed capital</b>	50,000		50,000	
<b>II. Capital reserves</b>	2,000,000		2,000,000	
<b>III. Net income for the year</b>	<u>201,451</u>		<u>408,808</u>	
		2,251,451		2,458,808
<b>B. Provisions</b>				
1. Provisions for taxes	7,064		226,842	
2. Other provisions	<u>453,770</u>		<u>191,178</u>	
		460,834		418,020
<b>C. Liabilities</b>				
1. Issuance liabilities	2,819,067,046		2,615,394,500	
2. Liabilities to banks - of which due to affiliated companies EUR 801 thousand (prior year EUR 378 thousand)	800,562		377,933	
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 231 thousand (prior year EUR 218 thousand)	230,788		217,583	
4. Liabilities to affiliated companies - of which with a remaining term of up to one year EUR 702 thousand (prior year EUR 94 thousand)	701,499		93,850	
5. Other liabilities - of which for taxes EUR 6 thousand (prior year EUR 12 thousand) - of which for social security EUR 0 thousand (prior year EUR 0 thousand) - of which with a remaining term of up to one year EUR 9,768 thousand (prior year EUR 7,571 thousand)	9,767,516		7,571,205	
		<u>2,830,567,411</u>		<u>2,623,655,071</u>
		<u>2,833,279,696</u>		<u>2,626,531,899</u>

## II. Income statement for the period from 1 January 2021 to 30 June 2021

	EUR	30/06/2021 EUR	30/06/2020 EUR
1. Realised and unrealised gains and losses from the issuance business	-437,342,810		179,023,321
2. Realised and unrealised gains and losses from hedging transactions	441,244,430		-174,826,453
		3,901,619	4,196,868
3. Other operating income		18,991	101,494
4. Personnel expenses			
a) wages and salaries	236,887		247,573
b) social security contributions and expenses for old-age pensions and other employee benefits	55,440		64,708
- of which in respect of old-age pensions EUR 14 thousand (prior year EUR 10 thousand)			
		292,328	312,280
5. Depreciation of tangible fixed assets		295	342
6. Other operating expenses		3,323,564	3,686,768
7. Other interest and similar income	28,300,796		20,342,220
- of which from affiliated companies EUR 28,301 thousand (prior year EUR 20,342 thousand)			
8. Interest and similar expenses	28,317,388		20,262,162
		-16,592	80,059
9. Result from ordinary activities		287,831	379,030
10. Taxes on income		86,380	105,511
11. Net income for the year		201,451	273,519

### III. Statement of cash flows (indirect method) <sup>1</sup> for the period from 1 January to 30 June 2021

		30/06/2021	30/06/2020
		EUR	EUR
1.	Profit for the period (including profit attributable to non-controlling interests) before extraordinary items	201,451.02	273,519.25
2.	+/- Depreciation, write-downs and reversals of write-downs on fixed assets	295.48	342.48
3.	+/- Increase/decrease in provisions	42,813.40	422,208.08
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	-206,149,985.56	-128,079,372.69
7.	+/- Increase/decrease in trade payables and other liabilities not allocated to investing or financing activities	206,489,711.11	127,994,616.71
8.	+/- Cash inflows and outflows from extraordinary items	0.00	0.00
<b>9.</b>	<b>= Cash flow from operating activities</b>	<b>584,285.45</b>	<b>611,313.85</b>
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
<b>20.</b>	<b>= Cash flow from investing activities</b>	<b>0.00</b>	<b>0.00</b>
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)	408,808.34	876,859.33
23.	+ Proceeds from bond issues and new borrowings	0.00	0.00
24.	- Repayments of bonds and borrowings	0.00	0.00
<b>25.</b>	<b>= Cash flow from financing activities (total of 21 to 24)</b>	<b>-408,808.34</b>	<b>-876,859.33</b>
26.	Change in cash funds (total of 9, 20, 25)	175,477.11	-265,545.48
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	2,476,638.41	3,074,304.25
<b>29.</b>	<b>= Cash funds at the end of the period (total of 26 to 28)</b>	<b>2,652,115.52</b>	<b>2,808,758.77</b>

<sup>1</sup> Disclosure is voluntary, as the Company ceased to be publicly traded pursuant to section 264d HGB in 2020. In order to ensure continuity of the reported financial information, the Company will continue to publish its statement of cash flows even though it is no longer obligated to do so.

