Vontobel Financial Products GmbH, Frankfurt am Main

entered in the commercial register B of the Local Court (*Amtsgericht*) of Frankfurt am Main under HRB 58515

Annual financial statements as at 31 December 2018 and management report for financial year 2018

Vontobel Financial Products GmbH, Frankfurt am Main

Annual financial statements for the financial year from 1 January to 31 December 2018

I. Balance sheet as at 31 December 2018

ASSETS

				31/12/2017
		EUR	EUR	EUR
A.	**Fixed assets**			
	Tangible fixed assets			
	1. Technical equipment and machinery	10		
	2. Other equipment, operating and office equipment	5,802		
			5,812	6,988
B.	**Current assets**			
I.	**Receivables and other assets**			
	1. Receivables from affiliated companies - of which trade receivables EUR 0 thousand (prior year EUR 0 thousand)	1,727,182,617		1,775,739,225
	2. Other assets	11,090,443		13,818,798
II.	**Bank balances** - of which due from affiliated companies EUR 2,306 thousand (prior year EUR 2,709 thousand)	2,398,423		2,794,745
			1,740,671,483	1,792,352,768
C.	**Prepaid expenses**		513,686	6,237
			1,741,190,981	1,792,365,993

EQUITY AND LIABILITIES

				31/12/2017
		EUR	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**	439,374		347,332
			2,489,374	2,397,332
B.	**Provisions**			
	1. Provisions for taxes	53,078		187,102
	2. Other provisions	149,632		224,077
			202,710	411,179
C.	**Liabilities**			
	1. Issuance liabilities	1,726,522,817		1,775,673,062
	2. Liabilities to banks - of which due to affiliated companies EUR 80 thousand (prior year EUR 6 thousand)	79,509		5,838
	3. Trade payables - of which due to affiliated companies EUR 0 thousand (prior year EUR 0 thousand)	776,621		78,914
	4. Liabilities to affiliated companies - of which with a remaining term of up to one year EUR 43 thousand (prior year EUR 15 thousand)	43,358		15,000
	5. Other liabilities - of which for taxes EUR 6 thousand (prior year EUR 5 thousand) - of which for social security EUR 0 thousand (prior year EUR 1 thousand) - of which with a remaining term of up to one year EUR 11,077 thousand (prior year EUR 13,785 thousand)	11,076,592		13,784,668
			1,738,498,897	1,789,557,482
			1,741,190,981	1,792,365,993

II. Income statement for the period from 1 January 2018 to 31 December 2018

		EUR	EUR	2017 EUR
1.	Realised and unrealised gains and losses from the issuance business	433,490,484		-169,920,454
2.	Realised and unrealised gains and losses from hedging transactions	-426,575,368		175,348,590
			6,915,116	5,428,137
3.	Other operating income - of which from currency translation EUR 29 thousand (prior year EUR 16 thousand)		56,533	18,928
4.	Personnel expenses			
	a) wages and salaries	406,476		362,355
	b) social security contributions and expenses for old-age pensions and other employee benefits - of which in respect of old-age pensions EUR 23 thousand (prior year EUR 36 thousand)	91,689		96,314
			498,166	458,669
5.	Depreciation of tangible fixed assets	1,175		1,357
6.	Other operating expenses - of which from currency translation EUR 38 thousand (prior year EUR 14 thousand)	5,811,408		4,412,343
			5,812,583	4,413,700
7.	Other interest and similar income - of which from affiliated companies EUR 43,829 thousand (prior year EUR 35,462 thousand)	43,775,389		35,461,692
8.	Interest and similar expenses	43,796,668		35,520,185
			-21,279	-58,493
9.	Result from ordinary activities		639,621	516,203
10.	Taxes on income		200,247	168,871

