

**Société Générale  
Effekten GmbH  
Frankfurt am Main**

Management Report and Annual Financial Statements  
for the financial year from January 1  
to December 31, 2018<sup>1</sup>

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<sup>1</sup> In case of ambiguities or discrepancies, the German original always takes precedence over this English translation.

**Société Générale Effekten GmbH  
Frankfurt am Main**

**Management Report  
for the 2018 financial year**

**A. Legal and commercial basis of the Company**

Société Générale Effekten GmbH is a wholly-owned subsidiary of Société Générale S.A. Frankfurt, which is a branch of Société Générale S.A., Paris. The purpose of the company is to issue warrants and certificates, all of which are sold to the parent company, Société Générale S.A., Paris, to Société Générale Option Europe S.A., Paris, to Société Générale, Madrid Branch, and to inora LIFE Limited, Dublin. All counterparties are wholly-owned subsidiaries of Société Générale S.A. or the parent company itself.

An additional area of activity for the Company is the acquisition, holding, and management of investments. In this regard, the Company acquired interests in Société Générale Securities Services GmbH, Unterföhring, and ALD Lease Finanz GmbH, Hamburg, for the first time as of January 1, 2017.

Due to the implementation of the unified European permit (“European passport”), meaning that only a single approval of the securities prospectuses by the responsible supervisory authority (BaFin) is necessary, the Company can list its products on various stock exchanges in the European Union (stock exchanges in Madrid, Milan, Paris, Luxembourg, London, Stockholm, Helsinki, etc.). If the Company’s products are listed on a stock exchange in a country that is not a member of the European Union, the required permit is issued by the supervisory authority of the respective country. Due to internal restructuring beginning in mid-2016, the Company terminated its issuing activities for new transactions listed on other European stock exchanges. The Company’s issues could be listed again on a regulated market within the meaning of the EU Prospectus Directive in connection with the acquisition of the Equity Markets & Commodities (EMC) Division from Commerzbank. The Company still plans to list issues on unregulated stock exchange segments, including over-the-counter segments of the stock exchanges in Germany.

After being purchased by the counterparties listed above, in a second step the issues are placed with end customers by Société Générale S.A., Paris, so that no influence on the economic circumstances of the issuer results from this action.

**B. Financial review**

**I. General economic conditions in financial year 2018**

The global economy lost steam in the course of 2018. Economic sentiment soured considerably in nearly all regions due to the uncertainty caused by the escalating trade policy conflicts and the tightening of monetary policy in the United States, which caused a reversal of international capital flows, which slowed the economic expansion in emerging-market countries. Measured on the basis of purchasing power parities, global production increased by 3.7 percent in 2018, the same rate as in 2017. The

growth rate will probably slow to 3.4 percent in the coming year. In particular, a further escalation of trade conflicts is a risk to be watched. In Europe, worries about debt sustainability in Italy, the delay of reforms in France, and not least of all a possible disorderly Brexit could cause the economy to grow at a weaker rate than expected.

The outlook is further dimmed by trade conflicts. Since early 2018, the United States has increasingly been trying to achieve its economic policy goals also by means of trade policy measures. It has imposed or threatened various punitive tariffs as a means of reaching or renegotiating bilateral agreements. For example, the North American Free Trade Agreement was called into question and revised. At the present time, the United States is particularly engaged in a conflict with China for market access and intellectual property rights, which has increasingly escalated during the course of the year. Although the United States and China agreed at the G20 Summit to suspend this increase at first and negotiate a solution to the trade dispute over the next three months, there remains a considerable degree of uncertainty. China has raised the prospect of increasing imports of U.S. goods and withdrawing the special tariffs on U.S.-produced cars, which had been increased from 15 percent to 40 percent in retaliation for the punitive tariffs imposed by the United States in the summer. Thus, the escalation of measures and counter-measures in this trade dispute has been stopped for now, but the uncertainty surrounding trade policy conditions remains, especially considering that the US government continues to threaten trade sanctions, including in trade with the European Union, and particularly in the automotive segment, if a trade deficit results for the United States under the current rules. Just the fear of an escalation of the trade conflict can restrict investments and appreciably slow the economy. The erosion of the global trade order resulting from US policies threatens to reduce global economic growth potential because it calls into question the global value-added networks, the development of which has contributed to the strong expansion of the global economy in the past decades.<sup>1)</sup>

In reaction to the financial crisis, European and national lawmakers have initiated numerous regulatory standards in the last few years to improve the resilience of financial institutions and create an orderly settlement mechanism to resolve crises in the future. Financial institutions have mostly implemented these standards in the meantime. Furthermore, the transition phases allowed for the CRR capital and liquidity requirements introduced in 2014 largely expired in 2018. Moreover, appropriate supervision of every market participant, every product and every financial center was demanded already at the G 20 Summit in November 2010. In Europe and in Germany, this comprehensive supervision culminated in the application of the MiFID II and MiFIR beginning in January 2018.

The agenda of the action plan for the unification and strengthening of capital markets also includes the development of a more effective supervisory system for securities firms. The proposals published by the EU in December 2018 for the supervision of securities firms make a distinction between supervisory rules for system-relevant and non-system-relevant firms. The Company is not a system-relevant securities firm.

The changes in base factors (stock and currency prices, indices, etc.) accompanying the economic development are the foundation for investors' expectations and are thus crucial to the design of issued products in the area of warrants and certificates.

In consideration of all the above-mentioned factors, the Management considers the effects of economic developments on the Company to be positive, and therefore the

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<sup>1</sup> \*) K.-J.Gern, P.Hauber, S.Kooths, U.Stolzenburg: Weltkonjunktur im Winter 2018 aus Kieler Konjunkturberichte; pp.2 ff.

increase in issuance activity that continued in 2018 can be further continued in 2019. The goal is to continue to improve the Company's competitive position in the market.

In launching new products in the past financial year 2018, the Company reacted quickly to market volatility and either launched new products or adapted existing products.

## **II. Business developments**

In pursuit of the stated goal of further bolstering the Company's market position in Germany in financial year 2018, the number of issued products increased by 15% compared to the previous year.

Investment products for a total of 52,989 products (PY: 18,228) were issued in financial year 2018. In the group of products without capital protection, 28,512 products on bonus certificates, 21,772 products on discount certificates, 2,493 products on reverse convertibles and 211 products on express certificates were issued.

In addition, 366,081 leverage products (PY: 344,810) were issued. In addition to 261,343 products with knock-out, 104,511 products on warrants and 227 products on factor certificates among products without knock-out were issued.

In accordance with its plan, the Company's new issues were floated on unregulated stock exchange segments in Germany in financial year 2018.

The subsidiaries purchased in 2017 have performed well on the whole, although the impairment recognized in the purchase price paid for the interests in Société Générale Securities Services GmbH in the previous year, which reduced the carrying amount of this investment from EUR 515 thousand to EUR 1, due to future profit expectations, was kept in place.

The overall performance in financial year 2018 can be regarded as positive considering the expansion of issuance activities and the performance of the subsidiaries, and was therefore in line with the previous year's forecast.

## **III. Financial position, cash flows and financial performance**

### **a) Financial position**

Total assets declined year-on-year by EUR 1,549 million to the current EUR 6,166 million. This decline resulted in part from the lower actually placed nominal amounts per product and in part from delisting measures for products that could not be placed with investors by Société Générale S.A., Paris, Société Générale Option Europe S.A., Paris, Société Générale Madrid Branch and Inora LIFE Limited, Dublin.

The statement of financial position mainly presents the issued certificates (statement of financial position item: Liabilities from issued certificates) and the hedging transactions conducted in this connection (statement of financial position item: Receivables from affiliated companies from the investment of issue proceeds) and the issued warrants (statement of financial position item: Other liabilities) and the hedging transactions conducted in this connection (statement of financial position item: Other assets). The value of the items presented in the statement of financial position varies depending on the number and nominal amounts of issued securities and the related hedging transactions.