## IV. Notes to the financial statements as at 30 June 2021

### 1. Accounting policies

#### a. General

The interim financial statements as at 30 June 2021 of Vontobel Financial Products GmbH, Frankfurt am Main, entered into the commercial register B of the Local Court (*Amtsgericht*) of Frankfurt am Main under number HRB 58515 and 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.

In 2020, the Company ceased to be classified as publicly traded pursuant to section 264d HGB because it is no longer admitted to trading on an organised market within the meaning of section 2 (11) of the German Securities Trading Act (*Wertpapierhandelsgesetz*, "WpHG") and now merely has securities admitted to multilateral trading systems within the meaning of section 2 (22) WpHG. As a result of this, it is now subject to certain exemptions to its reporting duty. In order to ensure continuity of the reported financial information, the Company has opted to continue to publish its interim financial statements, including its statement of cash flows, even though it is no longer obligated to do so.

#### b. Measurement methods

The accounting policies applied were unchanged as against the annual financial statements as at 31 December 2020.

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

**Provisions** were recognised in the settlement 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 2021:

EUR 1 = CHF 1.09619	EUR 1 = USD 1.18590	EUR 1 = GBP 0.85845
EUR 1 = SEK 10.14203		

## **2. Notes to the balance sheet**

### **a. Receivables from affiliated companies**

Receivables from affiliated companies consist mainly of OTC hedging instruments amounting to EUR 2,819,067 thousand (prior year EUR 2,615,395 thousand) acquired for the purpose of fully hedging the securities issued and also current remuneration in the amount of EUR 563 thousand (prior year EUR 290 thousand).

### **b. Other assets**

Other assets primarily include receivables from affiliated companies in respect of accrued interest amounting to EUR 9,761 thousand (prior year EUR 7,559 thousand) and tax receivables of EUR 18 thousand (prior year EUR 14 thousand).

### **c. Bank balances**

Bank balances amounting to EUR 3,453 thousand (prior year EUR 2,855 thousand) are payable on demand and include receivables from affiliated companies of EUR 3,231 thousand (prior year EUR 2,692 thousand)

### **d. Equity**

The share capital of the Company amounted to EUR 50 thousand as at 30 June 2021 (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 amounted to EUR 2,819,067 (prior year 2,615,394), consisting solely of issued securities.

### **f. Liabilities to affiliated companies**

Liabilities to affiliated companies comprise liabilities to Bank Vontobel Europe AG, Munich, amounting to EUR 43 thousand (prior year EUR 38 thousand), liabilities to Bank Vontobel AG, Zurich, Switzerland, amounting to EUR 27 thousand (prior year EUR 56 thousand) and to Vontobel Holding AG, Zurich, Switzerland, amounting to EUR 631 thousand (prior year EUR 0 thousand).

### **g. Other liabilities**

Other liabilities amounting to EUR 9,768 thousand (prior year EUR 7,571 thousand) mainly comprise liabilities from accrued interest of EUR 9,761 thousand (prior year EUR 7,559 thousand) and income tax deducted from wages for June of EUR 6 thousand (prior year EUR 12 thousand).



## h. 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
<b>Trade receivables</b>	- (prior year 399)	- (prior year 399)	- (prior year -)	- (prior year -)
<b>Receivables from affiliated companies</b>	2,819,630 (prior year 2,615,685)	773,184 (prior year 861,234)	932,422 (prior year 747,756)	1,114,023 (prior year 1,006,695)
<b>Other assets</b>	9,780 (prior year 7,581)	9,780 (prior year 7,581)	- (prior year -)	- (prior year -)
<b>Total</b>	2,829,410 (prior year 2,623,665)	782,964 (prior year 869,214)	932,422 (prior year 747,756)	1,114,023 (prior year 1,006,695)

## i. 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
<b>Issuance liabilities<sup>2</sup></b>	2,819,066 (prior year 2,615,395)	772,621 (prior year 860,944)	932,422 (prior year 747,756)	1,114,022 (prior year 1,006,695)
<b>Liabilities to banks</b>	801 (prior year 378)	801 (prior year 378)	- (prior year -)	- (prior year -)
<b>Trade payables</b>	231 (prior year 218)	231 (prior year 218)	- (prior year -)	- (prior year -)
<b>Liabilities to affiliated companies</b>	701 (prior year 94)	701 (prior year 94)	- (prior year -)	- (prior year -)
<b>Other liabilities</b>	9,768 (prior year 7,571)	9,768 (prior year 7,571)	- (prior year -)	- (prior year -)
<b>Total</b>	2,830,567 (prior year 2,623,656)	784,122 (prior year 869,205)	932,422 (prior year 747,756)	1,114,022 (prior year 1,006,695)

<sup>2</sup> 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).