11. Net income for the year	439,374	347,332

III. Statement of changes in equity for the period from 1 January 2018 to 31 December 2018

	Subscribed capital	Capital reserves	Revenue reserves	Retained profits/accumulated losses brought forward	Net income for the year	Total
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
31/12/2017	**50,000.00**	**2,000,000.00**	**0.00**	**0.00**	**347,331.88**	**2,397,331.88**
Transfers to retained profits/accumulated losses brought forward						
Distributions					347,331.88	
Net income for the year (2018)					439,374.48	
Additions to reserves						
31/12/2018	**50,000.00**	**2,000,000.00**	**0.00**	**0.00**	439,374.48	**2,489,374.48**

IV. Statement of cash flows (indirect method)
for the period from 1 January 2018 to 31 December 2018

			2018 EUR	2017 EUR
1.		Profit for the period (including profit attributable to non-controlling interests) before extraordinary items	439,374.48	347,331.88
2.	+/-	Depreciation, write-downs and reversals of write-downs on fixed assets	1,175.00	1,357.00
3.	+/-	Increase/decrease in provisions	-208,469.59	71,290.61
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	1.00	0.00
6.	-/+	Increase/decrease in inventories, trade receivables and other assets not allocated to investing or financing activities	50,777,513.69	-424,014,141.34
7.	+/-	Increase/decrease in trade payables and other liabilities not allocated to investing or financing activities	-51,132,255.93	424,080,527.79
8.	+/-	Cash inflows and outflows from extraordinary items	0.00	0.00
9.	**=**	**Cash flow from operating activities**	**-122,661.35**	**486,365.94**
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)	347,331.88	331,781.65
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)**	**-347,331.88**	**-331,781.65**
26.		Change in cash funds (total of 9, 20, 25)	-469,993.23	154,584.29
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	2,788,907.84	2,634,323.55
29.	**=**	**Cash funds at the end of the period (total of 26 to 28)**	**2,318,914.61**	**2,788,907.84**

V. Notes to the financial statements as at 31 December 2018

1. Accounting policies

a. General

The annual financial statements as at 31 December 2018 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 2017.

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.

The statement of changes in fixed assets for 2018 is attached to the notes as an appendix.

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 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 31 December 2018:

EUR 1 = CHF 1.12692 EUR 1 = USD 0.87477 EUR 1 = GBP 1.11411
EUR 1 = SEK 9.86678

2. Notes to the annual financial statements

a. Bank balances

The bank balances represent demand deposits and include receivables from affiliated companies amounting to EUR 2,306 thousand (prior year EUR 2,709 thousand).

b. Receivables from affiliated companies

Receivables from affiliated companies consist mainly of OTC hedging instruments amounting to EUR 1,726,523 thousand (prior year EUR 1,775,673 thousand) acquired for the purpose of fully hedging the securities issued and also current remuneration in the amount of EUR 659 thousand (prior year EUR 66 thousand).

c. Other assets

Other assets primarily include receivables from affiliated companies in respect of accrued interest amounting to EUR 11,070 thousand (prior year EUR 13,778 thousand) and tax receivables of EUR 20 thousand (prior year EUR 41 thousand).

d. Equity

The share capital of the Company amounted to EUR 50 thousand as at 31 December 2018 (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.

The statement of changes in equity for 2018 can be found in section IV.

e. Issuance liabilities

Issuance liabilities consist entirely of the securities issued.

f. Liabilities to banks

Liabilities to banks amount to EUR 80 thousand (prior year EUR 6 thousand).

g. Trade payables

The trade payables include obligations for other services amounting to EUR 777 thousand (prior year EUR 79 thousand).

h. Liabilities to affiliated companies

Liabilities to affiliated companies comprise liabilities to Bank Vontobel Europe AG, Munich, amounting to EUR 43 thousand (prior year EUR 15 thousand).

i. Other liabilities

Other liabilities amounting to EUR 11,077 thousand (prior year EUR 13,785 thousand) mainly comprise liabilities from accrued interest of EUR 11,070 thousand (prior year EUR 13,778 thousand) and income tax deducted from wages for December of EUR 6 thousand (prior year EUR 5 thousand).

j. Maturity analysis of receivables

The receivables were made up as follows:

Item	of which with a remaining term of			
	Total amount EUR '000	up to 1 year EUR '000	more than 1 to 5 years EUR '000	more than 5 years EUR '000
Receivables from affiliated companies	1,727,183 (prior year 1,775,739)	922,534 (prior year 955,152)	578,304 (prior year 512,812)	226,345 (prior year 307,775)
Other assets	11,090 (prior year 13,819)	11,090 (prior year 13,819)	- (prior year -)	- (prior year -)
Total	1,738,273 (prior year 1,789,558)	933,624 (prior year 968,971)	578,304 (prior year 512,812)	226,345 (prior year 307,775)

k. Maturity analysis of liabilities

The analysis of the liabilities is as follows:

Item	of which with a remaining term of			
	Total amount EUR '000	up to 1 year EUR '000	more than 1 to 5 years EUR '000	More than 5 years EUR '000
Issuance liabilities[1]	1,726,523 (prior year 1,775,673)	921,874 (prior year 955,086)	578,304 (prior year 512,812)	226,345 (prior year 307,775)
Liabilities to banks	80 (prior year 6)	80 (prior year 6)	- (prior year -)	- (prior year -)
Trade payables	777 (prior year 79)	777 (prior year 79)	- (prior year -)	- (prior year -)
Liabilities to affiliated companies	43 (prior year 15)	43 (prior year 15)	- (prior year -)	- (prior year -)
Other liabilities	11,076 (prior year 13,784)	11,076 (prior year 13,784)	- (prior year -)	- (prior year -)
Total	1,738,499 (prior year 1,789,557)	933,850 (prior year 968,970)	578,304 (prior year 512,812)	226,345 (prior year 307,775)

[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).

l. 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 management report for financial year 2018.

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 31 December 2018:

Category	**2018 Number of securities**	**2018 Fair value in EUR**	**Prior year Number of securities**	**Prior year Fair value in EUR**
Type of security:				
Certificates	**19,110,328**	**1,607,111,799.00**	**14,889,902**	**1,569,609,208.56**
Underlying shares	6,351,542	835,342,991.99	9,272,626	929,859,654.85
Underlying indices	12,521,272	737,299,348.92	5,386,825	494,531,711.22
Underlying interest rate instruments	1,237	1,260,899.85	23,642	9,712,603.84
Underlying precious metals	34,426	944,306.84	62,076	1,012,431.49
Underlying commodities	0	0.00	6,082	270,760.31
Underlying currencies*	201,851	32,264,251.40	138,651	134,222,046.85
Warrants	**1,170,942,255**	**119,479,508.21**	**1,262,149,977**	**206,063,851.60**
Underlying shares	394,767,137	48,759,307.21	565,988,084	99,092,535.07
Underlying indices	673,297,887	37,021,702.98	263,247,347	62,759,690.61
Underlying interest rate instruments	225,674	401,630.77	1,924,537	1,185,220.69
Underlying precious metals	55,675,110	23,588,386.97	44,809,568	22,990,002.18
Underlying commodities	45,454,218	8,160,947.10	384,238,298	17,778,463.14
Underlying currencies	1,522,229	1,547,533.18	1,942,143	2,257,939.91
Total	**1,190,052,583**	**1,726,591,307.21**	**1,227,039,879**	**1,775,673,060.16**

*Items also include products with cryptocurrencies as the underlying.

OTC hedging instruments linked to:				
Certificates	**19,110,328**	**1,607,111,799.00**	**14,889,902**	**1,569,609,208.56**
Underlying shares	6,351,542	835,342,991.99	9,272,626	929,859,654.85
Underlying indices	12,521,272	737,299,348.92	5,386,825	494,531,711.22
Underlying interest rate instruments	1,237	1,260,899.85	23,642	9,712,603.84
Underlying precious metals	34,426	944,306.84	62,076	1,012,431.49
Underlying commodities	0	0.00	6,082	270,760.31
Underlying currencies*	201,851	32,264,251.40	138,651	134,222,046.85
Warrants	**1,170,942,255**	**119,479,508.21**	**1,262,149,977**	**206,063,851.60**
Underlying shares	394,767,137	48,759,307.21	565,988,084	99,092,535.07
Underlying indices	673,297,887	37,021,702.98	263,247,347	62,759,690.61
Underlying interest rate instruments	225,674	401,630.77	1,924,537	1,185,220.69
Underlying precious metals	55,675,110	23,588,386.97	44,809,568	22,990,002.18
Underlying commodities	45,454,218	8,160,947.10	384,238,298	17,778,463.14
Underlying currencies	1,522,229	1,547,533.18	1,942,143	2,257,939.91
Total	**1,190,052,583**	**1,726,591,307.21**	**1,227,039,879**	**1,775,673,060.16**