The Company presented the companies acquired at January 1, 2017 (ALD Lease Finanz GmbH and Société Générale Securities Services GmbH) in the statement of financial position as Noncurrent financial assets – Interests in affiliated companies.

The Company's share capital remains unchanged at EUR 26 thousand. In addition, the company holds EUR 1,138 thousand (PY: EUR 1.138 thousand) in profit carried forward. The Company's equity remained unchanged year-on-year because the Company entered into a profit transfer agreement with Société Générale Frankfurt as of January 1, 2016, and thus any profits earned or losses incurred are transferred to or compensated by Société Générale Frankfurt.

Receivables are owed by Société Générale Frankfurt and Société Générale S.A., Paris. Receivables are also owed by ALD Lease Finanz GmbH under the profit transfer agreement concluded between ALD Lease Finanz GmbH (subsidiary company) and Société Générale Effekten GmbH (parent company) on September 26, 2017. No credit risks exist outside the Société Générale Group.

Liabilities are mainly related to the issuance of certificates and warrants, as well as a loan received from Société Générale Frankfurt for the acquisition of the subsidiaries Société Générale Securities Services GmbH, Unterföhring, and ALD Lease Finanz GmbH, Hamburg, as of January 1, 2017. There are also liabilities from the absorption of the loss of Société Générale Securities Services GmbH, Unterföhring, on the basis of a profit transfer agreement concluded between Société Générale Securities Services GmbH (subsidiary company) and Société Générale Effekten GmbH (parent company) on December 1, 2017.

The financial position was sound in financial year 2018.

#### b) Financial performance

The proceeds from the sale of issued warrants and certificates are always offset by the expenses for the acquisition of the corresponding hedging transactions, so that the Company does not generate any profit from its issuance activities. The decrease in income and expenses from certificate and warrant issuance activities is mainly attributable to the issuance of smaller nominal amounts.

Because currency risks are hedged, exchange rate fluctuations have no effect on the Company's income statement.

Other operating income in the amount of EUR 2,003 thousand consists mainly of a reimbursement of SG Paris to cover goodwill costs.

Due to the sustained economic development of Société Générale Securities Services GmbH, the impairment of shares in Société Générale Securities Services GmbH in the amount of TEUR 515 was kept in place.

Personnel expenses and other operating expenses are passed on to Société Générale S.A., Paris, and Société Générale S.A., Frankfurt Branch, based on a "cost plus" arrangement. The EUR 1,445 thousand increase in Other operating expenses compared to the previous year resulted mainly from a goodwill payment of EUR 1,494 thousand.

In its income statement, the Company recognized income from a profit transfer agreement resulting from the profit of ALD Lease Finanz GmbH, which the Company recognizes in the same period on the basis of the profit transfer agreement concluded with ALD Lease Finanz GmbH, and expenses for the absorption of the loss of Société Générale Securities Services GmbH, which the Company recognizes in the same period on the basis of a profit transfer agreement. In the previous year, income from equity investments consisted of a dividend payment by ALD Lease Finanz GmbH for 2016 in the amount of EUR 26,287 thousand.

Interest and similar expenses mainly consisted of interest payments on the loan granted by Société Générale Frankfurt in December 2016 to finance the acquisition of subsidiaries.

Due to a profit transfer agreement concluded with Société Générale Frankfurt effective January 1, 2016, the Company shows no net profit/loss for the year as of December 31, 2018.

The financial performance was sound in financial year 2018.

c) Cash flows and liquidity position

The nature and execution of the Company's business activities are aimed at maintaining a balanced liquidity position at all times.

Liabilities from the issuance of certificates and warrants are generally hedged by maturity-matched financial instruments denominated in the same currency and bearing an identical price risk.

Business transactions affecting cash flow result from the issues and the corresponding hedging transactions, from the payment of personnel and other operating expenses and the charging of these expenses to Société Générale S.A., Paris and Société Générale Frankfurt.

Due to the complete reimbursement of all expenses incurred upon issuance by the parent company, the Company has sufficient liquidity and is in a position to satisfy all payment obligations.

At the reporting date of December 31, 2018, the Company recognized a liability to Société Générale Frankfurt in the amount of EUR 960 thousand, which is presented in the item of Liabilities to affiliated companies. At the reporting date of December 31, 2018, the Company recognized a receivable from Société Générale Frankfurt in the amount of EUR 852 thousand and a receivable from Société Générale S.A. in the amount of EUR 405 thousand under the cost-plus agreements in effect.

In addition, a liability is owed to Société Générale Frankfurt in the amount of EUR 407,223 thousand for the loan received to acquire the subsidiaries.

Under the existing profit transfer agreements, the Company recognized receivables from ALD Lease Finanz GmbH in the amount of EUR 64,326 thousand and liabilities to Société Générale Securities Services GmbH in the amount of EUR 12,304 thousand from the loss absorption, and receivables from Société Générale Frankfurt in the amount of EUR 49,365 thousand from the profit transfer.

The Company can resort to a committed credit facility of Société Générale S.A. Frankfurt Branch in the amount of EUR 10,000 thousand. In addition, Société Générale S.A., Paris, promised the Company in a letter of comfort dated April 30, 2015 that the liquidity risks from expenses and the issuance business are secured.

The liquidity position was sound in financial year 2018.

#### **IV. Financial/ non-financial performance indicators**

On the one hand, the Company is a pure issuing vehicle without its own credit rating, which generates income from the cost-plus agreements in effect with Société Générale S.A. Paris and Société Générale Frankfurt. On the other hand, the Company derives its income from the equity interests held by the Company. The management of the issuance vehicle is based on the „engineering“ of new products and the associated targeted placement of securities with investors (increasing the placement rate). The subsidiaries manage themselves under their own responsibility.

Internal controlling in the Company is carried out using the systems and control procedures of the parent company to a large extent. As part of the effort to increase operating efficiency, the parent company plans to permanently adapt and supplement existing systems and monitoring processes. Extensive improvements in handling the issuing process led to efficiency increases that have made it possible to increase the issuance volume.

There are no non-financial performance indicators.

### **C. Report on the Company's future development and opportunities and risks**

#### **I. Expected development of the Company (Forecast Report)**

The growth strategy of the Group of Société Générale S.A., Paris, is focused on Germany as one of the world's two biggest markets for warrants and certificates. Société Générale Effekten GmbH aims to further enhance its market position through a project to expand issuing activities.

The Management expects that the Company's issuing activity will increase further.

This expectation is based on the plan to acquire parts of the Equity Markets & Commodities (EMC) Division from Commerzbank.

This applies particularly to the German market. This goal can be achieved with the aid of the measures initiated in 2015 to automate the issuance process, which will increase capacity and lead to greater efficiency in this process. Moreover, the volatile market environment will probably lead to a higher volume of follow-up issues of turbo warrants, as barriers are breached.

As in prior years, a broad range of warrants and certificates will be offered in 2019.

Sustainability long ago ceased to be a niche topic. The interest in sustainable investment options is growing steadily. Regrettably, there has been a lack of uniform and transparent standards in the past. The core idea of the current political plans is to

adopt harmonized criteria. The Company will take this trend into account in its issuance considerations.

Also in 2019, the Company expects a profit contribution from ALD Lease Finanz GmbH of the same amount as in 2018 and loss absorption expenses from the loss of Société Générale Securities Services GmbH in the amount of approximately EUR 12 million on the basis of the profit transfer agreements concluded with those companies.

Including the accrued interest on the borrowed loans in the amount of approx. EUR 3 million and the reimbursements made on the basis of the cost-plus agreements, the Company expects a profit of approx. EUR 49 million before the profit transfer to Société Générale Frankfurt on the basis of the existing profit transfer agreement.

Thanks to the existing credit facility with Société Générale Frankfurt Branch in the amount of EUR 10 million, no liquidity bottlenecks will occur.

## **II. Risk report**

The Company's risk situation is characterized by its well-organized transaction structure and its close integration into the Société Générale Group. The fact that all risks incurred are borne by the parent company under the terms of a "global guarantee" is taken into consideration with respect to the risk management of the warrants and certificates business.