## a. 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"). Other disclosures in accordance with § 285 no. 23 HGB include the interim management report for the first half of financial year 2021.

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 2021:

Category	30/06/2021 Number of securities	30/06/2021 Fair value in EUR	Prior year Number of securities	Prior year Fair value in EUR
<b>Type of security:</b>				
Certificates	<b>15,970,645</b>	<b>2,442,893,438.27</b>	<b>22,744,248</b>	<b>2,259,248,164.05</b>
Underlying shares	4,282,688	1,023,245,340.57	2,904,381	813,846,434.20
Underlying indices	4,992,430	1,011,689,145.60	6,832,132	978,739,776.60
Underlying interest rate instruments	0	0	0	0
Underlying precious metals	166,396	423,316.90	38,411	1,114,812.08
Underlying commodities	0	0	0	0
Underlying currencies*	6,679,131	407,535,635.20	12,969,324	465,547,141.17
Warrants	<b>1,496,696,696</b>	<b>376,173,605.46</b>	<b>2,094,572,262</b>	<b>356,146,331.74</b>
Underlying shares	293,258,672	162,870,860.41	430,152,000	142,512,231.55
Underlying indices	1,055,039,517	126,174,378.78	1,567,654,388	112,900,022.78
Underlying interest rate instruments	100,155	381,477.36	491,940	665,407.58
Underlying precious metals	138,010,781	37,026,840.12	82,451,557	46,846,080.59
Underlying commodities	4,408,589	5,197,027.83	10,472,654	50,524,796.79
Underlying currencies*	5,878,982	44,523,020.96	3,349,723	2,697,792.45
<b>Total</b>	<b>1,512,667,341</b>	<b>2,819,067,043.73</b>	<b>2,117,316,510</b>	<b>2,615,394,499.65</b>

\*Items also include products with cryptocurrencies as the underlying.

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**OTC hedging instruments linked to:**

Certificates	<b>15,970,640</b>	<b>2,442,892,489.05</b>	<b>22,744,248</b>	<b>2,259,239,996.37</b>
Underlying shares	4,282,688	1,023,245,340.57	2,904,381	813,852,266.48
Underlying indices	4,992,430	1,011,689,145.60	6,832,132	978,725,776.65
Underlying interest rate instruments	0	0	0	0
Underlying precious metals	16,396	423,316.90	38,411	1,114,812.08
Underlying commodities	0	0	0	0
Underlying currencies*	6,679,126	407,534,685.98	12,969,324	465,547,141.16
Warrants	<b>1,496,696,696</b>	<b>376,173,605.50</b>	<b>2,094,572,262</b>	<b>356,146,331.74</b>
Underlying shares	293,258,222	162,870,698.62	430,152,000	142,512,231.55
Underlying indices	1,055,039,967	126,174,540.60	1,567,654,388	112,900,022.78
Underlying interest rate instruments	100,155	381,477.36	491,940	665,407.58
Underlying precious metals	138,010,781	37,026,840.13	82,451,557	46,846,080.59
Underlying commodities	4,408,589	5,197,027.83	10,472,654	50,524,796.79
Underlying currencies*	5,878,982	44,523,020.96	3,349,723	2,697,792.45
<b>Total</b>	<b>1,512,667,336</b>	<b>2,819,066,094.55</b>	<b>2,117,316,510</b>	<b>2,615,394,499.65</b>

\* 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 3,921 thousand (prior year EUR 4,298 thousand) comprise EUR 3,902 thousand (prior year EUR 4,197 thousand) from the issuance business and EUR 19 thousand (prior year EUR 101 thousand) from other operating income. Other operating income includes EUR 6 thousand in currency translation gains (prior year EUR 80 thousand), income from the reversal of provisions amounting to EUR 1 thousand (prior year EUR 6 thousand) and prior-period income of EUR 13 thousand (prior year EUR 16 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 4,283 thousand is attributable to the issuance margin (prior year EUR 4,333 thousand), which the Company receives as compensation pursuant to the Issuance Agreement for its business activities.

