

## **Supplemental Listing Document**

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

**12,500,000 European Style Cash Settled Long Certificates**  
**relating to the ordinary shares of Alibaba Group Holding Limited**  
**with a Daily Leverage of 5x**

**issued by**  
**SG Issuer**  
**(Incorporated in Luxembourg with limited liability)**  
**unconditionally and irrevocably guaranteed by**  
**Société Générale**

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**Issue Price: S\$1.20 per Certificate**

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This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 19 June 2020 including such further base listing documents as may be issued from time to time (the “**Base Listing Document**”) for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see “Placing and Sale” contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and

holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 19 June 2020 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 10 June 2021.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

9 June 2021

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<sup>1</sup> As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.

<sup>2</sup> As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “CFTC”) under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed “Placing and Sale” contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market

prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the “**Conditions**” shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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## RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;
- (c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has fallen sharply;
- (d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;
- (e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;
- (f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;
- (g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;
- (h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 30 to 34 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Long Certificates on Single Equities" section of this document for more information;
- (i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash

Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

- (j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);
- (k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy (as described below) including the Funding Cost (as defined below) and Rebalancing Cost (as defined below);
- (l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

- (m) investors should note that there are leveraged risks because the Certificates integrate a leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);
- (p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;
- (q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight fall in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when

market opens the following day or (ii) a sharp intraday fall in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 50 to 51 of this document for more information;

- (r) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 36 to 38 of this document for more information;
- (s) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;
- (t) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;
- (u) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of



Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

- (v) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

- (w) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

- (x) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may decline. The following is a list of some of the significant risks associated with the Underlying Stock:

- Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and
- The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

- (y) the value of the Certificates depends on the Leverage Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Strategy last closing level and a calculation tool available to the investors on a website;

- (z) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

- (aa) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

- (i) investors should note that no definitive certificate will be issued in relation to the Certificates;
- (ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

- (iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and
  - (iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;
- (bb) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate (“**HIBOR**”) benchmark is referenced in the Leverage Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

- (cc) the US Foreign Account Tax Compliance Act (“**FATCA**”) withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS

## PARTICULAR CIRCUMSTANCES;

### (dd) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under “TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986.” Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

### (ee) risk factors relating to the BRRD

*French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.*

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) entered into force on 2 July 2014. The BRRD has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the “**BRR Act 2015**”). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (“**SRM**”) and a Single Resolution Fund (the “**SRM Regulation**”) has established a centralised power of resolution entrusted to a Single Resolution Board (the “**SRB**”) in cooperation with the national resolution authorities.

Since 2014, the European Central Bank (“**ECB**”) has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism (“**SSM**”). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States’ resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the “**SSM Regulation**”) and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential

supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the “**Resolution Authority**”) with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions while minimising the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

Under the SRM Regulation, a centralised power of resolution is established and entrusted to the SRB acting in cooperation with the national resolution authorities. In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions’ resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the “**Bail-in Power**”). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the

terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The application of any measure under the BRRD and the SRM Regulation or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under any Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the Issuer, the Guarantor or the Group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The current regime will evolve as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts have been published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the "**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and

recapitalisation capacity ("**TLAC**") of credit institutions and investment firms (the "**SRM II Regulation**" and, together with the BRRD II, the "**EU Banking Package Reforms**").

The EU Banking Package Reforms will introduce, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet ("**FSB TLAC Term Sheet**"), by adapting, among others, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC will be implemented in accordance with the FSB TLAC Term Sheet, which impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**"), EU G-SIBs, such as Societe Generale, will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale will have to comply at the same time with TLAC and MREL requirements.

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL will be set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance any may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The scope of liabilities used to meet the MREL will include, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require

institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail-in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements will apply to resolution groups with assets above EUR 100 billion (top-tier banks).

If the SRB finds that there could exist any obstacles to resolvability by the Issuer or the Guarantor and/or the Group, a higher MREL requirement could be imposed. Any failure by the Issuer or the Guarantor, as applicable, and/or the Group to comply with its MREL may have a material adverse effect on the Issuer's business, financial conditions and results of operations.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.*

The Conditions are set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	12,500,000 European Style Cash Settled Long Certificates relating to the ordinary shares of Alibaba Group Holding Limited (the “ <b>Underlying Stock</b> ”)
ISIN:	LU2184322985
Company:	Alibaba Group Holding Limited (RIC: 9988.HK)
Underlying Price <sup>3</sup> and Source:	HK\$208.00 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	5x (within the Leverage Strategy as described below)
Notional Amount per Certificate:	SGD 1.20
Management Fee (p.a.) <sup>4</sup> :	0.40%
Gap Premium (p.a.) <sup>5</sup> :	5.40%, is a hedging cost against extreme market movements overnight.
Funding Cost <sup>6</sup> :	The annualised costs of funding, referencing a publicly published interbank offered rate plus spread.
Rebalancing Cost <sup>6</sup> :	The transaction costs (if applicable), computed as a function of leverage and daily performance of the Underlying Stock.
Launch Date:	3 June 2021
Closing Date:	9 June 2021
Expected Listing Date:	10 June 2021

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<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 9 June 2021. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 9 June 2021.

<sup>4</sup> Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to “Fees and Charges” below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.

<sup>5</sup> Please note that the Gap Premium is calculated on a 360-day basis.

<sup>6</sup> These costs are embedded within the Leverage Strategy.



Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 1 June 2022
Expiry Date:	8 June 2022 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	7 June 2022 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	<p>The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.</p>
Cash Settlement Amount:	<p>In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:</p> <p>Closing Level multiplied by the Notional Amount per Certificate</p> <p>Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 41 to 56 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.</p>
Hedging Fee Factor:	<p>In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of <math>(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))</math>, where:</p> <p>“t” refers to “<b>Observation Date</b>” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately</p>

preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An “**Underlying Stock Business Day**” is a day on which The Stock Exchange of Hong Kong Limited (the “**HKEX**”) is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the “Information relating to the European Style Cash Settled Long Certificates on Single Equities” section on pages 41 to 56 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left( \frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Strategy is set out in the “Specific Definitions relating to the Leverage Strategy” section on pages 20 to 24 below.

Initial Exchange Rate<sup>3</sup>: 0.1705

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore

Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.

**Air Bag Mechanism:**

The “**Air Bag Mechanism**” refers to the mechanism built in the Leverage Strategy and which is designed to reduce the Leverage Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock falls by 15% or more (“**Air Bag Trigger Price**”) during the trading day (which represents approximately 75% loss after a 5 times leverage), the Air Bag Mechanism is triggered and the Leverage Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Strategy if the Underlying Stock falls further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to rise after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.

The Leverage Strategy is floored at 0 and the Certificates cannot be valued below zero.

Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 22 to 24 below and the “Description of Air Bag Mechanism” section on pages 47 to 49 of this document for further information of the Air Bag Mechanism.

**Adjustments and Extraordinary Events:**

The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

**Underlying Stock Currency:**

Hong Kong Dollar (“**HKD**”)

**Settlement Currency:**

Singapore Dollar (“**SGD**”)

**Exercise Expenses:**

Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.

**Relevant Stock Exchange for the Certificates:**

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)

**Relevant Stock Exchange for the Underlying Stock:**

HKEX

**Business Day and Exchange**

A “**Business Day**” is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are

Business Day:	open for business in Singapore.  An “ <b>Exchange Business Day</b> ” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.
Warrant Agent:	The Central Depository (Pte) Limited (“ <b>CDP</b> ”)
Clearing System:	CDP
Fees and Charges:	<p>Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.</p> <p>Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month’s notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.</p>
Further Information:	Please refer to the website at <a href="http://dlc.socgen.com">dlc.socgen.com</a> for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

### **Specific Definitions relating to the Leverage Strategy**

#### **Description of the Leverage Strategy**

The Leverage Strategy is designed to track a 5 times daily leveraged exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Strategy to the Underlying Stock is reset within the Leverage Strategy in order to retain a daily leverage of 5 times the performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

### **Leverage Strategy Formula**

<b>LSL<sub>t</sub></b>	<p>means, for any Observation Date(t), the Leverage Strategy Closing Level as of such day (t).</p> <p>Subject to the occurrence of an Intraday Restrike Event, the Leverage Strategy Closing Level as of such Observation Date(t) is calculated in accordance with the following formulae:</p> <p>On Observation Date(1):</p> $LSL_1 = 1000$ <p>On each subsequent Observation Date(t):</p> $LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - RC_{t-1,t}), 0]$
<b>LR<sub>t-1,t</sub></b>	<p>means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:</p> $LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right)$
<b>FC<sub>t-1,t</sub></b>	<p>means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :</p> $FC_{t-1,t} = (\text{Leverage} - 1) \times \frac{\text{Rate}_{t-1} \times \text{ACT}(t - 1, t)}{\text{DayCountBasisRate}}$
<b>RC<sub>t-1,t</sub></b>	<p>means the Rebalancing Cost of the Leverage Strategy on Observation Date (t), calculated as follows :</p> $RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left  \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right  \right) \times TC$
<b>TC</b>	<p>means the Transaction Costs applicable (including Stamp Duty) that are equal to :</p> <p>0.10%</p>
<b>Leverage</b>	5
<b>S<sub>t</sub></b>	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
<b>Rate<sub>t</sub></b>	<p>means, in respect of each Observation Date(t), a rate calculated as of such day in accordance with the following formula:</p> $\text{Rate}_t = \text{CashRate}_t + \% \text{SpreadLevel}_t$
<b>Rfactor<sub>t</sub></b>	means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :

$$Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$$

where

$Div_t$  is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered net of any applicable withholding taxes.