Potentially occurring risks in financial year 2018 were as follows:

### Counterparty default risks

There are no settlement risks because the payments from the sale of the securities issued and from the purchase of the hedging transactions, as well as those from any exercise of options, are always balanced. Receivables from offsetting transactions are only owed by Société Générale S.A., Paris. The credit rating of Société Générale S.A., Paris, and its subsidiaries is the key factor for risk assessment.

### Market price risks

All market price risks associated with issued warrants and certificates are fully hedged through hedging transactions with Société Générale S.A., Paris. This means there are no price risks, currency risks or interest rate risks.

### Liquidity risks

Daily monitoring of the payment flows and close coordination with the back-office departments of Société Générale S.A., Paris, ensure that the Company is always in a position to fulfill its payment obligations. No liquidity risks can be discerned at present due to the integration into the Société Générale Group, the hedging of issues by means of direct offsetting transactions with Société Générale S.A., Paris, and the existing cost-plus agreements for issuance and administrative expenses.



## Operational risks

Société Générale S.A., Paris, has developed processes and systems for monitoring and controlling operational risks that are used by Société Générale Effekten GmbH. They are essentially based on the principle of permanent monitoring. Specially designed applications document processes and evaluate them according to prescribed criteria in order to prevent losses from operational risks. There are also precautions in the context of the Business Continuity Plan (BCP) to maintain seamless business operations in the event of disruptions to the infrastructure.

The same rules and principles apply to the outsourced processes in the service centers in Bangalore and Bucharest as apply to Société Générale Effekten GmbH. Compliance with required processes is assured by means of standardized committees and key process indicators (KPIs).

The described measures and processes made it possible to ensure that no operational risks occurred in financial year 2018 in the following areas:

- Regulatory reports
- Information technology risks
- Outsourcing risks
- Fraud risks

There were no significant changes to the risk situation compared to the prior year. Based on currently available information, there are no discernible risks that could endanger the Company's continued operation as a going concern.

The new product process described in the opportunity report does not exacerbate existing risks or give rise to new risks.

The hedge relationships between issued certificates and warrants, on the one hand, and offsetting transactions, on the other hand, are always assured by means of complete symmetrical representation.

### **III. Opportunity report**

The Company's strategy is designed to identify opportunities that arise in good time, to assess them using our risk management system or resource estimator, and to use them for successful development of the Company by means of suitable measures. Due to the Company's activity as an issuance vehicle within the Group of Société Générale S.A., Paris, which hedges all risks with hedging transactions, a New Product Committee (NPC) is appointed in each case to design new products at the level of Société Générale S.A., Paris. In this context, all departments involved in the issuing process point out their specific needs and resource allocations.

Consideration is given to all relevant factors for the Company, such as markets, competitive situation, strategic orientation, existing organization, personnel, back office, technical processing capacity, and volume factors.

In the sphere of regulation, changes are planned to the Prospectus Regulation, including an exemption from the obligation to publish a prospectus for issues of up to EUR 8 million. A clearly defined scope of application has not yet been determined. If an issuer exercises the option of not publishing a prospectus, it must instead publish a

Securities Information Sheet (known by its German acronym WIB). The Company will analyze this option to determine the resulting potential for simplification.

The Management expects that the Company's business activity will increase further because the Company will acquire parts of the Equity Markets & Commodities (EMC) Division from Commerzbank in all probability.

The risks of the 2019 financial year will be analyzed with respect to the aforementioned acquisition and the risk management system will be adjusted accordingly.

#### **D. Internal controlling and risk management system with regard to the financial accounting process**

With regard to the financial accounting process, the Internal Controlling System (ICS) and Risk Management System (RMC) cover the principles, processes, and measures to ensure the effectiveness and efficiency of the financial accounting as well as to ensure compliance with the relevant legal regulations, and also risk hedging and representation of measurement units. They ensure that the assets and liabilities are accurately recognized, disclosed, and measured in the financial statements.

The supervision of controls is ensured by means of the applications provided centrally by the Group.

The controls conducted periodically by the Internal Auditing Department and the rectification of identified deficiencies also contribute to more effective supervision.

#### Responsibilities in ICS and RMS related to financial accounting

The Management runs the Company independently and cooperates with the Audit Committee for the good of the Company in a relationship of trust and cooperation. The Management has overall responsibility for preparing the annual financial statements, among other things.

The Management determines the scope and alignment of the ICS and RMS specifically oriented to the Company under its own responsibility and takes measures to enhance the systems and to adjust them to changing framework conditions.

The value systems that have applied for years in all countries of the Société Générale Group and thus also in Société Générale Effekten GmbH, such as the Code of Conduct and Compliance Rules, also constitute the basis for responsible action for the employees entrusted with the financial accounting process.

Company employees must complete a course every year on money laundering and compliance using a computer-based learning program.

Despite all risk mitigation measures established in the context of ICS and RMS, even adequate and functional systems and processes cannot provide an absolute guarantee that risks will be identified and managed. The Accounting Department is responsible for the financial accounting process and particularly for the process of creating the annual financial statements. The Accounting department is supported by the back-office departments of Société Générale S.A., Paris, particularly with regard to the measurement of financial instruments and receivables.

The IT systems necessary for the financial reporting process are made available by the parent company.

An Audit Committee was established to support the Management in the financial accounting process, consisting at the reporting date of six persons (one employee of Société Générale Effekten GmbH and five employees of Société Générale Frankfurt). The Audit Committee deals with the development of cash flows,, financial position and financial performance at least once annually - particularly with regard to the annual financial statements. Within the annual financial statements process, the shareholder is required to approve the annual financial statements. The Audit Committee is supplied with the financial statement documents in order to perform these tasks. In addition, the members of the Audit Committee receive a summary report on issuing activity and its financial accounting once per quarter.

#### Organization and components of ICS and risk management RMS related to financial accounting

The business transactions to be processed by Société Générale Effekten GmbH are centrally recorded by data entry into product-specific applications by a back-office department of the parent company in Paris. The concluded transactions (contracts) are recorded in the applications and released using the double verification principle.

The accounts payable accounting for vendor invoices is carried out in Bangalore by Société Générale Global Solution Centre Private Limited (a 99% subsidiary of Société Générale S.A., Paris).

The services to be provided are stipulated in the Service Agreement of November 29, 2011, between Société Générale Frankfurt and Société Générale Global Solution Centre Private Limited, Bangalore, for Société Générale Effekten GmbH.

The scanned documents are input and posted in Bangalore. Company employees issue approval and release for payment.

Head office reporting and the regulatory report to the Deutsche Bundesbank are produced in Bucharest by Société Générale European Business Services S.A. (a 99.95% subsidiary of Société Générale S.A., Paris).

The services to be provided are stipulated in the Client Services Agreement of December 15, 2016 between Société Générale S.A. Frankfurt and Société Générale European Business Services SA, Bucharest, for Société Générale Effekten GmbH.

The accounting of Société Générale Effekten GmbH continues to be maintained on the central server in Paris; all data of Société Générale Effekten GmbH relevant to accounting is processed and stored on this server.

Company employees in Frankfurt monitor the current cash accounts daily in order to ensure correct posting and the subsequent processing in the service centers. The intranet is used to access the information stored in the "Accounting" area for business operations in general and for financial accounting circumstances in particular. Technical system support for preparing the financial statements has been outsourced to the subsidiary responsible for IT in the SG Group.

The parent company is responsible for monitoring. The technical support processes at the central support unit are regulated in procedural directives. The databases for the application systems are backed up and archived under the responsibility of the parent company. Statutory retention periods are complied with. Contingency plans are updated and monitored by Company employees. Data backup is based primarily on the centralized data backup systems for the mainframe computers and on the storage networks for the open systems area. The data are mirrored redundantly in Paris.