#### **b. Personnel expenses**

Personnel expenses amount to EUR 292 thousand (prior year EUR 312 thousand).

#### **c. Other operating expenses**

Other operating expenses consist primarily of issuance and guarantee costs amounting to EUR 2,926 thousand (prior year EUR 3,195 thousand).

The expenses amount in total to EUR 3,324 thousand (prior year EUR 3,687 thousand). That figure also includes currency translation expenses amounting to EUR 41 thousand (prior year EUR 89 thousand).

#### **d. Interest**

The financial result amounts to EUR 17 thousand (prior year EUR 80 thousand).

#### **e. Taxes on income**

Taxes on income amounting to EUR 86 thousand (prior year EUR 106 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**

The management comprised the following members:

Anton Hötzl, Member of Executive Board, Bank Vontobel Europe AG,  
Jörn Peglow, Executive Director, employee of Bank Vontobel Europe AG,  
Daniela Werner, Executive Director, employee of Bank Vontobel AG, Zurich.

The members of the management are employed by other companies of the Vontobel Group; their remuneration is paid in its entirety by other companies of the Vontobel Group. 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 5.5 employees during the financial year (prior year: 6.0) and 1.1 trainees/temporary members of staff (prior year: 2.3).

### **c. Audit committee**

With effect from 31 March 2021, the Company dissolved its audit committee, which had been established in accordance with section 324 HGB and was no longer required to convene due to the fact that the Company had ceased to be classified as publicly traded in 2020.

### **d. Net financial liabilities**

Net financial liabilities as at 30 June 2021 amounted to EUR 2,827,576 thousand (prior year EUR 2,621,218 thousand). They broke down as follows: debt (total assets minus equity): EUR 2,831,028 thousand (prior year EUR 2,624,073 thousand) minus cash on hand, central bank balances, bank balances and cheques: EUR 3,453 thousand (prior year EUR 2,855 thousand).

### **e. Fees**

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

### **f. Other financial obligations**

Other financial obligations consist primarily of rental agreements.

The obligations amount in total to EUR 55 thousand (prior year EUR 67 thousand), including obligations amounting to EUR 33 thousand (prior year EUR 67 thousand) with a remaining term of up to 1 year and EUR 22 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.

### **g. 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.

### **h. Report on post-balance sheet date events**

No events of particular significance have occurred since the close of the financial year.

Frankfurt am Main, 24 August 2021

Vontobel Financial Products GmbH

The Management

Anton Hötzl

Jörn Peglow

Daniela Werner

# Vontobel Financial Products GmbH, Frankfurt am Main

## Interim management report for the period from 1 January to 30 June 2021

### 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

In 2020, the Company ceased to be classified as publicly traded pursuant to section 264d HGB because it is no longer admitted to trading on an organised market within the meaning of section 2 (11) WpHG and now merely has securities admitted to multilateral trading systems within the meaning of section 2 (22) WpHG. As a result of this, it is now subject to certain exemptions to its reporting duty. In order to ensure continuity of the reported financial information, the Company has opted to continue to publish its interim financial statements, including its statement of cash flows, even though it is no longer obligated to do so.

Germany is currently 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, such as Sweden and Finland. Since then, Vontobel Financial Products GmbH has tapped into other markets within the European Economic Area, particularly in Italy (2016), France and the Netherlands (2016/2017) and Denmark (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 for the management, decreased compared with the previous year. In the first half of 2021, the Company issued a total of 215,468 securities. In the first half of 2020, the total amounted to 328,002 securities. This decrease was due mainly to lower volumes, primarily in Germany for (X-) turbos, mini-futures and warrants. The decrease in these products is due primarily to the decrease in volatility as compared to the first half of the previous year, which had been characterised by market turbulence caused by COVID-19 and the constant need for new securities with features adapted to the changing market levels. In the markets

outside Germany, issuance activities also declined across the board: The following was observed on the markets developed since 2016: Italy 2,088 securities (prior year 2,716), France 18,995 (prior year 21,974) and the Netherlands 7,388 (prior year 15,971). Thus, issuance activities decreased in every market due to the decline in volatility in the first half of the year.