**CashRate<sub>t</sub>** means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

**%SpreadLevel<sub>t</sub>** means, in respect of each Observation Date(t), a rate which shall be determined with respect to such Valuation Date(t) by the Calculation Agent as the difference between (1) the 12-month HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKD1YD= and (2) Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page, each being the rate as of day (t), provided that if any of such rates is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.

Provided that if such difference is negative, **%SpreadLevel<sub>t</sub>** should be 0%.

**ACT(t-1,t)** ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

**DayCountBasisRate** 365

### **Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")**

**Extraordinary Strategy** If the Calculation Agent determines that an Intraday Restrike Event has

**Adjustment for  
Performance Reasons**

occurred during an Observation Date(t) (the **Intraday Restrike Date**, noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Strategy Closing Level on the Intraday Restrike Date ( $LSL_{IRD}$ ) should be computed as follows :

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)} \times (1 + ILR_{IR(n),IR(C)} - IRC_{IR(n),IR(C)}), 0]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$LSL_{IRD} = \text{Max}[ILSL_{IR(n)}, 0]$$

**$ILSL_{IR(k)}$**

means, in respect of  $IR(k)$ , the Intraday Leverage Strategy Level in accordance with the following provisions :

(1) for  $k = 1$  :

$$ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$$

(2) for  $k > 1$  :

$$ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$$

**$ILR_{IR(k-1),IR(k)}$**

means the Intraday Leveraged Return between  $IR(k-1)$  and  $IR(k)$ , calculated as follows :

$$ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left( \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$$

**$IRC_{IR(k-1),IR(k)}$**

means the Intraday Rebalancing Cost of the Leverage Strategy in respect of  $IR(k)$  on a given Intraday Restrike Date, calculated as follows :

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right| \right) \times TC$$

**$IS_{IR(k)}$**

means the Underlying Stock Price in respect of  $IR(k)$  computed as follows :

(1) for  $k=0$

$$IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$$

(2) for  $k=1$  to  $n$

means in respect of  $IR(k)$ , the lowest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to  $IR(C)$

$$IS_{IR(C)} = S_{IRD}$$

In each case, subject to the adjustments and provisions of the Conditions.

**$IR(k)$**

For  $k=0$ , means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date

	immediately preceding the relevant Intraday Restrike Date;
	For $k=1$ to $n$ , means the $k^{\text{th}}$ Intraday Restrike Event on the relevant Intraday Restrike Date.
<b>IR(C)</b>	means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.
<b>n</b>	means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.
<b>Intraday Restrike Event</b>	means in respect of an Observation Date(t):  (1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(0)}$ as of such Calculation Time.  (2) if $k$ Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the decrease at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $IS_{IR(k)}$ as of such Calculation Time.
<b>Calculation Time</b>	means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Strategy Level.
<b>TimeReferenceOpening</b>	means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>TimeReferenceClosing</b>	means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).
<b>Intraday Restrike Event Observation Period</b>	means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.  Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.
<b>Intraday Restrike Event Time</b>	means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.



*The Conditions set out in the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.*

## **TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES**

### **1. Form, Status and Guarantee, Transfer and Title**

- (a) *Form.* The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-
- (i) a master instrument by way of deed poll (the “**Master Instrument**”) dated 19 June 2020, made by SG Issuer (the “**Issuer**”) and Société Générale (the “**Guarantor**”); and
  - (ii) a warrant agent agreement (the “**Master Warrant Agent Agreement**” or “**Warrant Agent Agreement**”) dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the “**Certificate Holders**”) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

- (b) *Status and Guarantee.* The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a “**Guarantee Obligation**”).

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the “**Code**”).

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

- (i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force

of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;

- (ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;
- (iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and
- (iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

- (c) **Transfer.** The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.
- (d) **Title.** Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.
- (e) **Bail-In.** By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:
  - (i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:
    - (A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;
    - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

- (C) the cancellation of the Certificates; and/or
- (D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the Regulator,

(the “**Statutory Bail-In**”);

- (ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):

- (A) ranking:
  - (1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1 and 2 of the M&F Code;
  - (2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
  - (3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
- (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer’s obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself, and as if any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the “**Contractual Bail-in**”).

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the

Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

**"Amounts Due"** means any amounts due by the Issuer under the Certificates.

**"Bail-In Power"** means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

**"MREL"** means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

**"Relevant Resolution Authority"** means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

**“Regulator”** means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

## 2. Certificate Rights and Exercise Expenses

- (a) *Certificate Rights.* Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The **“Cash Settlement Amount”**, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The **“Closing Level”**, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left( \frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level} \right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

- (i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

**“Market Disruption Event”** means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

- (b) *Exercise Expenses.* Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the **“Exercise Expenses”**). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the

Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

- (c) **No Rights.** The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

### **3. Expiry Date**

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

### **4. Exercise of Certificates**

- (a) **Exercise.** Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).
- (b) **Automatic Exercise.** Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
- (c) **Settlement.** In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.
- (d) **CDP not liable.** CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with

these Conditions.

- (e) *Business Day.* In these Conditions, a “**Business Day**” shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

## 5. Warrant Agent

- (a) *Warrant Agent.* The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.
- (b) *Agent of Issuer.* The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

## 6. Adjustments

- (a) *Potential Adjustment Event.* Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.
- (b) *Definitions.* “**Potential Adjustment Event**” means any of the following:
  - (i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;
  - (ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a “spin-off” or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;
  - (iii) an extraordinary dividend;
  - (iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

- (v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
  - (vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or
  - (vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.
- (c) *Merger Event, Tender Offer, Nationalisation and Insolvency.* If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:
- (i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;
  - (ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or
  - (iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.



Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

- (d) *Definitions.* “**Insolvency**” means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. “**Merger Date**” means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. “**Merger Event**” means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. “**Nationalisation**” means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. “**Tender Offer**” means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.
- (e) *Other Adjustments.* Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and

without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

- (f) *Notice of Adjustments.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

## **7. Purchases**

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

## **8. Meetings of Certificate Holders; Modification**

- (a) *Meetings of Certificate Holders.* The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is

not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

## **9. Notices**

- (a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.
- (b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

## **10. Liquidation**

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

## **11. Further Issues**

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

## **12. Delisting**

- (a) *Delisting.* If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is

reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

- (b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

### 13. Early Termination

- (a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

**"Regulatory Event"** means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the **"Relevant Affiliates"** and each of the Issuer, Société Générale and the Relevant Affiliates, a **"Relevant Entity"**) that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the

Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

**"Change in law"** means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

- (b) *Early Termination for Holding Limit Event.* The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

**"Holding Limit Event"** means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

- (c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.
- (d) *Termination.* If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and

to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

#### **14. Governing Law**

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

#### **15. Prescription**

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

#### **16. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore**

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

## SUMMARY OF THE ISSUE

*The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.*

Issuer:	SG Issuer
Company:	Alibaba Group Holding Limited
The Certificates:	European Style Cash Settled Long Certificates relating to the Underlying Stock
Number:	12,500,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 19 June 2020 (the “ <b>Master Instrument</b> ”) and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the “ <b>Master Warrant Agent Agreement</b> ”) and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to:  Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates
Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples

thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.

Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 10 June 2021.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.



## INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED LONG CERTIFICATES ON SINGLE EQUITIES

### What are European Style Cash Settled Long Certificates on Single Equities?

European style cash settled long certificates on single equities (the “**Certificates**”) are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Strategy.

#### **A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry**

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

- (1) is the Final Reference Level multiplied by the Final Exchange Rate;
- (2) is the Initial Reference Level multiplied by the Initial Exchange Rate;
- (3) is the Strike Level; and
- (4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed “Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities” for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will increase and are seeking short-term leveraged exposure to the Underlying Stock.

#### **B) Trading the Certificates before Expiry**

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

- (i) For Certificate Holders who trade the Certificates intraday: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and
- (ii) For Certificate Holders who hold the Certificates overnight: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Strategy including the Funding Cost and Rebalancing Cost.

### Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees
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Daily Fees	=	<b>Daily Management Fee Adjustment</b>	
		1 – Management Fee x ACT (t-1;t) / 360	
		x	
		<b>Daily Gap Premium Adjustment</b>	
		1 – Gap Premium (t-1) x ACT (t-1;t) / 360	

### Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

Value of Certificates	=	t=0	x	t=1	x	t=2	x ...	t=i
		Notional Amount		Leverage Strategy daily performance <sup>8</sup> x Daily Fees		Leverage Strategy daily performance x Daily Fees		Leverage Strategy Daily performance x Daily Fees

Value of Certificates	=	t=0	x	<b>Product of the daily Leverage Strategy Performance</b>		x	<b>Product of the Daily Fees (Hedging Fee Factor)</b>	
		Notional Amount		Leverage Strategy daily performance x Leverage Strategy daily performance	Daily Fees x Daily Fees			

Final Value of Certificates	=	t=0	x	Final Reference Level x Final Exchange Rate	÷	x	Hedging Fee Factor
		Notional Amount		Initial Reference Level x Initial Exchange Rate			

### Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

<sup>7</sup> “t” refers to “**Observation Date**” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.

<sup>8</sup> Leverage Strategy daily performance is computed as the Leverage Strategy Closing Level on Business Day (t) divided by the Leverage Strategy Closing Level on Business Day (t-1).

### Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

*The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.*

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of Alibaba Group Holding Limited
Expected Listing Date:	<b>03/07/2018</b>
Expiry Date:	<b>18/07/2018</b>
Initial Reference Level:	<b>1,000</b>
Initial Exchange Rate:	<b>1</b>
Final Reference Level:	<b>1,200</b>
Final Exchange Rate:	<b>1</b>
Issue Price:	<b>1.20 SGD</b>
Notional Amount per Certificate:	<b>1.20 SGD</b>
Management Fee (p.a.):	<b>0.40%</b>
Gap Premium (p.a.):	<b>5.40%</b>
Strike Level:	Zero

### Hedging Fee Factor

Hedging Fee Factor on the  $n^{\text{th}}$  Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

$$\text{HFF}(0) = 100\%$$

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1; t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 5.40\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9850\% \approx 99.9839\%$$

Assuming 2<sup>nd</sup> Underlying Stock Business Day falls 3 Calendar Days after 1<sup>st</sup> Underlying Stock Business Day:

$$\text{HFF (2)} = \text{HFF (1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t - 1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t - 1; t)}}{360}\right)$$

$$\text{HFF (2)} = 99.9839\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 5.40\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9839\% \times 99.9967\% \times 99.9550\% \approx 99.9356\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF (n)} = \text{HFF (n - 1)} \times \left(1 - \text{Management Fee} \times \frac{\text{ACT (t - 1; t)}}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT (t - 1; t)}}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7586% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9839%
5/7/2018	99.9678%
6/7/2018	99.9517%
9/7/2018	99.9034%
10/7/2018	99.8873%
11/7/2018	99.8712%
12/7/2018	99.8551%
13/7/2018	99.8390%
16/7/2018	99.7907%
17/7/2018	99.7747%
18/7/2018	99.7586%

### Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

$$= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.7586\%$$

$$= 119.71\%$$

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

$$= 119.71\% \times 1.20 \text{ SGD}$$

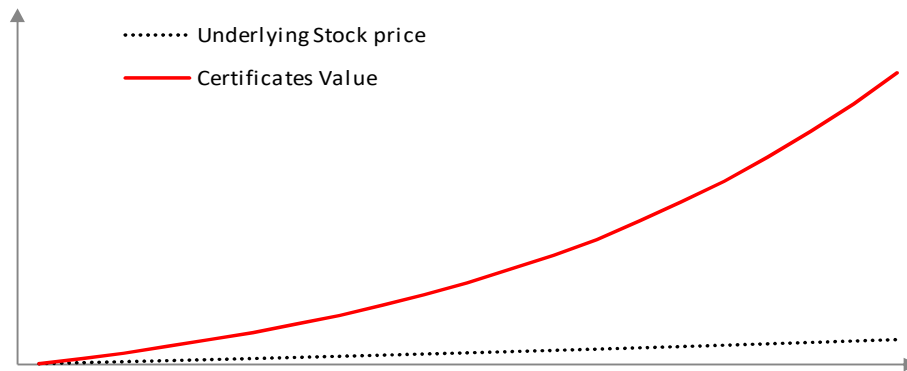
$$= \mathbf{1.437 \text{ SGD}}$$

## Illustration on how returns and losses can occur under different scenarios

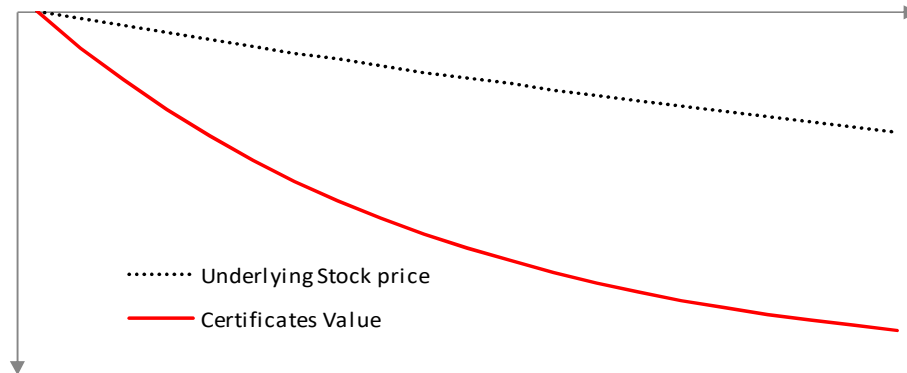
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

### 1. Illustrative examples

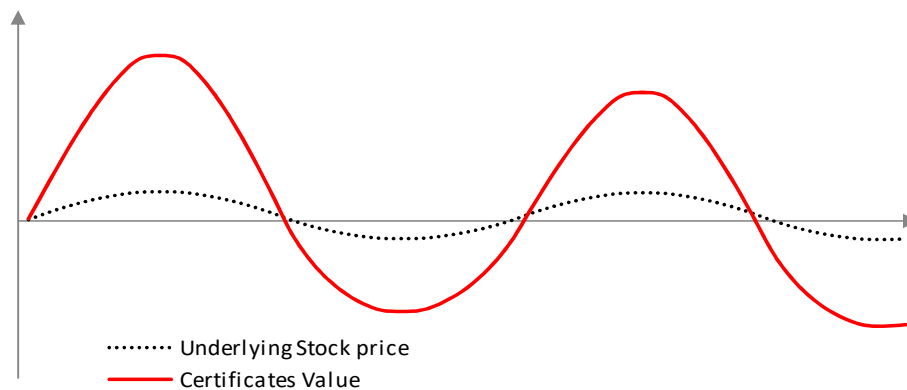
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market



## 2. Numerical Examples

### Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	1.2	1.32	1.45	1.60	1.76	1.93
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

### Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	1.2	1.08	0.97	0.87	0.79	0.71
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

### Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	-10.0%	10.0%	-10.0%	10.0%
Price at end of day	1.2	1.32	1.19	1.31	1.18	1.29
Accumulated Return		10.00%	-1.00%	8.90%	-1.99%	7.81%

## Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its minimum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Strategy is reset using the minimum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Strategy, 30 minutes after the Air Bag trigger.

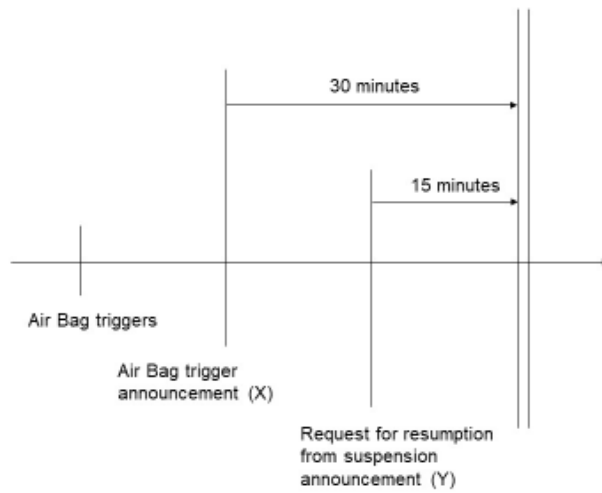
Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

### Air Bag Mechanism timeline

Air Bag Trigger	Observation Period	Resumption of Trading
More than 45 minutes before Market Close	First 15 minutes after Air Bag Trigger	Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger
45 minutes before Market Close		Next trading day at Market Open
30 to 45 minutes before Market Close		
30 minutes before Market Close		
15 to 30 minutes before Market Close		
15 minutes before Market Close		
Less than 15 minutes before Market Close	From Air Bag Trigger to Market Close	

With **Market Close** defined as:

- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

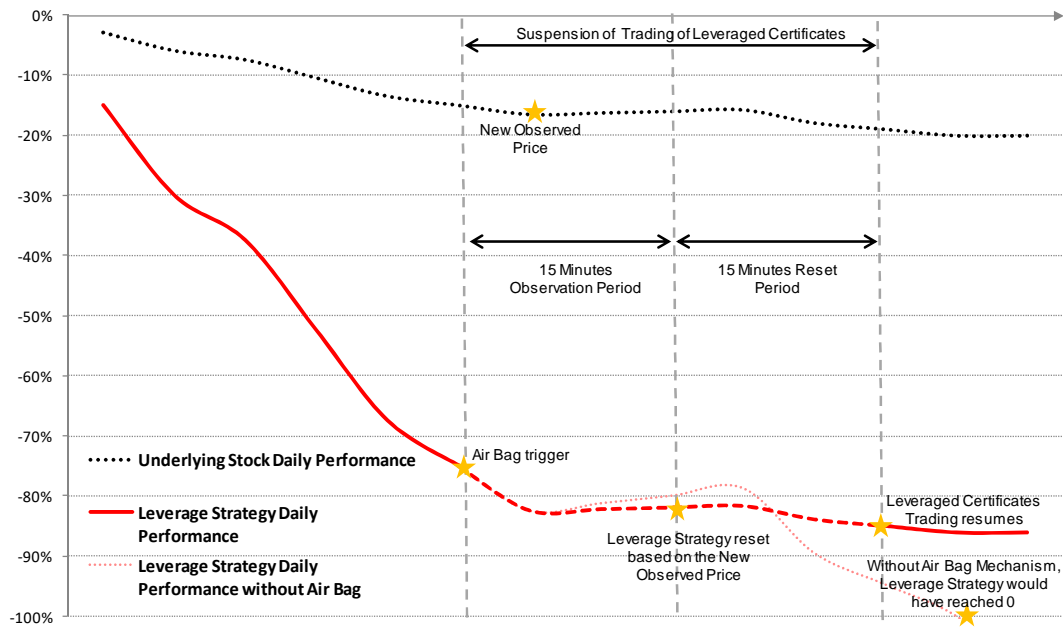


- The later between  $X+30$  minutes or  $Y+15$  minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates.
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day.