The necessary access protection to prevent unauthorized access and the maintenance of functional separation when using the Company's application systems relevant to financial accounting are particularly ensured by the concept of system profiles as well as processes to create system profiles. The system profiles issued to the individual back-office department in Paris as well as to the service center employees in Bangalore and Bucharest are issued and monitored by right holders in the Company using a specially developed system.

### Documentation of processes

Documentation of the processes is prescribed as a subsidiary of Société Générale S.A., Paris. They are summarized in the "Accounting & Finance Handbook." Automatic monitoring ensuring the correctness of input data is the primary component of the documented processes.

The most important procedures in the financial accounting process are listed in the "Global Permanent Supervision (GPS)" application. This application contributes to completion of the documentation process, and provides a suitable instrument to ensure the financial accounting process in case of internal and external auditing.

### Measures for ongoing updating of the ICS and RMS

In the context of enhancing the ICS and RMS, the Company carried out additional projects and measures that contributed to strengthening the ICS and RMS. These included a review of the process flows in connection with preparing the monthly results and their inclusion in process mapping.

Furthermore, additional relevant processes were included, starting from the basis of process documentation already achieved, and then transferred into the normal process of the ICS and RMS.

In case of amendments of legal requirements and regulations relating to financial accounting, such changes must be reviewed as to whether and what consequences they may have for the financial accounting process. The Company's local Accounting department is responsible for content processing. In case of amendments or new provisions that have considerable effects on the processing of financial accounting, analysis starts with the existing process mapping. All measures such as IT adjustments, process flows, posting instructions, etc., are analyzed and implemented accordingly in the back-office departments of Société Générale S.A., Paris, as well as in the outsourced service departments in Bangalore and Bucharest, and monitored and controlled by employees at the Company in Frankfurt.

Frankfurt am Main, April 30, 2019

The Management

Société Générale Effekten GmbH

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Françoise Esnouf

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Helmut Höfer

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Rainer Welfens

SOCIÉTÉ GÉNÉRALE EFFEKTEN GMBH, FRANKFURT AM MAIN

STATEMENT OF FINANCIAL POSITION at 12/31/2018

<u>ASSETS</u>	12/31/2018 EUR	12/31/2017 EUR	<u>EQUITY AND LIABILITIES</u>	12/31/2018 EUR	12/31/2017 EUR
<b>A. NONCURRENT ASSETS</b>			<b>A. EQUITY</b>		
Noncurrent financial assets			I. Subscribed capital	25.564,59	25.564,59
Interests in affiliated companies	406.708.441,30	406.708.441,30	II. Profit carried forward	1.137.724,99	1.137.724,99
<b>B. CURRENT ASSETS</b>			III. Financial year net profit/loss	0,00	0,00
Receivables and other assets				<u>1.163.289,58</u>	<u>1.163.289,58</u>
1. Receivables from affiliated companies			<b>B. PROVISIONS</b>		
a) From the investment of issue proceeds	3.867.700.993,85	3.357.196.804,02	I. Provisions for pensions and similar obligations	377.388,97	305.697,00
- thereof due in more than one			II. Other provisions	<u>318.440,00</u>	<u>802.438,48</u>
year: EUR 2,667,740,229.95				695.828,97	1.108.135,48
(PY: EUR 2,568,002,036.19)			<b>C. LIABILITIES</b>		
b) Other receivables	65.678.496,13	95.253.641,87	I. Liabilities under issued certificates	3.867.700.994,63	3.357.196.804,07
- thereof due in more than one			- thereof due in up to one		
year: EUR 0.00 (PY: EUR 0.00)			year: EUR 1,199,960,764.68 (PY: EUR 789,194,767.83)		
2. Other assets	1.195.779.566,04	2.876.797.474,30	- thereof due to affiliated companies:		
- thereof due in more than one			EUR 3,867,700,994.63 (PY: EUR 3,357,196,804.07)		
year: EUR 980,175,256.91 (PY: EUR 2,028,018,283.75)			II. Trade payables	138.353,53	124.764,50
- thereof due from affiliated companies:			- thereof due in up to one		
EUR 1,195,771,545.15 (PY: EUR 2,876,776,967.99)			year: EUR 138,353.53 (PY: EUR 124,764.50)		
	<u>5.129.159.056,02</u>	<u>6.329.247.920,19</u>	III. Liabilities to affiliated companies	470.397.485,46	499.567.715,23
<b>C. TRUST ASSETS</b>			- thereof due in up to one		
Receivables	630.281.009,49	978.657.238,93	year: EUR 63,174,391.59 (PY: EUR 92,344,621.36)		
- thereof due in more than one			IV. Other liabilities	1.195.771.545,15	2.876.795.652,64
year: EUR 425,998,677.01 (PY: EUR 594,268,077.94)			- thereof due in up to one		
- thereof due from affiliated companies			year: EUR 215,596,288.24 (PY: EUR 848,777,369.19)		
EUR 630,281,009.49 (PY: EUR 978,657,238.93)			- thereof due from affiliated companies:		
			EUR 1,195,771,545.15 (PY: EUR 2,876,776,967.99)		
	<u>6.166.148.506,81</u>	<u>7.714.613.600,42</u>		<u>5.534.008.378,77</u>	<u>6.733.684.936,43</u>
			<b>D. TRUST LIABILITIES</b>		
			- thereof due in up to one	630.281.009,49	978.657.238,93
			year: EUR 204,282,332.48 (PY: EUR 384,389,160.99)		
			- thereof due to affiliated companies:		
			EUR 630,281,009.49 (PY: EUR 978,657,238.93)		
				<u>6.166.148.506,81</u>	<u>7.714.613.600,42</u>

SOCIÉTÉ GÉNÉRALE EFFEKTEN GMBH

FRANKFURT AM MAIN

INCOME STATEMENT

FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

	January 1, 2018 to December 31, 2018 EUR	January 1, 2017 to December 31, 2017 EUR
1. Income from warrant transactions	2.885.543.120,93	7.473.509.844,10
2. Expenses for warrant transactions	2.885.543.120,93	7.473.509.844,10
3. Income from certificate transactions	1.171.520.716,73	844.332.410,06
4. Expenses for certificate transactions	1.171.520.716,72	844.332.410,06
5. Revenues	<u>3.988.533,85</u>	<u>4.066.594,29</u>
thereof SG Paris	2.194.014,02	2.178.066,59
thereof SG Frankfurt	1.794.519,83	1.888.527,70
6. Other operating income	2.003.439,33	
7. Personnel expenses		
a) Wages and salaries	228.456,80	258.337,50
b) Social security contributions, pension expenses and other benefit expenses	110.645,59	80.427,51
thereof for pensions EUR 65,853 (PY: EUR 53.736)		
8. Other operating expenses	5.034.601,94	3.589.989,33
9. Income from equity investments	-	26.286.602,45
- thereof from affiliated companies: EUR 0 (PY: EUR 26,286,602.45)		
10. Income from a profit/transfer agreement	64.326.158,08	69.027.919,03
11. Other interest and similar income	171,74	32,19
- thereof from affiliated companies EUR 170.46 (PY: EUR 32.19)		
12. Impairments of noncurrent financial assets and securities classified as current assets	-	514.652,57
- thereof in affiliated companies EUR 0 (PY: EUR 514,652.57)		
13. Expenses for loss absorptions	12.304.455,16	13.422.724,30
14. Interest and similar expenses	3.275.269,18	3.065.495,76
- thereof to affiliated companies EUR 3,275,269.18 (PY: EUR 3,065,495.76)		
- thereof from negative interest: EUR 3,419.13 (PY: EUR 485.52)		0,00
15. Net profit after taxes	49.364.874,34	78.449.520,99
16. Profits transferred under a profit transfer agreement	49.364.874,34	78.449.520,99
17. Financial year net profit/loss	<u>(0,00)</u>	<u>0,00</u>

**Société Générale Effekten GmbH  
Frankfurt am Main**

**Notes to the Annual Financial Statements  
for the 2018 financial year**

**Comments on the annual financial statements at December 31, 2018 and other disclosures**

The annual financial statements of Société Générale Effekten GmbH at December 31, 2018, have been prepared according to the accounting regulations of the German Commercial Code (HGB) and the supplementary regulations of the Limited Liability Companies Act (GmbHG) in compliance with generally accepted accounting principles.