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

3. Supplementary disclosures

a. Contingent liabilities

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

b. Management and employees

Stefan Armbruster, Managing Director (business studies graduate)

Anton Hötzl, Managing Director (attorney)

Dr Lysander M. Heigl, Managing Director until 2 November 2018 (attorney/tax advisor)

Daniela Werner, Managing Director since 15 February 2019 (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 4.8 employees during the financial year (prior year: 4.5) and 1.2 trainees/temporary members of staff (prior year: 1.5).

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 6,972 thousand (prior year EUR 5,447 thousand) comprise EUR 6,915 thousand (prior year EUR 5,428 thousand) from the issuance business and EUR 57 thousand (prior year EUR 19 thousand) from other operating income. Other operating income includes prior-period income of EUR 15 thousand in relation to expenses incurred in the previous year.

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 6,915 thousand is attributable to the issuance margin (prior year EUR 5,340 thousand), which the Company receives as compensation pursuant to the Issuance Agreement for its business activities.

e. Fees

The fee for the audit of the financial statements recorded as an expense in the financial year amounted to EUR 56 thousand (prior year EUR 76 thousand).

f. Other financial obligations

Other financial obligations consist primarily of rental agreements.

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

g. Taxes on income

Taxes on income amounting to EUR 200 thousand (prior year EUR 169 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.

j. Appropriation of earnings

The Company intends to distribute the net result for the year to its shareholder.

Frankfurt am Main, 14 March 2019

Vontobel Financial Products GmbH

The Management

gez. Stefan Armbruster gez. Anton Hötzl gez. Daniela Werner

Appendix 1 to the notes: Statement of changes in fixed assets (gross) for the period from 1 January 2018 to 31 December 2018

A. Fixed assets	Cost 01/01/2018	Additions	Disposals	Reclassifications	Cost 31/12/2018	Cumulative depreciation, amortisation and write-downs 01/01/2018	Depreciation, amortisation and write-downs in the financial year	Disposals	Reclassifications	Cumulative depreciation, amortisation and write-downs 31/12/2018	Reversals of write-downs in the financial year	Carrying amount 31/12/2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Tangible fixed assets												
1. Technical equipment and machinery	9,592.00	0.00	740.93	0.00	8,851.07	9,581.00	0.00	739.93	0.00	8,841.07	0.00	10.00
2. Other equipment, operating and office equipment	20,753.45	0.00	0.00	0.00	20,753.45	13,776.45	1,175.00	0.00	0.00	14,951.45	0.00	5,802.00
Total tangible fixed assets	30,345.45	0.00	740.93	0.00	29,604.52	23,357.45	1,175.00	739.93	0.00	23,792.52	0.00	5,812.00
Total fixed assets	30,345.45	0.00	740.93	0.00	29,604.52	23,357.45	1,175.00	739.93	0.00	23,792.52	0.00	5,812.00

Vontobel Financial Products GmbH,
Frankfurt am Main

Management Report
for financial year 2018

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 and Finnish markets since 2015. Also in the recent past, Vontobel Financial Products GmbH made its debut on the Italian market in 2016 with an IPO on the Borsa Italiana and the French and Dutch markets at the end of 2016/beginning of 2017 with its IPO on the Euronext in Paris and Amsterdam. The Company continued its expansion, adding the Czech and Hungarian markets in the 2018 reporting period and the Danish market in January 2019. Bank Vontobel Europe AG serves as the distributor and liquidity provider for these securities.