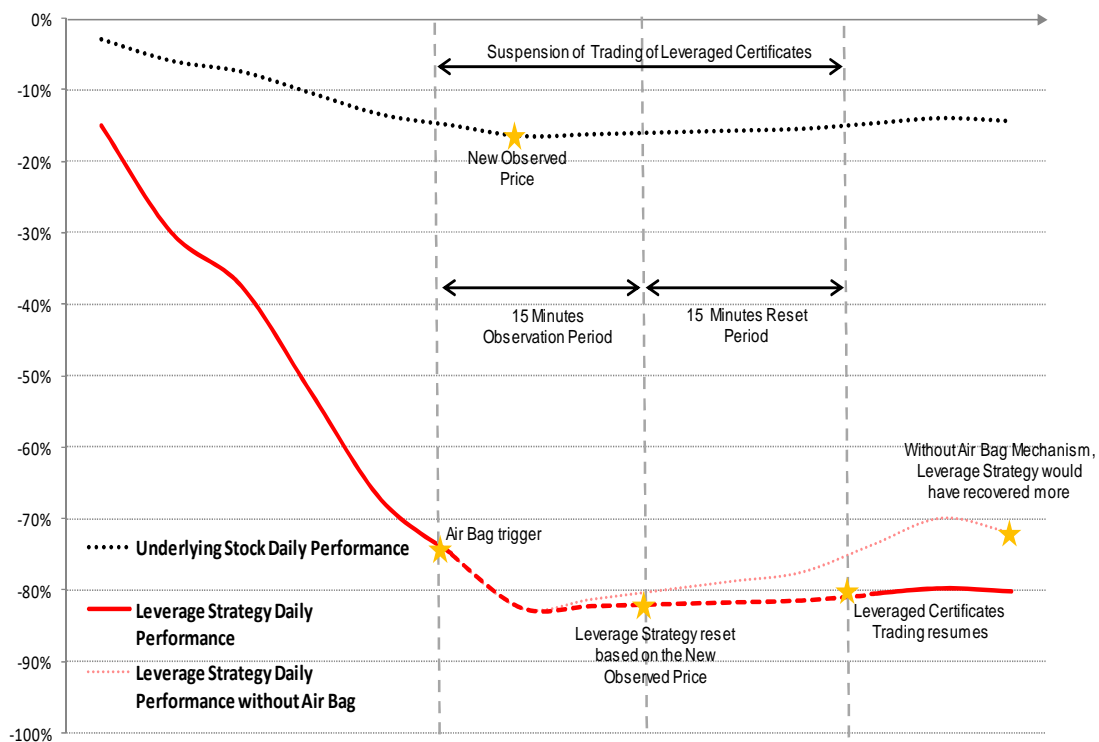


## Illustrative examples of the Air Bag Mechanism<sup>9</sup>

### Scenario 1 – Downward Trend after Air Bag trigger



### Scenario 2 – Upward Trend after Air Bag trigger



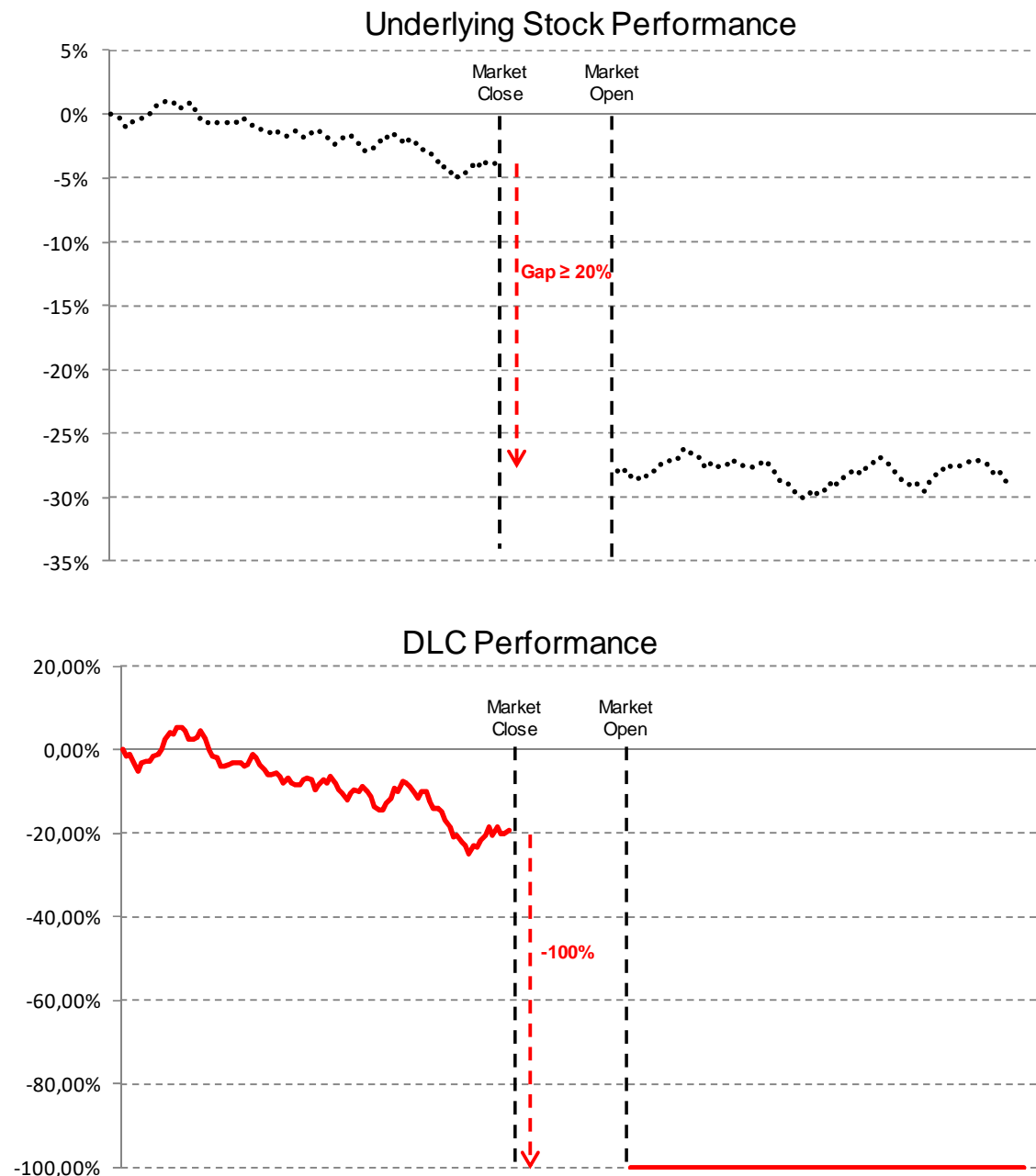
<sup>9</sup> The illustrative examples are not exhaustive.

## Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

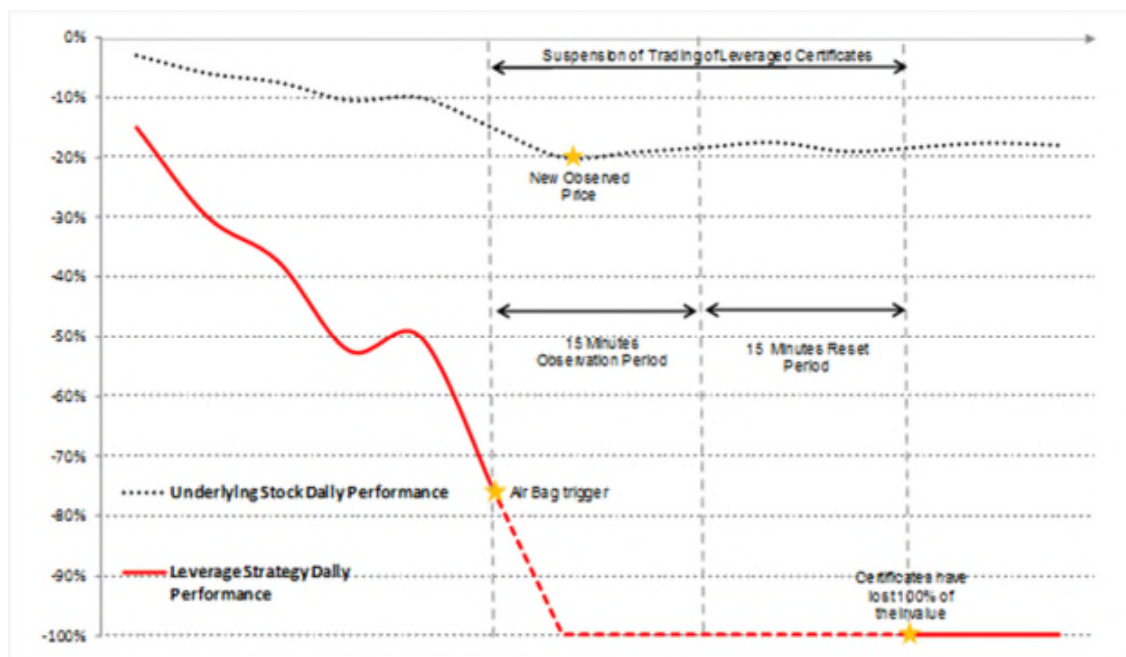
### Scenario 1 – Overnight fall of the Underlying Stock

On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more below the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.



### Scenario 2 – Sharp intraday fall of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock falls by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



## Examples and illustrations of adjustments due to certain corporate actions

*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.*

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the  $Rfactor_t$  with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[ 1 - \frac{Div_t + DivExc_t - M \times R}{S_{t-1}} \right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of  $Rfactor_t$  would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price falls by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$DivExc_t$  is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

**M** is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

**R** is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

### 1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$$S_{t-1} = \$100$$

$$S_t = \$51$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 2 \times 0}{100} \right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left( \frac{51}{100 \times 50\%} - 1 \right) = 10\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.32	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$42.5, which is 15% below \$50, the Underlying Stock Reference Price.

## 2. Share Consolidation

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

$$S_{t-1} = \$100$$

$$S_t = \$202$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = \$0 (no subscription price / redemption price)

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - (-0.5) \times 0}{100} \right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left( \frac{202}{100 \times 200\%} - 1 \right) = 5\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.26	5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$170, which is 15% below \$200, the Underlying Stock Reference Price.