The head office of the Company is located in Frankfurt/Main. It is listed at the Frankfurt am Main Local Court under Commercial Register No. HRB 32283.

**Profit transfer agreements**

By signature of September 7, 2016, Société Générale Effekten GmbH (subsidiary company) entered into a profit transfer agreement for an indefinite term with Société Générale S.A., Frankfurt Branch, Frankfurt am Main (parent company), with retroactive effect to January 1, 2016.

By signature of September 26, 2017, ALD Lease Finanz GmbH, Hamburg (subsidiary company), entered into a profit transfer agreement for an indefinite term with Société Générale Effekten GmbH (parent company), with retroactive effect to January 1, 2017.

By signature of December 1, 2017, Société Générale Securities Services GmbH, Unterföhring (subsidiary company), entered into a profit transfer agreement for an indefinite term with Société Générale Effekten GmbH (parent company), with retroactive effect to January 1, 2017.

**1. Recognition and measurement principles**

As in the previous year, the following recognition and measurement methods were mainly applied in the preparation of the annual financial statements.

In accordance with 271 (2) HGB, companies that are to be included in the consolidated financial statements of a parent company as parent or subsidiary companies (Section 290) in accordance with the regulations applicable to full consolidation are presented as Interests in affiliated companies. Interests in affiliated companies are measured at amortized cost. In accordance with Section 253 (3) HGB, impairments are recognized to account for impairments that are expected to be permanent.



Receivables are recognized at their nominal amount plus accrued interest. Liabilities not hedged are recognized at their settlement value plus accrued interest.

The calculation of deferred taxes is based on temporary differences between items of the statement of financial position when considered under commercial law and tax law pursuant to Section 274 HGB. Due to the fact that SG Effekten GmbH has been part of a consolidated tax group for income tax purposes since January 1, 2016, as a subsidiary company with Société Générale, Frankfurt Branch, the deferred taxes are recognized only at the level of the parent company.

The provisions for pensions were measured at the settlement value deemed necessary according to sound business judgment (Section 253 (I)(2) HGB) in accordance with actuarial principles, taking the 2018 G life expectancy table of Prof. Dr. Klaus Heubeck into account. A standard term to maturity of 15 years was assumed for discounting purposes and the provisions were discounted to present value by application of the average market interest rate for the last 10 years as calculated at the reporting date, that being 3.21% (average market interest rate for the last 10 years applied in the previous year: 3.68%). (Section 253 (II)(2) HGB). The maturity-matched interest rates of the German Bundesbank are applied for discounting the provisions to present value.

The projected unit credit method is used as an actuarial measurement method. The following parameters were assumed for the pension provisions: a discount rate, a salary dynamic of 2.70% (PY: 2.70%), and pension dynamic of 1.70% (PY: 1.70%). The effects of interest rate changes are recognized in the operating profits. The difference between the amount of recognized pension provisions after discounting to present value by application of the average market interest rate for the last 10 financial years and the provision amount that would result if the provisions were discounted to present value by application of the average market interest rate for the last seven financial years is EUR 84,475, and is therefore subject to a payout block according to Section 253 (6) HGB.

The other provisions account for all discernible risks and uncertain obligations. They are measured at the settlement amount deemed necessary according to sound business judgment in accordance with Section 253 (1) HGB. Provisions with a term of more than one year are discounted to present value in accordance with Section 253 para. 2 HGB. There were no provisions with such a term at the reporting date.

Option premiums are recognized until exercise or maturity as Other assets or Other liabilities. At exercise or maturity, collection occurs and is recognized in profit or loss. They are presented within the items of Income from warrant transactions or Expenses of warrant transactions.

The issued certificates are recognized as Liabilities from issued certificates until due. The issued certificates are offset by hedging transactions, which are recognized in Receivables from affiliated companies.

The portfolio of issued warrants and certificates at the reporting date is completely hedged against market price changes by means of maturity-matched, currency-matched and price risk-identical hedging transactions with the sole shareholder Société Générale S.A., Paris.

The liabilities from issued certificates and warrants and the hedging transactions recognized in Receivables and other assets were aggregated into valuation units and recognized as assets at cost or as liabilities in the amount of the issue proceeds. These are perfect micro-hedges. In accordance with Section 254 HGB, subsequent measurement is not performed due to their characteristic as valuation units, i.e., due to non-recognition of the offsetting changes in value, the net hedge presentation method is used in this context (Section 285 (19b) and (19c) HGB, as well as Section 285 (23a) and (23b) HGB). It was not necessary to make value adjustments to Receivables and other assets.

Liabilities not aggregated into valuation units are presented at the settlement amount. These liabilities are Trade payables and Liabilities to affiliated companies. The corresponding income statement item for such liabilities is presented within Other operating expenses, Expenses from loss absorptions and Profits transferred on the basis of a profit transfer agreement.

In addition, the Company issues certificates in its own name and for account of Société Générale S.A., Paris, under a trust agreement with the sole shareholder, Société Générale S.A., Paris. The corresponding financial instruments are presented within Trust assets on the assets side and within Trust liabilities on the equity and liabilities side of the statement of financial position. The certificates from trust transactions are offset by hedging transactions that are recognized under Trust assets. Recognition of these transactions occurs at acquisition cost.

## 2. Development of noncurrent assets

### Noncurrent financial assets

	Interests in affiliated companies
	EUR
Acquisition cost 01/01/2018	407,223,093.87
Acquisitions	0.00
Disposals	0.00
Acquisition cost 12/31/2018	407,223,093.87
Accumulated depreciation and amortization 01/01/2018	514,652.57
Depreciation and amortization of acquisitions in the financial year	0.00
Reclassifications	0.00
Disposals	0.00
Accumulated depreciation and amortization 12/31/2018	514,652.57
Carrying amounts at 12/31/2017	406,708,441.30
Carrying amounts at 12/31/2018	406,708,441.30

The Interests in affiliated companies are the interests acquired from the purchase of Société Générale Securities Services GmbH, Unterföhring (Commercial Register No. HRB 169711 with the Munich Local Court) from Société Générale Securities Services Holding S.A., Paris, for a price of EUR 515 thousand as of

January 1, 2017, and the shares in ALD Lease Finanz GmbH, Hamburg (Commercial Register No. HRB 92469 with the Hamburg Local Court) held by SG Consumer Finance S.A. France for a price of EUR 406,708. Due to the sustained economic development of Société Générale Securities Services GmbH, the impairment of the interests in Société Générale Securities Services GmbH was kept in place.

### 3. Notes to the statement of financial position

The **Receivables from affiliated companies** amount to EUR 3,933,379 thousand (PY: EUR 3,452,451 thousand). They are mainly comprised of receivables owed by Société Générale S.A., Paris, in the amount of EUR 3,867,701 thousand (PY: EUR 3,357,197 thousand) from the investment of the issue proceeds from issued certificates and from Other receivables in the amount of EUR 65,678 thousand (PY: EUR 95,254 thousand). The Other receivables mainly consist of receivables from ALD Lease Finanz GmbH, Hamburg, under an existing profit transfer agreement in the amount of EUR 64,326 thousand (PY: EUR 69,028 thousand) and receivables under existing cost reimbursement agreements from Société Générale Frankfurt Branch, Frankfurt am Main, in the amount of EUR 852 thousand (PY: EUR 1,191 thousand) and from Société Générale S.A., Paris, in the amount of EUR 405 thousand (PY: EUR 420 thousand). In the previous year, receivables were owed by Société Générale S.A. Frankfurt Branch from an account balance of EUR 17,681 thousand.

**Other assets** comprise the OTC options acquired by the shareholder to hedge issued warrants. They amounted to EUR 1,195,772 thousand (PY: EUR 2,876,777 thousand).