Over the course of 2021, structured securities provided a clear picture for turnover on the European exchanges. For instance, turnover on the Frankfurt and Stuttgart stock exchanges fell by 14.6% from EUR 33.4 billion in the first half of 2020 to EUR 28.5 billion (source: German Derivatives Association). Turnover decreased in Italy by 13.1% from EUR 10.3 billion to EUR 9.0 billion (source: Technolab). The Euronext market in France and the Netherlands performed similarly. France experienced a 16.4% decline, from EUR 3.2 billion in the prior year to EUR 2.7 billion in 2021; the Netherlands recorded a 37.1% drop to EUR 2.5 billion in 2021 (prior year EUR 4.0 billion) (source: Euronext Paris & Amsterdam Warrants & Certificates Stats).

In Germany, turnover in securities issued by the Company fell by 3.5% from EUR 3,538 million to EUR 3,412 million, although its market share rose from 10.6% (second-largest) to 12.0% (second-largest). In northern Europe, Vontobel became an established provider of structured products. Market share in Italy was 13.3% (fourth-largest), in France it was 10.3% (fourth-largest) and in the Netherlands it was 5.7% (fifth-largest).

The outstanding volume on the overall German certificates market rose by 5.1% (EUR 74.3 billion, up from EUR 70.7 billion in the prior year), although the Company's volume of sales showed above-average growth as at 30 June 2021. The outstanding volume thus rose from EUR 2,615 million to EUR 2,819 million, representing an increase of 7.8% (see the key figure "Issuance liabilities" in the balance sheet). This was due in particular to increased investor demand for tracker certificates and leveraged products issued by the Company during the first half of the year as well as to the sharp increase during the period under review in the market value of a number of underlyings for securities issued by the Company (e.g., bitcoin).

Performance in the first half of 2021 was marked by a stable, rising market environment, which led to higher valuations for securities issued by the Company as compared to the same period of the previous year.

During the period under review, the Company began its analysis of the Electronic Securities Act (*Gesetz zur Einführung von elektronischen Wertpapieren*, "eWpG") announced in June 2021 and has been reviewing the relevant use cases for its business.

The Company continues to work closely together with other units of the Vontobel Group, as well as with the German Derivatives Association and other European derivatives associations and working groups, 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 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 a broad 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 2021 during the first half of the financial year, income from the issuance activities amounted to the minimum budgeted figure for income agreed between the parties of EUR 4,283 thousand. This represents a 1.2% decrease year on year (prior year EUR 4,333 thousand).

The year-on-year decrease in net income for the year was primarily due to the significantly lower 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 fell to EUR 19 thousand (prior year EUR 101 thousand). In addition, personnel expenses of EUR 292 thousand (prior year EUR 312 thousand), depreciation of EUR 0 thousand (prior year EUR 0 thousand) and other operating expenses amounting to EUR 3,324 thousand (prior year EUR 3,687 thousand) were incurred. The other operating expenses mainly comprised EUR 2,926 thousand for issuance and guarantee costs (prior year EUR 3,195 thousand) and Group cost allocations of EUR 158 thousand (prior year EUR 141 thousand).

The increase in interest and similar income to EUR 28,301 thousand (prior year EUR 20,342 thousand) as well as the increase in interest and similar expenses to EUR 28,317 thousand (prior year EUR 20,262 thousand) were attributable to the fact that investors were increasingly investing in interest-bearing securities with accrued interest during the period under review. However, as in previous years, demand dominated for securities for which current income is included in the valuation (i.e., "dirty pricing"), so that accrued interest on these securities is reported on the face of the balance sheet under issuance liabilities and receivables from affiliated companies.

The result from ordinary activities therefore amounted to EUR 288 thousand (prior year EUR 379 thousand). An expense for taxes on income amounting to EUR 86 thousand (prior year EUR 106 thousand) was incurred. Overall, net income for the first half of 2021 fell by EUR 72 thousand compared with the previous year to EUR 201 thousand (prior year EUR 274 thousand).

## **2. Financial position**

As at 30 June 2021, the liquid funds of the Company increased to EUR 3,453 thousand (prior year EUR 2,964 thousand). By contrast, the share of total assets represented by liquid funds declined, amounting to 0.12% (prior year 0.14%).