### 3. Rights Issues

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of \$40.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

$$R = \$40 \text{ (i.e. subscription price of \$40)}$$

$$M = 0.5 \text{ (i.e. 1 new share for every 2 existing shares)}$$

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 0.5 \times 40}{100} \right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left( \frac{84}{100 \times 80\%} - 1 \right) = 25\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.50	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.

#### 4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

$$S_{t-1} = \$100$$

$$S_t = \$85$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$0$$

$$R = \$0$$

$$M = 0.2 \text{ (i.e. 1 new share for 5 existing shares)}$$

$$Rfactor_t = \left[ 1 - \frac{0 + 0 - 0.2 \times 0}{100} \right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left( \frac{85}{100 \times 83.33\%} - 1 \right) = 10\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.32	10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$70.83, which is 15% below \$83.33, the Underlying Stock Reference Price.

#### 5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

$$S_{t-1} = \$100$$

$$S_t = \$84$$

$$\text{Div}_t = \$0$$

$$\text{DivExc}_t = \$20$$

$$R = \$0$$

$$M = 0$$

$$Rfactor_t = \left[ 1 - \frac{0 + 20 - 0 \times 0}{100} \right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left( \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right) = 5 \times \left( \frac{84}{100 \times 80\%} - 1 \right) = 25\%$$

$S_{t-1}$	$S_{t-1} \times Rfactor_t$	$S_t$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.50	25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price falls to \$68, which is 15% below \$80, the Underlying Stock Reference Price.



## INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the “HKExCL”) at <http://www.hkex.com.hk> and/or the Company’s web-site at <http://www.alibabagroup.com/>. The Issuer has not independently verified any of such information.*

Alibaba Group Holding Limited (the “**Company**”) is a holding company that provides the technology infrastructure and marketing reach to help merchants, brands and other businesses to leverage the power of new technology to engage with users and customers to operate. The Company operates four business segments. The Core Commerce segment provides China retail, China wholesale, International retail, International wholesale, Cainiao logistics services and local consumer services through Taobao Marketplace and Tmall. The Cloud Computing segment provides complete suite of cloud services, including database, storage, network virtualization services, big data analytics and others. The Digital Media and Entertainment segment provides consumer services beyond the core business operations. The Innovation Initiatives and Others segment is to innovate and deliver new services and products.

The information set out in Appendix I of this document relates to the unaudited financial results of the Company and its subsidiaries for the quarter and fiscal year ended 31 March 2021 and has been extracted and reproduced from an announcement by the Company dated 13 May 2021 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

## INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker (“DMM”) for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

- (a) Maximum bid and offer spread : (i) when the best bid price of the Certificate is S\$10 and below: 10 ticks or S\$0.20 whichever is greater; and  
(ii) when the best bid price of the Certificate is above S\$10: 5% of the best bid price of the Certificate.
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

- (i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;
- (ii) if the Certificates are valueless (where the Issuer’s bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);
- (iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;
- (iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;
- (v) where the Certificates are suspended from trading for any reason;
- (vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;
- (vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;
- (viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;
- (ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;
- (x) if the stock market experiences exceptional price movement and volatility;

- (xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and
- (xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

## **SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER**

The information set out in Appendix II of this document is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2020 and its auditor's report.

## **SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR**

The information set out in Appendix III of this document is a reproduction of the press release dated 6 May 2021 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2021.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 105 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.
2. Settlement of trades done on a normal “ready basis” on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed “Summary of the Issue” above.
3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.
4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2020 or the Guarantor since 31 March 2021, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
  - (a) the Guarantee;
  - (b) the Master Instrument; and
  - (c) the Master Warrant Agent Agreement.

None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.
8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;
  - (b) the latest financial reports (including the notes thereto) of the Issuer;
  - (c) the latest financial reports (including the notes thereto) of the Guarantor;
  - (d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;
  - (e) the Base Listing Document;
  - (f) this document; and
  - (g) the Guarantee.

## **PLACING AND SALE**

### **General**

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall be deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

### **Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

### **Hong Kong**

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (CWUMPO) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **European Economic Area and the United Kingdom**

Each dealer represents and agrees, and each further dealer appointed in respect of the



Certificates will be required to represent and agree that, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
  - (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

In respect of the United Kingdom, each dealer has further represented and agreed, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

- (a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

#### **United States**

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or

disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

## **APPENDIX I**

### **REPRODUCTION OF THE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND FISCAL YEAR ENDED 31 MARCH 2021 OF ALIBABA GROUP HOLDING LIMITED AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the unaudited financial results of the Company and its subsidiaries for the quarter and fiscal year ended 31 March 2021 and has been extracted and reproduced from an announcement by the Company dated 13 May 2021 in relation to the same.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

We have one class of shares, and each holder of our shares is entitled to one vote per share. As the Alibaba Partnership’s director nomination rights are categorized as a weighted voting rights structure (the “**WVR structure**”) under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, we are deemed as a company with a WVR structure. Shareholders and prospective investors should be aware of the potential risks of investing in a company with a WVR structure. Our American depositary shares, each representing eight of our shares, are listed on the New York Stock Exchange in the United States under the symbol BABA.



**Alibaba Group**  
阿里巴巴集团

**Alibaba Group Holding Limited**  
**阿里巴巴集團控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 9988)**

## **ANNOUNCEMENT OF THE MARCH QUARTER 2021 AND FISCAL YEAR 2021 RESULTS**

We hereby announce our unaudited results for the three months ended March 31, 2021 (“**March Quarter 2021**”) and the fiscal year ended March 31, 2021 (“**Fiscal Year 2021**”). The March Quarter 2021 and Fiscal Year 2021 unaudited results announcement is available for viewing on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.alibabagroup.com](http://www.alibabagroup.com).

By order of the Board  
**Alibaba Group Holding Limited**  
**Kevin Jinwei ZHANG**  
*Secretary*

Hong Kong, May 13, 2021

As at the date of this announcement, our board of directors is comprised of Mr. Daniel Yong ZHANG as the chairman, Mr. Joseph C. TSAI, Ms. Maggie Wei WU, Mr. J. Michael EVANS, Mr. Eric Xiandong JING and Mr. Kabir MISRA as directors, and Mr. Chee Hwa TUNG, Mr. Walter Teh Ming KWAUK, Mr. Jerry YANG, Mr. E. Börje EKHOLM and Ms. Wan Ling MARTELLO as independent directors.



## Alibaba Group Announces March Quarter and Full Fiscal Year 2021 Results

**Hangzhou, China, May 13, 2021** – Alibaba Group Holding Limited (NYSE: BABA and HKEX: 9988, “Alibaba” or “Alibaba Group”) today announced its financial results for the quarter and fiscal year ended March 31, 2021.

“Alibaba achieved a historic milestone of one billion annual active consumers globally in the fiscal year ended March 2021,” said Daniel Zhang, Chairman and Chief Executive Officer of Alibaba Group. “Our overall business delivered strong growth on a healthy foundation, with the Alibaba Ecosystem generating a record US\$1.2 trillion in GMV during this fiscal year. Such achievements were built on top of clear value propositions that we offer to consumers and merchants. We remain very excited about the growth of China’s consumption economy, which is benefiting from the acceleration of digitalization in all aspects of life and work. We will continue to focus on customer experience and value creation through innovation, as we pursue our mission to make it easy to do business anywhere in the digital era.”

“We surpassed our annual revenue guidance in fiscal year 2021 by achieving strong organic revenue growth of 32% excluding the consolidation of the newly-acquired Sun Art. This was driven by robust performance of our core commerce businesses as well as continued growth of Alibaba Cloud. Our adjusted EBITDA grew 25% year-over-year while we increased investments in new businesses and key strategic growth areas,” said Maggie Wu, Chief Financial Officer of Alibaba Group. “We expect to generate over RMB930 billion in revenue in fiscal year 2022. Given the market potential and our proven profit and cash flow generation capabilities, we plan to use all of our incremental profits and additional capital in fiscal year 2022 to support our merchants and invest into new businesses and key strategic areas that will help us increase consumer wallet share and penetrate into new addressable markets.”

### BUSINESS HIGHLIGHTS

#### In the quarter ended March 31, 2021:

- **Revenue** was RMB187,395 million (US\$28,602 million), an increase of 64% year-over-year. Excluding the consolidation of Sun Art, our revenue would have grown 40% year-over-year to RMB159,952 million (US\$24,413 million).
- **Annual active consumers** on our China retail marketplaces was 811 million for the twelve months ended March 31, 2021, an increase of 32 million from the twelve months ended December 31, 2020.
- **Mobile MAUs** on our China retail marketplaces reached 925 million in March 2021, an increase of 23 million over December 2020.
- **Loss from operations** was RMB7,663 million (US\$1,170 million) due to a RMB18,228 million (US\$2,782 million) fine levied by China’s State Administration for Market Regulation pursuant to China’s Anti-monopoly Law (the “Anti-monopoly Fine”). Excluding this one-time impact, our income from operations would have been RMB10,565 million (US\$1,612 million), an increase of 48% year-over-year. **Adjusted EBITDA**, a non-GAAP measurement, increased 18% year-over-year to RMB29,898 million (US\$4,563 million). **Adjusted EBITA**, a non-GAAP measurement, increased 14% year-over-year to RMB22,612 million (US\$3,451 million).