The Company's issuance activities, its most important performance indicator, increased compared with the previous year. In financial year 2018, the Company issued a total of 502,276 securities. In financial year 2017, the total amounted to 305,353 securities. The growth is mainly due to expanding the range of knock-out products, as well as the more extensive activity on the German market for warrants. Outside Germany, the Company increased its issuance activities on the northern European markets – issuing 7,675 securities in Sweden (prior year 4,106) and 2,990 in Finland (prior year 1,918). The following was observed on the new markets developed since 2016: Italy 2,622 securities (prior year 2,103), France 17,079 (prior year 5,406), the Netherlands 10,057 (prior year 2,903), the Czech Republic 1, and Hungary 3. Issuance activities increased in all markets due to the expanded product portfolio.

Over the course of 2018, structured securities provided a mixed picture for turnover on the relevant European exchanges. In Germany, turnover on the Frankfurt and Stuttgart stock exchanges fell slightly by 1.3% to EUR 39.9 billion from EUR 40.4 billion in 2017 (source: German Derivatives Association (*Deutscher Derivate Verband*). Turnover in Italy declined by 8.3% from EUR 19.1 billion to EUR 17.6 billion (source: Technolab). The segment of the Nordic Growth Market (NGM) for Sweden recorded a year-on-year decline from SEK 28.3 billion to SEK 22.4 billion (down 20.7%). Likewise, Finland saw a decrease from EUR 892 million to EUR 689 million (down 22.8%). (Source: Nordic Growth Market, NDX Sweden and Finland market segments). By contrast, the Euronext market in France and the Netherlands expanded. France recorded growth from EUR 3.3 billion in 2017 to EUR 3.4 billion in the reporting period (up 4.6%), while turnover in the Netherlands increased by 14.5% to EUR 6.0 billion in 2018 (prior year EUR 5.3 billion) (source: Euronext Paris & Amsterdam Warrants & Certificates Stats).

In Germany, turnover in securities issued by the Company declined by 4.6% from EUR 3,902 million to EUR 3,722 million, with a slight decrease in its market share from 9.7% (fourth-largest) to 9.3% (fifth-largest). In Sweden and Finland, Vontobel became an established provider of structured products. Over the course of 2018, Vontobel's market share in the NDX segment for Sweden reached 49.0% (largest) and 24.2% for Finland (third-largest); its market share amounted to 8.0% (fourth-largest) in Italy, 3.9% in France (fifth-largest) and 3.7% in the Netherlands (sixth-largest). The business activities in Denmark did not effectively commence until after the end of the reporting period.

The outstanding volume on the overall German certificates market rose by 3.8% (EUR 71.5 billion[4], up from EUR 68.9 billion in the prior year), although the Company's volume of sales was down slightly as at the year-end. The outstanding volume thus declined from EUR 1,776 million to EUR 1,727 million, representing a decrease of 2.8% (see the key figure "Issuance liabilities" in the balance sheet). A key factor was the decline in stock exchange prices, primarily in the fourth quarter of 2018.

The transposition of Regulation (EU) No 1286/2014 ("PRIIP Regulation") placed considerable requirements on the Company during the year under review. Among other things, this Regulation requires that, from 2018 onwards, issuers of structured securities prepare key information documents for securities slated to be sold to retail investors. With respect to this issue, as with the implementation of Directive 2014/65/EU on markets in financial instruments ("MiFID II"), the Company worked closely with other units of the Vontobel Group, as well as at the level of the German Derivatives Association (DDV).

III. Management system

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

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

IV. Results of operations/financial position/net assets

1. Results of operations

The Company's issuance activities are governed by an agreement ("Issuance Agreement") with Bank Vontobel AG, Zurich, Switzerland, and with Vontobel Financial Products Ltd., Dubai, United Arab Emirates. The remuneration for the issuance activities is calculated and agreed on a year by year basis within the framework of this agreement.