The **Trust receivables** in the amount of EUR 630,281 thousand (PY: EUR 978,657 thousand) involve funds forwarded to the shareholder Société Générale S.A., Paris, from multiple certificates issued for the shareholder in the name of Société Générale Effekten GmbH and for account of Société Générale S.A., Paris.

The Company has **equity** in the amount of EUR 1,163 thousand (PY: EUR 1,163 thousand). It is comprised of the subscribed capital in the amount of EUR 26 thousand and the retained earnings from the prior years in the amount of EUR 1,138 thousand. A profit transfer agreement was concluded between Société Générale, Frankfurt Branch, and the Company effective January 1, 2016.

With the exception of provisions for pensions and similar obligations, the presented provision amounts are due in less than one year.

In calculating the **pension provisions**, the provision amounts were discounted to present value by application of an average interest rate for the last 10 years, assuming a term to maturity of 15 years in accordance with Section 253 (2) HGB. The market interest rate in effect in December 2018 was applied for the measurement at 12/31/2018. The following parameters were used:

Retirement age	65 years
Income dynamic	2.70%
Pension dynamic	1.70%

Interest rate	3.21% at 12/31/2018 (as of December 2018)
	3.68% at 12/31/2017 (as of December 2017)

The difference between the amount of recognized pension provisions after discounting to present value by application of the average market interest rate for the last 10 financial years, that being 3.21%, and the provision amount that would result from discounting to present value by application of the average market interest rate for the last seven financial years, that being 2.32%, is EUR 84,475.

The **Other Provisions** result primarily from provisions for issuing costs as well as audit and consulting costs. They amounted to EUR 318 thousand (PY: EUR 802 thousand).

**Liabilities to affiliated companies** in the amount of EUR 470,397 thousand (PY: EUR 499,568 thousand) mainly consist of liabilities to Société Générale S.A. Frankfurt Branch under borrowed loans, including accrued interest, in the amount of EUR 407,366, and liabilities to Société Générale S.A. Frankfurt Branch from the profit transfer in the amount of EUR 49,364 thousand (PY: EUR 78,450 thousand), and liabilities to Société Générale Securities Services GmbH from the loss absorption on the basis of the profit transfer agreement, in the amount of EUR 12,304 thousand (PY: EUR 13,423 thousand).

The **Trust liabilities** in the amount of EUR 630,281 thousand (PY: EUR 978,657 thousand) include the issuance of certificates issued in the Company's own name for account of Société Générale S.A., Paris.

**Certificates (issues) in foreign currencies** are recognized in the items "Liabilities from issued certificates" and "Trust liabilities" on the equity and liabilities side of the statement of financial position in a total amount of EUR 29,861 thousand (EUR 5,707 thousand from CAD, EUR 21,363 thousand from USD and EUR 2,791 thousand from AUD). The corresponding hedges are carried in the same amount in the item Receivables from affiliated companies from the investment of issue proceeds and Trust assets on the assets side of the statement of financial position. Currency translation is performed at the exchange rate applicable on the posting date as part of the formation of valuation units (net hedge presentation method), taking into account the terms and conditions of the issue specified in the respective prospectus. Because currency risks are hedged, exchange rate fluctuations have no effect on the Company's income statement.

**Warrants (issues) in foreign currencies** are recognized in the item "Other liabilities" on the liabilities side of the statement of financial position in a total amount of EUR 316,249 thousand (EUR 23,216 thousand from GBP and EUR 293,033 thousand from SEK). The corresponding hedges are carried in the same amount under the item "Other assets" on the assets side of the statement of financial position. Currency translation is performed at the exchange rate applicable on the posting date as part of the formation of valuation units (net hedge presentation method), taking into account the terms and conditions of the issue specified in the respective prospectus. Because currency risks are hedged, exchange rate fluctuations have no effect on the Company's income statement.

Liabilities/ trust liabilities in the amount of EUR 5,535,172 / 630,281 thousand consist mainly of liabilities to affiliated companies (EUR 6,244,101 thousand).

## Maturity structure of receivables and liabilities

EUR'000

	Total	Due in up to 1 year	Due in 1 to 5 years	Due in more than 5 years
<b>Receivables</b>				
- From investment of issue proceeds	3,867,701	1,199,961	607,9	2,059,840
- Other receivables	65,678	65,678		
- From trust accounts	630,281	211,518	353,923	64,84
Other assets	1,195,780	215,605	251,234	728,941
Equity investments	406,708			406,708
<b>TOTAL</b>	<b>6,166,149</b>	<b>1,692,763</b>	<b>1,213,057</b>	<b>3,260,329</b>
<b>Liabilities</b>				
- From issued certificates	3,867,701	1,199,961	607,9	2,059,840
- Trade payables	138	138		
- To affiliated companies	470,397	63,174		407,223
- From trust accounts	630,281	211,518	353,923	64,84
Other liabilities	1,196,468	216,293	251,234	728,941
<b>TOTAL</b>	<b>6,164,986</b>	<b>1,691,085</b>	<b>1,213,057</b>	<b>3,260,844</b>

## 4. Notes to the Income Statement

The income statement is prepared in accordance with the cost summary method.

The realized income and expenses from the issuance business are presented in the table below:

	2018	2017
Income from warrant transactions	2,885,543,120	7,473,509,844
Expenses for warrant transactions	2,885,543,120	7,473,509,844
Income from certificate transactions	1,171,520,717	844,332,410
Expenses for certificate transactions	1,171,520,717	844,332,410

**Revenues** in the amount of EUR 3,989 thousand (PY: EUR 4,067 thousand) relate to cost transfers of services within the scope of a cost-plus procedure with an administrative cost mark-up of 5% by Société Générale S.A., Paris, in the amount of EUR 2,194 thousand, and by Société Générale S.A. Frankfurt Branch in the amount of EUR 1,795 thousand. The service covers administrative processing for the issuing business.

The other operating income of EUR 2,003 thousand consists mainly of a reimbursement of SG Paris to cover goodwill costs.

Personnel expenses consist of wages and salaries in the amount of EUR 229 thousand (PY: EUR 258 thousand) and social security contributions and pension expenses of EUR 111 thousand (PY: EUR 80 thousand).

**Other operating expenses** consist primarily of issue costs, legal and consulting fees, a goodwill payment and stock exchange costs.

	2018	2017
Legal, consulting, audit	1,580,892	1,839,531
Advertising	11,109	12,449
Stock exchanges, regulation	1,609,512	1,409,509
SG Frankfurt cost charge	331,007	327,707
Travel expenses, continuing education	7,833	793
Goodwill payment	1,494,249	
<b>Total</b>	<b>5,034,602</b>	<b>3,589,989</b>

The **income from a profit transfer agreement** in the amount of EUR 64,326 thousand (PY: EUR 69,028 thousand) represents the profit of ALD Lease Finanz GmbH, which is recognized by the Company in the same reporting period on the basis of the profit transfer agreement with ALD Lease Finanz GmbH. The losses incurred by Société Générale Securities Services GmbH in the amount of EUR 12,304 thousand (PY: EUR 13,423 thousand) are recognized by the Company as **expenses for loss absorptions** in the same reporting period on the basis of the profit transfer agreement.

The item of **Interest and similar expense** primarily includes paid and accrued interest in the amount of EUR 3,204 thousand for a loan from Société Générale S.A., Frankfurt Branch.

The Company concluded a profit transfer agreement with Société Générale S.A., Paris, Frankfurt Branch (parent company), effective January 1, 2016, and has been in an integrated tax group relationship for purposes of value-added tax and income tax since that time. Therefore, all taxes accrue at the level of the parent company. There were no other financial commitments at the reporting date.