Cash flow from operating activities as of June 2021 amounted to EUR 584 thousand (prior year EUR 611 thousand). Starting from the net income of EUR 201 thousand as at the end of June 2021 (prior year EUR 274 thousand), the principal factors contributing to the cash flow figure were the increase in other assets of EUR 206,150 thousand (prior year EUR 128,079 thousand), as well as the increase in other liabilities of EUR 206,490 thousand (prior year EUR 127,995 thousand) and the decrease in provisions of EUR 43 thousand (prior year EUR 422 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 2,819,630 thousand as at 30 June 2021 (prior year EUR 2,615,685 thousand) and represented the largest component of total assets with a share of 99.5% (prior year 99.6%).

The liabilities side of the balance sheet as at 30 June 2021 was dominated by issuance liabilities of EUR 2,819,067 thousand or 99.5% (prior year EUR 2,615,394 thousand or 99.6%). In addition, trade payables amounted to EUR 231 thousand (prior year EUR 218 thousand).

Other liabilities mostly relate to accrued interest amounting to EUR 9,761 thousand (prior year EUR 7,559 thousand). Provisions amounted to EUR 461 thousand (prior year EUR 418 thousand) and consisted of provisions for taxes of EUR 7 thousand (prior year EUR 227 thousand) and miscellaneous provisions (particularly liabilities accrued for bonus payments (EUR 29 thousand; prior year EUR 50 thousand) and provisions for performance shares (EUR 9 thousand; prior year EUR 6 thousand), liabilities for the costs of auditing (EUR 30 thousand; prior year EUR 48 thousand) and other provisions (EUR 386 thousand; prior year EUR 80 thousand)).

The retained profit brought forward from the previous year (EUR 409 thousand; prior year EUR 877 thousand) was distributed to the sole shareholder in the financial year. Based on the net income generated for the year of EUR 201 thousand (prior year EUR 409 thousand), equity therefore decreased to EUR 2,251 thousand (prior year EUR 2,459 thousand). Equity represents 0.08% (prior year 0.09%) 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 remains positive. Following the sharp rise in issuance activities in the prior year in line with market developments, the pace of growth has eased again in 2021 and is approximately at the same level as in 2019. The integration of the Company into the Vontobel Group and its Structured Solutions & Treasury division will enable the Company to generate income on a stable basis. 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 2021 and 2022. The Group intends to continue with the internationalisation of the business activities of the Structured Solutions & Treasury division, particularly the (continued) introduction of investment products to markets in which the Company's leveraged products are already listed. It can be assumed that business involving investment products will continue to grow year on year – particularly in Italy – and with contributions to that growth coming from France and the Netherlands in 2021. It also plans to publicly offer the Company's securities in Belgium and Norway in 2021.

The trend in the first half of 2021 is dominated by a continuously rising, less volatile market environment, meaning that higher volumes compared to the same period of the previous year demonstrate that after steadily rising in the second half of 2021 there continues to be a willingness to invest.

The business development of the first half of 2021 is expected to continue throughout the remainder of the year. Although we expect the capital markets to develop similarly to the development seen in the first half of 2021, 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 market development due to the global measures initiated in order to contain and combat the COVID-19 (coronavirus) outbreak and the pandemic in 2020.

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 integration of the Company into the Vontobel Group, in particular into its risk management system. The Risk Management and Risk Control units aim to 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. The Company's issuances were guaranteed by either Vontobel Holding AG, Zurich, or by Bank Vontobel Europe AG, Munich, throughout 2020. Due to a change in the securities issued by the Company at certain trading venues in 2020, all new issuances by the Company have since then been guaranteed solely by Vontobel Holding AG, Zurich. If Bank Vontobel Europe AG guaranteed past issuances by the Company of securities still outstanding, 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 long-term liabilities of the Group parent, Vontobel Holding AG, was "A2" 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 a regular 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 integration of the Company into the Structured Solutions & Treasury (prior to end of 2019: Structured 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.

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

The Company's internal control and risk management system is implemented 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 financial statements, among other things.

An Audit Committee was formed in 2015 to address the development of the net assets, financial position and results of operations at least twice a year, in particular for the annual financial statements. With effect from 31 March 2021, the Company dissolved its audit committee, which had been established in accordance with section 324 HGB and was no longer required to convene due to the fact that the Company had ceased to be classified as publicly traded in 2020.

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, Zurich, 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.

Vontobel Financial Products GmbH

Frankfurt am Main, 24 August 2021

The Management

Anton Hötzl

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