A key performance indicator in this connection is the volume of securities sold by affiliated companies (issuance volume). Since the Company did not meet or exceed the target figures agreed for 2018 during the past financial year, income from the issuance activities during the financial

[4] Source: German Derivatives Association (DDV), November 2018

year amounted to the minimum budgeted figure for income agreed between the parties of EUR 6,915 thousand. This represents an increase of 29.5% compared with the prior year (EUR 5,340 thousand).

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

Other operating income rose slightly to EUR 57 thousand (prior year EUR 19 thousand). In addition, personnel expenses of EUR 498 thousand (prior year EUR 459 thousand), depreciation of EUR 1 thousand (prior year EUR 1 thousand) and other operating expenses amounting to EUR 5,811 thousand (prior year EUR 4,412 thousand) were incurred. The other operating expenses mainly comprised EUR 4,625 thousand for issuance costs (prior year EUR 3,112 thousand), Group cost allocations of EUR 262 thousand (prior year EUR 267 thousand) and contributions of EUR 236 thousand (prior year EUR 210 thousand).

The increase in interest and similar income to EUR 43,775 thousand (prior year EUR 35,462 thousand) and in interest and similar expenses to EUR 43,797 thousand (prior year EUR 35,520 thousand) is due to the greater demand for interest-bearing securities and the higher interest coupons in general in the reporting period than in the prior year.

The result from ordinary activities therefore amounted to EUR 639 thousand (prior year EUR 516 thousand).

An expense for taxes on income amounting to EUR 200 thousand (prior year EUR 169 thousand) was incurred. Net income for financial year 2018 therefore rose by EUR 92 thousand compared with the previous year to EUR 439 thousand (prior year EUR 347 thousand).

2. Financial position

As at 31 December 2018, the liquid funds of the Company decreased to EUR 2,398 thousand (prior year EUR 2,795 thousand). The share of total assets represented by liquid funds also declined, amounting to 0.14% (prior year 0.16%).

Cash flow from operating activities for 2018 was negative and amounted to EUR 123 thousand (prior year EUR 486 thousand). Starting from the net income for 2018 of EUR 439 thousand (prior year EUR 347 thousand), the principal factors contributing to the cash flow figure were the decline in other assets of EUR 50,778 thousand (prior year EUR 424,014 thousand), the decline in other liabilities of EUR 51,132 thousand (prior year EUR 424,081 thousand), the increase in trade payables of EUR 698 thousand (prior year EUR 20 thousand) and the decline in provisions of EUR 208 thousand (prior year EUR 71 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 1,727,183 thousand as at 31 December 2018 (prior year EUR 1,775,739 thousand) and represented the largest component of total assets with a share of 99.2% (prior year 99.1%).

The liabilities side of the balance sheet as at 31 December 2018 was dominated by issuance liabilities of EUR 1,726,523 thousand or 99.2% (prior year EUR 1,775,673 thousand or 99.1%). In addition, trade payables amounted to EUR 777 thousand (prior year EUR 79 thousand). Other liabilities mostly relate to accrued interest amounting to EUR 11,070 thousand (prior year EUR 13,778 thousand).

Provisions amounted to EUR 203 thousand (prior year EUR 411 thousand) and consisted of provisions for taxes of EUR 53 thousand (prior year EUR 187 thousand) and other provisions (particularly liabilities accrued for bonus payments (EUR 55 thousand; prior year EUR 55 thousand), liabilities for the costs of auditing (EUR 60 thousand; prior year EUR 75 thousand), personnel (EUR 5 thousand; prior year EUR 0 thousand) and preparing the annual financial statements (EUR 9 thousand; prior year EUR 6 thousand) as well as other provisions (EUR 21 thousand, prior year EUR 88 thousand)).

The retained profit brought forward from the previous year (EUR 347 thousand; prior year EUR 332 thousand) was distributed to the sole shareholder in the financial year. Based on the net income generated for the year of EUR 439 thousand (prior year EUR 347 thousand), equity therefore increased to EUR 2,489 thousand (prior year EUR 2,397 thousand). Equity represents 0.14% (prior year 0.13%) of total assets.