- **Net loss attributable to ordinary shareholders** was RMB5,479 million (US\$836 million), and **net loss** was RMB7,654 million (US\$1,168 million), primarily due to the above-mentioned Anti-monopoly Fine. Excluding this impact and certain other items, **non-GAAP net income** was RMB26,216 million (US\$4,001 million), an increase of 18% year-over-year.
- **Diluted loss per ADS** was RMB1.99 (US\$0.30) and **diluted loss per share** was RMB0.25 (US\$0.04 or HK\$0.30), primarily due to the above-mentioned Anti-monopoly Fine. Excluding this impact and certain other items, **non-GAAP diluted earnings per ADS** was RMB10.32 (US\$1.58), an increase of 12% year-over-year and **non-GAAP diluted earnings per share** was RMB1.29 (US\$0.20 or HK\$1.53), an increase of 12% year-over-year.
- **Net cash provided by operating activities** was RMB24,183 million (US\$3,691 million). **Non-GAAP free cash flow** was an outflow of RMB658 million (US\$100 million), compared to an outflow of RMB4,214 million in the same quarter of 2020.

#### **In the fiscal year ended March 31, 2021:**

- **Revenue** was RMB717,289 million (US\$109,480 million), an increase of 41% year-over-year. Excluding the consolidation of Sun Art starting in October 2020, our revenue would have grown 32% year-over-year to RMB674,420 million (US\$102,937 million).
- **Annual active consumers** for the Alibaba Ecosystem reached a milestone of over 1 billion, including 891 million consumers across our China retail marketplace, Local Consumer Services and digital media and entertainment platforms, and approximately 240 million consumers outside China. Annual active consumers on our China retail marketplaces was 811 million, an increase of 85 million from the twelve months ended March 31, 2020.
- **Mobile MAUs** on our China retail marketplaces reached 925 million in March 2021, an increase of 79 million over March 2020.
- **GMV** transacted in the Alibaba Ecosystem was RMB8,119 billion (US\$1,239 billion) for fiscal year 2021, which mainly included China retail marketplaces GMV of RMB7,494 billion (US\$1,144 billion), as well as international retail marketplaces and Local Consumer Services GMV.
- **Income from operations** was RMB89,678 million (US\$13,688 million), a decrease of 2% year-over-year, primarily due to the above-mentioned Anti-monopoly Fine as well as a RMB16,054 million increase in share-based compensation expense related to Ant Group share-based awards granted to our employees. **Adjusted EBITDA**, a non-GAAP measurement, increased 25% year-over-year to RMB196,842 million (US\$30,044 million). **Adjusted EBITA**, a non-GAAP measurement, increased 24% year-over-year to RMB170,453 million (US\$26,016 million).
- **Adjusted EBITA for core commerce** was RMB194,512 million (US\$29,688 million), an increase of 17% year-over-year. Our **marketplace-based core commerce adjusted EBITA**, a non-GAAP measurement, increased 17% year-over-year to RMB229,134 million (US\$34,973 million). Starting this quarter, for purposes of presenting our marketplace-based core commerce adjusted EBITA, we expanded the list of new initiative businesses that we break out in order to present the progress of our strategic investments as well as the profitability of our marketplace-based core commerce businesses on a like-for-like basis. The new initiative businesses, which now include our New Retail businesses (primarily Freshippo, Tmall Supermarket, Community Marketplaces and Taoxianda), Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others, represent strategic areas where we are executing to capture incremental opportunities. Comparative figures are presented in the same manner accordingly.

- **Net income attributable to ordinary shareholders** was RMB150,308 million (US\$22,941 million), and **net income** was RMB143,284 million (US\$21,869 million), which reflected the above-mentioned Anti-monopoly Fine and the increase in share-based compensation expense described in “Income from operations” above. Excluding these impacts and certain other items, **non-GAAP net income** was RMB171,985 million (US\$26,250 million), an increase of 30% year-over-year.
- **Diluted earnings per ADS** was RMB54.70 (US\$8.35) and **diluted earnings per share** was RMB6.84 (US\$1.04 or HK\$8.09), which reflected the above-mentioned Anti-monopoly Fine and the increase in share-based compensation expense described in “Income from operations” above. Excluding these impacts and certain other items, **non-GAAP diluted earnings per ADS** was RMB65.15 (US\$9.94), an increase of 23% year-over-year and **non-GAAP diluted earnings per share** was RMB8.14 (US\$1.24 or HK\$9.63), an increase of 23% year-over-year.
- **Net cash provided by operating activities** was RMB231,786 million (US\$35,378 million) and **non-GAAP free cash flow** was RMB172,662 million (US\$26,353 million), an increase of 32% year-over-year.

Reconciliations of GAAP measures to non-GAAP measures presented above are included at the end of this results announcement.

## **BUSINESS AND STRATEGIC UPDATES**

### **Alibaba Ecosystem**

Our China consumer-facing businesses include China retail marketplaces, Local Consumer Services and digital media and entertainment platforms, serving the Chinese consumer sector, which is a RMB41.9 trillion (US\$6.4 trillion) market for the twelve months ended March 31, 2021, according to the National Bureau of Statistics. Our China consumer-facing businesses served 891 million annual active consumers during the twelve months ended March 31, 2021. Our international retail marketplaces, which include mainly the AliExpress cross-border retail platform and Lazada in Southeast Asia, served approximately 240 million annual active consumers during the same period. Our China and international consumer segments combined to serve over one billion annual active consumers and generated RMB8,119 billion (US\$1,239 billion) in GMV.

Our digital infrastructure, such as smart logistics and cloud computing, which enables and underpins across our platforms to serve our major commerce, local services and entertainment businesses, gives us unique technology-driven capabilities to meet changing consumer demand and help our enterprise customers and partners achieve digital transformation.

### **Core Commerce**

**China Retail Marketplaces – comprehensive product supply and engaging user experience drive consumer growth and high consumer retention rate**

#### *Consumers*

In March 2021, our China retail marketplaces had 925 million mobile MAUs, representing annual and quarterly net increases of 79 million and 23 million, respectively. There were 811 million annual active consumers on our China retail marketplaces for the twelve months ended March 31, 2021, representing annual and quarterly net increases of 85 million and 32 million, respectively. In fiscal year 2021, approximately 70% of new annual active consumers were from less developed areas.

In fiscal year 2021, the strong GMV and user growth on our China retail marketplaces reflected our strategic focus on less developed cities and towns and broadening offerings of products and services to meet diverse

consumption demand. Overall online physical goods GMV, excluding unpaid orders, grew 21% year-over-year in fiscal year 2021, driven primarily by the fast-moving-consumer-goods (FMCG) and home furnishing categories, and 33% year-over-year in the March quarter, driven primarily by the apparel and home furnishing categories. For the March quarter, Tmall online physical goods GMV, excluding unpaid orders, grew 26% year-over-year and Taobao online physical goods GMV, excluding unpaid orders, grew even faster as SME merchants recovered from the pandemic.

Our app platforms appeal to a growing and increasingly diverse consumer base at various income levels as well as present different purchase use cases for the same consumer. Taobao Deals (特价版) offers value-for-money products for the price-conscious consumer and achieved rapid growth in fiscal year 2021. Annual active consumers of Taobao Deals reached over 150 million for the twelve months ended March 31, 2021. Taobao Deals continues to be an offering that attracts incremental users especially in less developed areas, and we have seen robust retention rate given its clear value-for-money proposition and its expanding product selections in different categories.

We also saw increasing engagement of the existing consumer base on our China retail app platforms. The longer a consumer has shopped on our platforms, the more they spend through more orders across more product categories. In fiscal year 2021, average annual spending per consumer on our China retail marketplaces reached over RMB9,200 (US\$1,404). Consumers on our China retail marketplaces exhibit high retention across all spending levels.

### *Product Supply*

A key to the success of our business is broadening product supply, including increasing the range of branded and imported products, going upstream to directly source agricultural products and expanding the breadth of selection of value-for-money and long-tail products. Consumption upgrading also helped to drive our business, as more consumers are purchasing from flagship stores of high-end brands and international retailers on our platforms. More than 200 luxury brands and retailers, such as Cartier, Farfetch, Gucci, IWC and Van Cleef & Arpels, operated their flagship stores on our China retail marketplaces, as of March 31, 2021.

### *Engagement*

The Taobao app is the largest social commerce platform in China, offering rich, highly relevant and curated content and features that enable merchants to engage with consumers through live-streaming, short-form videos, interactive games and microblogs. Among these interactive features, livestreaming is one of the fastest growing with significant scale. Taobao Live GMV reached over RMB500 billion (US\$76.3 billion) in fiscal year 2021.

### **New Retail – multi-format New Retail businesses built on an expanding digital supply chain and increasingly diversified fulfilment services**

Our New Retail strategy is to develop a digital commerce infrastructure that offers an upgraded consumer experience by seamlessly integrating online and offline. Over the years, we have helped many retailers digitally transform their businesses and created multiple retail formats that have enabled new consumption experiences by leveraging our consumer insights and technology. These New Retail businesses are supported and strengthened by our ecosystem with an expanding supply chain and increasingly diversified fulfilment services.

Our New Retail commerce infrastructure now offers a full range of high-frequency fulfilment services that include on-demand delivery, same-or-next day delivery and next day pick-up services for a full range of consumable and physical products. We will continue to expand all of these fulfilment services across China to reach and serve even more consumers in both large cities and less developed areas as well as drive higher purchase frequency through more effective cross-selling on our China retail marketplaces.



*Community Marketplaces* – As part of our latest exploration in New Retail, we started the Community Marketplaces business in select regions in China. Our Community Marketplaces business is supported by our next-day pickup fulfilment services and the supply capabilities of Freshippo, Sun Art and other partners. Given the initial success and long-term growth potential, we established a new business group in early 2021 to consolidate the resources and capabilities of the Alibaba Ecosystem in order to accelerate the growth of our Community Marketplaces business. Our Community Marketplaces are rapidly expanding their logistics and fulfilment infrastructure and aim to achieve broad coverage across mainland China within the next twelve months.