## 5. Information on issuance activities

The issuance volume in financial year 2018 breaks down as follows:

DERIVATIVE SECURITIES	TYPE	UNDERLYING	FINANCIAL YEAR 2018				FINANCIAL YEAR 2017			
			NUMBER	VOLUME (IN UNITS)	POSTING VALUE	LONGEST TERM	NUMBER	VOLUME (IN UNITS)	POSTING VALUE	LONGEST TERM
<b>Investment products</b>										
with capital protection (100%)	Structured bonds	Stocks	1	6.000,00	6.000.000,00	26.04.2021	1	7.200,00	7.200.000,00	08.05.2019
			<b>1</b>	<b>6.000,00</b>	<b>6.000.000,00</b>		<b>1</b>	<b>7.200,00</b>	<b>7.200.000,00</b>	<b>08.05.2019</b>
without capital protection (<100%)	Reverse convertibles	Stocks	2.433	19.194,00	18.676.697,93	25.09.2020	18	19.065,00	18.648.475,15	06.01.2020
		Indices	60	6.255,00	6.255.141,58	20.03.2020	3	4.800,00	4.776.850,00	29.04.2019
		Commodities	-	-	-		2	3.525,00	6.000.000,00	28.12.2018
			<b>2.493</b>	<b>25.449,00</b>	<b>24.931.839,51</b>		<b>23</b>	<b>27.390,00</b>	<b>29.425.325,15</b>	
	Bonus certificates	Stocks	16.890	5.995.263,00	424.464.379,64	15.01.2021	3.831	8.324.949,00	501.559.363,59	15.01.2021
		Indices	11.622	7.166.301,00	568.085.778,52	20.10.2021	2.084	7.821.353,00	464.739.764,05	22.03.2019
			<b>28.512</b>	<b>13.161.564,00</b>	<b>992.550.158,16</b>		<b>5.915</b>	<b>16.146.302,00</b>	<b>966.299.127,64</b>	
	Discount certificates	Stocks	15.074	4.418.437,00	215.188.581,23	17.09.2021	7.688	3.936.560,00	167.679.636,31	04.01.2019
		Indices	6.686	12.403.753,00	421.173.181,44	16.09.2022	4.217	13.500.438,00	469.363.137,95	27.09.2019
		Commodities	12	246.530,00	14.254.685,40	03.05.2019	227	350.983,00	19.537.566,45	04.11.2019
			<b>21.772</b>	<b>17.068.720,00</b>	<b>650.616.448,07</b>		<b>12.132</b>	<b>17.787.981,00</b>	<b>656.580.340,71</b>	
	Express certificates	Stocks	175	1.229.437,00	155.958.335,00	27.12.2024	83	740.467,00	135.195.701,14	10.11.2023
		Indices	36	1.150.244,00	123.577.188,00	09.07.2025	63	1.385.737,00	143.775.891,86	12.06.2024
		Commodities	-	-	-		2	3.900,00	3.900.000,00	05.05.2020
			<b>211</b>	<b>2.379.681,00</b>	<b>279.535.523,00</b>		<b>148</b>	<b>2.130.104,00</b>	<b>282.871.593,00</b>	
	Index / participation certificates	Indices	-	-	-		2	22.000,00	800.320,00	Open End
		Commodities	-	-	-		2	30.000,00	194.150,00	Open End
			-	-	-		<b>4</b>	<b>52.000,00</b>	<b>994.470,00</b>	
	Outperformance / sprint certificates	Indices	-	-	-		5	63.000,00	5.496.280,00	24.05.2022
			-	-	-		<b>5</b>	<b>63.000,00</b>	<b>5.496.280,00</b>	
TOTAL investment products:			<b>52.989</b>	<b>32.641.414</b>	<b>1.953.633.969</b>		<b>18.228</b>	<b>36.213.977</b>	<b>1.948.867.136</b>	

DERIVATIVE SECURITIES	TYPE	UNDERLYING	FINANCIAL YEAR 2018				FINANCIAL YEAR 2017			
			NUMBER	VOLUME (IN UNITS)	POSTING VALUE	LONGEST TERM	NUMBER	VOLUME (IN UNITS)	POSTING VALUE	LONGEST TERM
<b>Leverage products</b>										
with knock-out	Knock-out products	Stocks	114.576	92.175.651,00	185.977.593,89	28.06.2019	56.911	104.277.079,00	97.983.797,05	22.06.2018
		Fixed income	2	16.000,00	59.844,00	Open End	22	29.500,00	246.568,00	Open End
		Indices	81.666	66.353.802,00	276.497.007,22	03.02.2025	27.495	36.482.185,00	134.060.944,46	22.06.2018
		Commodities	39.261	45.836.372,00	121.799.857,10	02.01.2020	19.714	174.408.097,00	245.235.539,59	Open End
		Currencies	25.838	21.899.221,00	74.536.896,74	27.09.2019	11.692	13.062.689,00	31.795.220,21	Open End
			<b>261.343</b>	<b>226.281.046,00</b>	<b>658.871.198,95</b>		<b>115.834</b>	<b>328.259.550,00</b>	<b>509.322.069,31</b>	
without knock-out	Factor certificates	Stocks	9	290.700,00	503.683,31	03.02.2025	-	-	-	
		Indices	146	15.682.748,00	57.124.458,72	03.02.2025	4	2.145.076.000,00	28.846.870,00	21.04.2022
		Commodities	72	3.600.000,00	36.000.000,00	Open End	-	-	-	
			<b>227</b>	<b>19.573.448,00</b>	<b>93.628.142,03</b>		<b>4</b>	<b>2.145.076.000,00</b>	<b>28.846.870,00</b>	
	Warrants	Stocks	66.898	312.354.912,00	144.209.677,26	23.12.2022	118.062	222.295.391,00	231.088.999,38	23.12.2022
		Indices	18.660	118.065.625,00	117.331.964,16	23.12.2022	40.967	261.943.815,00	558.743.942,65	29.01.2050
		Commodities	10.319	53.323.950,00	20.153.634,00	30.12.2022	28.203	76.449.200,00	153.769.904,00	23.11.2022
		Volatility	-	-	-		91	5.288.600,00	9.773.827,00	23.08.2017
		Currencies	8.634	26.634.770,00	25.735.285,08	23.12.2022	41.649	81.141.722,00	301.135.277,18	03.02.2025
			<b>104.511</b>	<b>510.379.257,00</b>	<b>307.430.560,50</b>		<b>228.972</b>	<b>647.118.728,00</b>	<b>1.254.511.950,21</b>	
TOTAL leverage products:			<b>366.081</b>	<b>756.233.751</b>	<b>1.059.925.901</b>		<b>344.810</b>	<b>3.120.454.278</b>	<b>1.792.680.890</b>	
TOTAL derivative securities:			<b>419.070</b>	<b>788.875.165</b>	<b>3.013.563.870</b>		<b>363.038</b>	<b>3.156.668.255</b>	<b>3.741.548.026</b>	

All issues are fully hedged by concluding identically equipped OTC options or by investing issue proceeds with Société Générale S.A., Paris.

The fair value of financial derivatives and bonds with embedded derivatives is measured in principle using market values; in case of illiquid markets, measurement is performed on the basis of internal models. These "in-house valuation models" are regularly tested by specialists in the Risk department of Société Générale S.A., Paris. Derivative financial instruments with option

characteristics are measured by Société Générale S.A., Paris, using generally recognized option price models.

When an active market exists, prices quoted by stock exchanges, brokers, and pricing agencies are used.

The type, volume, and fair values of the derivative hedging transactions at the reporting date are as follows: The Company holds 88,913 OTC options with a market value of EUR 664 million to hedge stock and index warrants, 11,872 OTC options with a market value of EUR 90 million to hedge foreign currency warrants, 11,814 OTC options with a market value of EUR 221 million to hedge commodities warrants, and 4,483 OTC options with a market value of EUR 80 million to hedge interest rate warrants.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If no observable prices are available for identical assets or liabilities, the fair value of financial instruments is determined by the use of another valuation technique under which determining, observable input factors are applied.

In addition, the Company holds 46,351 certificates with a market value of EUR 3,384 million, including trust transactions.