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

4. Overall assessment of economic position

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

V. Report on expected developments and on opportunities and risks

1. Report on expected developments

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

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

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

The business development of the first weeks cannot be extrapolated to forecast the development throughout the remainder of the year. As in the previous year, the markets may be turbulent and volatile, not least due to political and economic uncertainties, which could negatively impact business in investment products. However, it is likely in this case that new securities issuance activity will increase in order to ensure that there are products on offer for any possible market situation.

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

2. Risk report

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

The most important principles regarding risk management and control are:

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

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

Credit risks primarily relate to the hedging transactions entered into with Bank Vontobel AG, Zurich, and Vontobel Financial Products Ltd., Dubai. Each of the Company's issuances is guaranteed by either Vontobel Holding AG, Zurich, or Bank Vontobel Europe AG, Munich. If Bank Vontobel Europe AG guarantees issuances by the Company, the Company grants Bank Vontobel Europe AG a right of lien in respect of the hedges concluded and provides further collateral upon request, which can be lent to Bank Vontobel AG, Zurich, for that purpose. Default risk is classified as low. The external rating issued by Moody's for the Group parent's long-term liabilities was "A3" with a stable outlook[5].

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.

[5] https://www.vontobel.com/en-ch/about-vontobel/investor-relations/credit-ratings/

3. Report on opportunities

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

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

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

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

1. Responsibility

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

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

2. Organisation and components of the financial reporting process

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

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

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

VII. Report on post-balance sheet date events

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

VIII. Responsibility statement

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

Vontobel Financial Products GmbH

Frankfurt am Main, 14 March 2019

The Management

gez. Stefan Armbruster gez. Anton Hötzl gez. Daniela Werner

Auditors' report

Independent auditor's report[6]

To Vontobel Financial Products GmbH

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of Vontobel Financial Products GmbH, Frankfurt am Main, which comprise the balance sheet as at December 31, 2018, and the income statement, statement of cash flows and statement of changes in equity for the period from January 1, 2018 to December 31, 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Vontobel Financial Products GmbH for the fiscal year from January 1, 2018 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the fiscal year from January 1, 2018 to December 31, 2018 in compliance with German legally required accounting principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation.

[6] Translation of the independent auditors' report issued in German language on the annual financial statements prepared in German language by the executive directors of Vontobel Financial Products GmbH, Frankfurt am Main. The German language statements are decisive.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from January 1, 2018 to December 31, 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

Full hedging of market price risks arising from securities issued

Reasons why the matter was determined to be a key audit matter

The object of the company is to issue certificates and warrants. With these issuances, the Company takes market price risks in the following categories: Equities, indices, interest rate instruments, precious metals, commodities and currencies resp. crypto currencies. These market price risks are fully hedged by means of OTC hedging instruments with counterparties within Vontobel Group (perfect micro hedge). The securities issued and hedging instruments are combined into valuation units in accordance with § 254 HGB (German Commercial Code). Without hedging, the Company would be exposed to considerable market price risks. Because of the full hedging of the issuances, realized and unrealized gains and losses from the securities issued are compensated with those from the OTC hedging instruments, so that a positive issuance margin is achieved. The full hedging of market price risks from securities issued was therefore a key audit matter.

Auditor’s response

To assess the effectiveness of the hedges, we examined the portfolio of securities issued on the basis contracts we were provided with to determine whether all issuances are fully hedged by similar and offsetting transactions with other entities within Vontobel Group.

Our audit did not give rise to any objections with regard to full hedging of market price risks arising from securities issued.

Reference to related disclosures

The Company's information on the full hedging of market price risks from securities issued can be found in the Notes in chapters 2l "nature and scope of derivative financial instruments" and 3d "sales".

Responsibilities of the executive directors for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the shareholder of Vontobel Financial Products GmbH on March 26, 2018. We have been the auditor of Vontobel Financial Products GmbH without interruption since fiscal year 2004.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Matthias Koch.

Eschborn/Frankfurt am Main, 15 March 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Koch	Losemann
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)