*Freshippo* – Our self-operated retail chain Freshippo (known as “Hema” in Chinese) continued to execute a multi-format and multi-banner expansion strategy. In fiscal year 2021, Freshippo achieved healthy same-store sales growth, enriched and optimized its product selection and introduced new initiatives to improve customer experience. As of March 31, 2021, we had 257 self-operated Freshippo stores (compared to 202 stores as of March 31, 2020), primarily located in tier-one and tier-two cities throughout China.

*Taoxianda* – Taoxianda, our online-offline retail integration service solution for FMCG brands and third-party grocery retail partners, puts us at the forefront of transforming the retail industry by digitalizing all aspects of store-based operations. Taoxianda drove Sun Art’s digitalization of its hypermarkets and, along with our other businesses, facilitated the growth of Sun Art’s online revenue. For the twelve months ended March 31, 2021, online revenue represented 24% of Sun Art’s sales of goods, increasing from 17% for the twelve months ended March 31, 2020. As of March 31, 2021, in addition to Sun Art, Taoxianda helped 42 retail chains to open online stores with services available across 145 cities in China and enabled over 168 retail chains, supermarkets and marketplaces to digitalize their marketing program.

#### **Local Consumer Services – Investing for new user acquisition and enhanced consumer experience**

In fiscal year 2021, Ele.me continued to improve its merchant supply and operating efficiency, as reflected in the increasing number of merchants, higher portion of GMV from national and regional chains and improved unit economics year-over-year. Building on this progress, starting from the March quarter 2021, Ele.me stepped up its investment in user acquisition as well as user experience enhancement. For example, during the Chinese New Year period Ele.me increased its rider subsidy to address the usual shortage of riders. As a result, Ele.me’s average daily number of paying members continued to grow strongly at approximately 40% year-over-year during the March quarter.

#### **Cainiao Network – improving efficiency across the Alibaba Ecosystem and the logistics industry in China and internationally**

Cainiao Network continues to expand both its domestic services and global smart logistics infrastructure by deepening integration with logistics partners as well as offering more products and services. In fiscal year 2021, after elimination of inter-company transactions, Cainiao Network achieved solid revenue growth of 68% year-over-year, to RMB37,258 million (US\$5,687 million), representing 5% of our total revenue. Cainiao Network also reached an important milestone of generating positive operating cash flow during fiscal year 2021.

A key driver of Cainiao Network’s strong financial performance is its global smart logistics infrastructure, which took years of investment to build. This global logistics infrastructure now enjoys increasing adoption of “Fulfilled by Cainiao” services by merchants from our fast growing cross-border businesses, including AliExpress and Tmall Global. Daily package volume on Cainiao Network’s global parcel network for the month ended March 31, 2021 exceeded 5 million.

In China, Cainiao Network expanded the coverage of Cainiao Post (neighborhood and campus stations and residential self-pick up stations), as well as improved the customer experience of Cainiao Guoguo (crowdsourced parcel pick-up and delivery service). In March 2021, Cainiao Post’s average daily package volume nearly tripled year-over-year.

## **International – consistent strong growth of Lazada and AliExpress**

Our international commerce retail business, mainly including Lazada and AliExpress, grew rapidly to achieve approximately 240 million annual active consumers in the twelve months ended March 31, 2021.

*Lazada* – Lazada recorded triple-digit year-over-year order growth during the fiscal year and quarter ended March 31, 2021. Lazada continued to focus on investing in technology and logistics to enable merchants to better service consumers. We have seen strong adoption of store operation and business analytics tools by merchants on the Lazada platform, enabling them to achieve scale and GMV growth.

*AliExpress* – AliExpress is a marketplace for consumers from around the world to buy directly from manufacturers and distributors, mainly from China but also increasingly in consumers' local markets. AliExpress continued to improve its localization initiatives in the areas of differentiated product offerings and improved local delivery experience, which resulted in robust user and GMV growth in fiscal year 2021.

## **Cloud Computing**

In 2020, Alibaba Group was ranked third globally and first in the Asia Pacific region in the global Infrastructure-as-a-Service market, according to Gartner's April 2021 report. Alibaba Cloud's unique advantages are its proprietary technology and Alibaba Group's continued commitment to invest in research and development in new product offerings and industry-specific solutions for our customers and partners. Highlights of our proprietary technologies in fiscal year 2021 include:

- **Elastic Computing** - In February 2021, Alibaba Cloud launched the 7th generation ECS public cloud server that increases overall computing power by 40%. Built on top of our proprietary X-Dragon architecture, this new generation server offers mission critical security enhancements, which is especially important for customers in the Internet and finance industries that require fail-safe continuous operations and highly secure cloud infrastructure.
- **Database** - Our proprietary technologies have consistently won recognition from leading research and advisory organizations. For example, in December 2020, PolarDB, one of our key database products, won the first prize of the Science and Technology Progress Award of the Chinese Institute of Electronics.
- **Serverless** - In the first quarter of 2021, Forrester recognized Alibaba Function Compute, our suite of serverless products, as a leader in the Function-as-a-Service (FaaS) market given our technological advancements and comprehensive product offerings. Alibaba Cloud is the only cloud vendor in China to be recognized as a FaaS leader.

In fiscal year 2021, our cloud computing revenue grew 50% year-over-year, to RMB60,120 million (US\$9,176 million), primarily driven by growth in revenue from customers in the Internet, public sector and finance industries. In the March 2021 quarter, cloud computing revenue grew 37% year-over-year to RMB16,761 million (US\$2,558 million). The slower revenue growth during the quarter was primarily due to revenue decline from a top cloud customer in the Internet industry. This customer, which has a sizeable presence outside of China that used our overseas cloud services in the past, has decided to terminate the relationship with respect to their international business due to non-product related requirements. Excluding this customer, Alibaba Cloud's top ten non-affiliated customers together accounted for no more than eight percent of Alibaba Cloud's total revenue in fiscal year 2021. Going forward, we believe that our cloud computing revenue will be further diversified across customers and industries.

## **Digital Media and Entertainment**

During fiscal year 2021, Youku continued to focus on delivering a superior user experience and increasing paying subscribers. Youku's average daily subscriber base continued to grow at a healthy rate, increasing

35% year-over-year during the fiscal year. The increase in paying subscribers was driven by our offerings of original and exclusive content, our effective targeting of new subscribers and a greater contribution from the 88VIP membership program on our China retail marketplaces. We invested in original and exclusive content while ensuring cost efficiencies and return on investment, which resulted in narrowing annual adjusted EBITA losses year-over-year in fiscal year 2021.

Despite the challenges imposed by the COVID-19 pandemic on cinemas and live performance industries, Alibaba Pictures significantly narrowed its losses in fiscal year 2021, given successful diversification of its revenue stream beyond film and ticketing business and enhanced operational efficiency of its online ticketing platform (Tao Piao Piao) with lowered sales and marketing expenses. Alibaba Pictures will continue to diversify its businesses to capture revenue opportunities in the entire entertainment value chain, including content development, production, promotion and distribution, as well as IP commercialization. We believe these initiatives will ensure Alibaba Pictures' long-term growth potential with a diversified revenue stream.

### **Innovation Initiatives and Others**

*Amap* – Amap is the largest provider of mobile digital map, navigation and real-time traffic information in China by monthly active users. It leverages big-data enabled digital mapping technology to power major mobile apps across different industries including local services, ride-hailing services and social networking. Amap reached an important milestone of over 100 million average DAUs in the month of April 2021.

### **Share Repurchases**

Pursuant to our share repurchase authorization, for the fiscal year ended March 31, 2021 and through the publication of this results announcement, we repurchased approximately 1.7 million of our ADSs (or approximately 13.6 million of our ordinary shares) for approximately US\$371 million under the share repurchase program. As of March 31, 2021, we had approximately 21.7 billion ordinary shares issued and outstanding.

### **Cash Flow from Operating Activities and Free Cash Flow**

In the fiscal year 2021, net cash provided by operating activities was RMB231,786 million (US\$35,378 million), an increase of 28% compared to RMB180,607 million in the fiscal year 2020. Free cash flow, a non-GAAP measurement of liquidity, increased by 32% in fiscal year 2021 to RMB172,662 million (US\$26,353 million), from RMB130,914 million in fiscal year 2020, mainly due to our profit growth.

In the quarter ended March 31, 2021, net cash provided by operating activities was RMB24,183 million (US\$3,691 million), which includes a net cash inflow of RMB18,796 million (US\$2,869 million) in connection with the consumer protection fund deposits received primarily from Tmall merchants, as well as our increased spending for strategic initiatives. Free cash flow, which excluded these deposits and certain other items, was an outflow of RMB658 million (US\$100 million) in the quarter ended March 31, 2021, compared to an outflow of RMB4,214 million in the same quarter of 2020. A reconciliation of net cash provided by operating activities to free cash flow is included at the end of this results announcement.

### **Guidance**

The guidance below is a forward-looking statement that reflects assumptions that we believe to be reasonable as of the date of this announcement and involve inherent risks and uncertainties, many of which we are not able to predict or control. Based on our current view of Chinese and global consumption, enterprise digitalization and the competitive landscape, and subject to the uncertainties highlighted under the section entitled “Safe Harbor Statements” below, we expect to generate over RMB930 billion in revenue in fiscal year 2022.

## KEY OPERATIONAL METRICS\*

	March 31, 2020	December 31, 2020	March 31, 2021	Net adds	
				YoY	QoQ
<b>China Commerce Retail:</b>					
Annual active consumers <sup>(1)</sup> (in millions)	726	779	811	85	32
Mobile monthly active users (MAUs) <sup>(2)</sup> (in millions)	846	902	925	79	23

\* For definitions of terms used but not defined in this results announcement, please refer to our annual report for the fiscal year ended March 31, 2020.

(1) For the twelve months ended on the respective dates.

(2) For the month ended on the respective dates.