The carrying amount of the warrants listed here at December 31, 2018, is EUR 1,196 million, which is presented within the Other Liabilities item in the statement of financial position. The carrying amount of the issued certificates at December 31, 2018, is EUR 4,498 million, which is divided between the item Liabilities from Issued Certificates and the item Trust Liabilities in the statement of financial position.



## 6. Material shareholdings

The material shareholdings according to Section 285 (11) HGB break down as follows:

Name and registered head office	Percentage of equity held %	Equity of the company EUR'000	Financial year profit/loss EUR'000	
Directly				
ALD Lease Finanz GmbH, Hamburg	100	226,953	0	1)
Société Générale Securities Services GmbH, Unterföhring	100	35,330	0	2)
Indirectly				
ALD AutoLeasing und Dienstleistungs GmbH, Hamburg	43.8	2,327	430	
Bank Deutsches Kraftfahrzeuggewerbe GmbH, Hamburg		405,550	0	3)
- Voting shares	51	550		
- Non-voting shares	100	405,000		
BDK Leasing und Service GmbH, Hamburg	100	1,023	0	4)
Nedderfeld 95 Immobilien GmbH & Co. KG, Hamburg	65	3,438	0	

1)	Profit/loss before profit transfer	EUR'000	64,326
2)	Profit/loss before loss absorption	EUR'000	-12,304
3)	Profit/loss before profit transfer	EUR'000	47,567
4)	Profit/loss before profit transfer	EUR'000	252

## 7. Disclosures regarding the audit fees recognized as expenses in the reporting year

The fee for the independent auditor in 2018, which was recognized as an expense, amounted to

- EUR 150,000 for auditing services,
- EUR 0 for other certification services
- EUR 0 for tax advisory services
- EUR 0 for other services

## **8. Disclosures concerning members of company bodies and employees**

The following individuals were appointed as managing directors in financial year 2018:

Mr. Helmut Höfer, lawyer (general counsel), Frankfurt am Main

Head of Legal SGCIB Germany & Austria

Ms. Françoise Esnouf, banker, Frankfurt am Main  
Chief Operational Officer SGCIB Germany

Mr. Rainer Welfens, business administrator, Frankfurt am Main  
Chief Financial Officer SGCIB Germany

The managing directors Ms. Françoise Esnouf and Mr. Helmut Höfer, along with Mr. Rainer Welfens, are employees of Société Générale S.A., Frankfurt am Main Branch.

Expenses of EUR 22 thousand as compensation for the work of the managing directors were charged to Société Générale Effekten GmbH for financial year 2018.

The Company employed an average of 3 employees during the financial year. Two employees work full-time and 1 employee works part-time.

As a capital market-oriented company, the Company has established an Audit Committee under Section 324 HGB consisting of the following members:

Mr. Peter Boesenberg (chair)  
Mr. Dimitri Brunot  
Mr. Marco Maibaum  
Mr. Achim Oswald  
Mr. Rainer Welfens<sup>1</sup>  
Ms. Heike Stuebban

## **9. Group affiliation**

At the reporting date of December 31, 2018, Société Générale S.A., Frankfurt branch held a 100% equity interest in Société Générale Effekten GmbH.

The headquarters of Société Générale S.A., Frankfurt branch, is Société Générale S.A., Paris (smallest scope of consolidation within the meaning of Section 285 No. 14a HGB and largest scope of consolidation within the meaning of Section 285 No. 14 HGB). Notice of publication of the consolidated financial statements of Société Générale S.A., Paris, is given in France in the “Bulletin des Annonces Légales et Obligatoires (BALO)” under the heading “Publications Périodiques” (R.C.S: 552 120 222).

The consolidated financial statements are available on the website [www.socgen.com](http://www.socgen.com).

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<sup>1</sup> Mr. Rainer Welfens performs this task as an employee of the parent company SG Frankfurt.

## 10. Significant events after the balance sheet date

On July 3, 2018, Société Générale S.A. Paris signed an agreement with Commerzbank to purchase its Equity Markets & Commodities (EMC) Division.

On November 8, 2018, Commerzbank and Société Générale signed a purchase agreement to this effect, for which it received permission from the European cartel authority on February 11, 2019 to purchase Commerzbank's EMC activities.

Commerzbank's EMC business includes the issuance and market-making of structured trading and investment products, the ComStage brand of exchange-traded index fund (ETFs) and the corresponding platform for ETF market making.

In all probability, Société Générale Effekten GmbH will integrate the products belonging to the EMC business in the fourth quarter of 2019.

Frankfurt/Main, April 30, 2019

The Management

Société Générale Effekten GmbH

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Françoise Esnouf

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Helmut Höfer

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Rainer Welfens

## **Responsibility Statement of the Legal Representatives**

We warrant to the best of our knowledge that the annual financial statements give a true and fair view of the Company's financial position, cash flows and financial performance in accordance with applicable accounting principles, and that the management report provides an appropriate view of the Company's business performance, including its results and position, and appropriately presents the principal opportunities and risks of the Company's anticipated future development.

Frankfurt am Main, April 30, 2019

The Management

Société Générale Effekten GmbH

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Françoise Esnouf

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Helmut Höfer

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Rainer Welfens

## **AUDITOR'S REPORT BY THE INDEPENDENT AUDITOR**

To Société Générale Effekten GmbH, Frankfurt am Main

### ***REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT***

#### **Audit opinions**

We have audited the annual financial statements of Société Générale Effekten GmbH, Frankfurt am Main - which comprise the balance sheet as at December 31, 2018, the income statement for the financial year from January 1 to December 31, 2018, and the notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Société Générale Effekten GmbH, Frankfurt am Main, for the financial year from January 1 to December 31, 2018.

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

- the accompanying annual financial statements comply with the requirements of German commercial law applicable to corporations in all material respects and give a true and fair view of the financial position and cash flows of the Company as at December 31, 2018 and its financial performance for the financial year from January 1 to December 31, 2018, 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 Section 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 audit opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Financial Statements Audit Regulation (EU-APrVO - 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, we declare pursuant to Article 10 (2) letter f) of the

EU Audit Regulation that we have not provided any prohibited non-auditing services according to Article 5 (1) EU Audit Regulation. 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**

We determined that there are no key audit matters to be noted in our auditor's report.

### **Other information**

The legal representatives are responsible for the other information. The other information comprises the responsibility statements of the legal representatives on the annual financial statements pursuant to Section 264 (2) sentence 3 HGB and and the management report pursuant to Section 289 (1) sentence 5 HGB.

Our opinions on the annual financial statements and on the management report do not cover other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### **Responsibility of the legal representatives and the Audit Committee for the annual financial statements and the management report**

The legal representatives 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 corporations, and that the annual financial statements give a true and fair view of the financial position, cash flows and financial performance of the Company in compliance with German legally required accounting principles. In addition, the legal representatives are responsible for such internal controls 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 misstatements, whether due to intent or error.

In preparing the annual financial statements, the legal representatives 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 a 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 legal representatives 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 legal representatives 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 suitable evidence for the assertions in the management report.

The Audit Committee is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and management report.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, whether due to intent 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 management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 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 violations or errors 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 judgement and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatements in the annual financial statements and management report, whether due to intent or error, plan 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 violations is higher than for one resulting from error, as "violations" may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of the internal control system relevant to the audit of the annual financial statements and arrangements and measures relevant to

the audit of the management report in order to plan 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 legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, determine 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 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 financial position, cash flows 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 German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives 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 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 Article 10 of the EU Audit Regulation**

We were elected as the auditor by the annual general meeting on August 8, 2018. We were engaged by the Management on December 6/20, 2018. We have been the auditor of Société Générale Effekten GmbH, Frankfurt am Main, continually since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 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 Ehler Bühmann.

Frankfurt am Main, April 30, 2019

**Deloitte GmbH**

Wirtschaftsprüfungsgesellschaft

(Marijan Nemet)

Wirtschaftsprüfer  
[German Public Auditor]

*[Translator's note:  
Seal Deloitte GmbH  
and signatures]*

(Ehler Bühmann)

Wirtschaftsprüfer  
[German Public Auditor]