## MARCH QUARTER SUMMARY FINANCIAL RESULTS

	Three months ended March 31,			
	2020	2021		
	RMB	RMB	US\$( <sup>1</sup> )	YoY % Change
	(in millions, except percentages and per share amounts)			
Revenue	114,314	187,395	28,602	64%
Income (Loss) from operations	7,131	(7,663) ( <sup>3</sup> )	(1,170)	N/A
Operating margin	6%	(4)%		
Adjusted EBITDA( <sup>2</sup> )	25,440	29,898	4,563	18%
Adjusted EBITDA margin( <sup>2</sup> )	22%	16%		
Adjusted EBITA( <sup>2</sup> )	19,827	22,612	3,451	14%
Adjusted EBITA margin( <sup>2</sup> )	17%	12%		
Net income (loss)	348	(7,654) ( <sup>3</sup> )	(1,168)	N/A
Net income (loss) attributable to ordinary shareholders	3,162	(5,479) ( <sup>3</sup> )	(836)	N/A
Non-GAAP net income( <sup>2</sup> )	22,287	26,216	4,001	18%
Diluted earnings (loss) per share( <sup>4</sup> )	0.14	(0.25)	(0.04)	N/A
Diluted earnings (loss) per ADS( <sup>4</sup> )	1.16	(1.99)	(0.30)	N/A
Non-GAAP diluted earnings per share( <sup>2</sup> ) ( <sup>4</sup> )	1.15	1.29	0.20	12%
Non-GAAP diluted earnings per ADS( <sup>2</sup> ) ( <sup>4</sup> )	9.20	10.32	1.58	12%

(1) This results announcement contains translations of certain Renminbi (“RMB”) amounts into U.S. dollars (“US\$”) and Hong Kong dollars (“HK\$”) for the convenience of the reader. Unless otherwise stated, all translations of RMB into US\$ were made at RMB6.5518 to US\$1.00, the exchange rate on March 31, 2021 as set forth in the H.10 statistical release of the Federal Reserve Board, and all translations of RMB into HK\$ were made at RMB0.84518 to HK\$1.00, the middle rate on March 31, 2021 as published by the People’s Bank of China. The percentages stated in this announcement are calculated based on the RMB amounts and there may be minor differences due to rounding.

(2) See the sections entitled “Information about Segments,” “Non-GAAP Financial Measures” and “Reconciliations of Non-GAAP Measures to the Nearest Comparable U.S. GAAP Measures” for more information about the non-GAAP measures referred to within this results announcement.

(3) This included the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million).

(4) Each ADS represents eight ordinary shares.

## MARCH QUARTER INFORMATION BY SEGMENTS

The table below sets forth selected financial information of our operating segments for the periods indicated:

	Three months ended March 31, 2021						
	Core commerce	Cloud computing	Digital media and entertainment <sup>(1)</sup>	Innovation initiatives and others <sup>(1)</sup>	Unallocated <sup>(2)</sup>	Consolidated	
	RMB	RMB	RMB	RMB	RMB	RMB	US\$
	(in millions, except percentages)						
Revenue	161,365	16,761	8,047	1,222	—	187,395	28,602
Income (Loss) from operations	23,382	(1,436)	(3,565)	(4,201)	(21,843)	(7,663)	(1,170)
Add: Share-based compensation expense	4,179	1,738	646	1,006	1,063	8,632	1,318
Add: Amortization of intangible assets	3,119	6	221	16	53	3,415	521
Add: Fine imposed pursuant to China's Anti-monopoly Law	—	—	—	—	18,228	18,228	2,782
Adjusted EBITA	30,680 <sup>(3)</sup>	308	(2,698)	(3,179)	(2,499)	22,612	3,451
Adjusted EBITA margin	19%	2%	(34)%	(260)%		12%	
	Three months ended March 31, 2020						
	Core commerce	Cloud computing	Digital media and entertainment <sup>(1)</sup>	Innovation initiatives and others <sup>(1)</sup>	Unallocated <sup>(2)</sup>	Consolidated	
	RMB	RMB	RMB	RMB	RMB	RMB	
	(in millions, except percentages)						
Revenue	93,865	12,217	7,198	1,034	—	114,314	
Income (Loss) from operations	20,166	(1,757)	(4,478)	(4,035)	(2,765)	7,131	
Add: Share-based compensation expense	4,353	1,570	756	906	1,067	8,652	
Add: Amortization and impairment of intangible assets	3,607	8	387	23	19	4,044	
Adjusted EBITA	28,126 <sup>(3)</sup>	(179)	(3,335)	(3,106)	(1,679)	19,827	
Adjusted EBITA margin	30%	(1)%	(46)%	(300)%		17%	

- (1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.
- (2) Unallocated expenses primarily relate to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.
- (3) Marketplace-based core commerce adjusted EBITA increased 28% year-over-year to RMB44,336 million (US\$6,767 million). Starting this quarter, for purposes of presenting our marketplace-based core commerce adjusted EBITA, we expanded the list of new initiative businesses that we break out in order to present the progress of our strategic investments as well as the profitability of our marketplace-based core commerce businesses on a like-for-like basis. The new initiative businesses, which now include our New Retail businesses, Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others, represent strategic areas where we are executing to capture incremental opportunities. Comparative figures are presented in the same manner accordingly. A reconciliation of adjusted EBITA for core commerce to marketplace-based core commerce adjusted EBITA is included at the end of this results announcement.

## MARCH QUARTER OPERATIONAL AND FINANCIAL RESULTS

### Revenue

Revenue for the quarter ended March 31, 2021 was RMB187,395 million (US\$28,602 million), an increase of 64% compared to RMB114,314 million in the same quarter of 2020. The increase was mainly driven by the robust revenue growth of our China commerce retail business, which includes the consolidation of Sun Art starting in October 2020, and the revenue growth of our Cainiao logistics services and cloud computing businesses. Excluding the consolidation of Sun Art, our revenue would have grown 40% year-over-year to RMB159,952 million (US\$24,413 million).

The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	Three months ended March 31,					YoY % Change
	2020		2021			
	RMB	% of Revenue	RMB	US\$	% of Revenue	
	(in millions, except percentages)					
Core commerce:						
China commerce retail						
- Customer management <sup>(1)</sup>	45,406	40%	63,598	9,707	34%	40%
- Others <sup>(2)</sup>	25,499	22%	59,615	9,099	32%	134%
	70,905	62%	123,213	18,806	66%	74%
China commerce wholesale	2,787	3%	3,370	514	2%	21%
International commerce retail	5,353	5%	9,496	1,449	5%	77%
International commerce wholesale	2,458	2%	3,920	598	2%	59%
Cainiao logistics services	4,951	4%	9,959	1,520	5%	101%
Local Consumer Services	4,841	4%	7,249	1,107	4%	50%
Others	2,570	2%	4,158	635	2%	62%
Total core commerce	93,865	82%	161,365	24,629	86%	72%
Cloud computing	12,217	11%	16,761	2,558	9%	37%
Digital media and entertainment <sup>(3)</sup>	7,198	6%	8,047	1,228	4%	12%
Innovation initiatives and others <sup>(3)</sup>	1,034	1%	1,222	187	1%	18%
Total	114,314	100%	187,395	28,602	100%	64%

(1) We presented our commission revenue as part of customer management revenue in order to better reflect our value proposition to merchants on our platforms. Comparative figures are presented in the same manner accordingly.

(2) “Others” revenue under China commerce retail is primarily generated by our New Retail and direct sales businesses, comprising mainly Sun Art, Tmall Supermarket, Freshippo, direct import and Intime.

(3) Beginning on April 1, 2020, we reclassified revenue from our self-developed online games business, which was previously reported under the innovation initiatives and others segment, as revenue from digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

### Core commerce

- *China commerce retail business*

Revenue from our China commerce retail business in the quarter ended March 31, 2021 was RMB123,213 million (US\$18,806 million), an increase of 74% compared to RMB70,905 million in the same quarter of 2020. Customer management revenue grew 40% year-over-year, primarily due to

an increase in the average unit price per click in search monetization, the growth in revenue from new monetization formats, such as recommendation feeds, as well as robust growth of online physical goods GMV on our China retail marketplaces, excluding unpaid orders. The relatively high year-over-year revenue growth rate was also due to the substantial decline in business activities during the early stages of the COVID-19 pandemic in the same period last year.

“Others” revenue under China commerce retail business was RMB59,615 million (US\$9,099 million), achieving year-over-year growth of 134% compared to RMB25,499 million in the same quarter of 2020. The increase was primarily driven by the consolidation of Sun Art, as well as the contributions from our direct sales businesses, including Tmall Supermarket.

- ***China commerce wholesale business***

Revenue from our China commerce wholesale business in the quarter ended March 31, 2021 was RMB3,370 million (US\$514 million), an increase of 21% compared to RMB2,787 million in the same quarter of 2020. The increase was primarily due to increases in both average revenue from paying members and the number of paying members on 1688.com.

- ***International commerce retail business***

Revenue from our international commerce retail business in the quarter ended March 31, 2021 was RMB9,496 million (US\$1,449 million), an increase of 77% compared to RMB5,353 million in the same quarter of 2020. The increase was primarily due to the growth in revenue generated by Lazada, AliExpress and Trendyol. The relatively high year-over-year revenue growth rate was due to the substantial decline in business activities during the early stages of the COVID-19 pandemic in the same period last year.

- ***International commerce wholesale business***

Revenue from our international commerce wholesale business in the quarter ended March 31, 2021 was RMB3,920 million (US\$598 million), an increase of 59% compared to RMB2,458 million in the same quarter of 2020. The increase was primarily due to increases in both the number of paying members and average revenue from paying members on Alibaba.com, as well as an increase in revenue generated by cross-border related value-added services.

- ***Cainiao logistics services***

Revenue from Cainiao Network’s logistics services, which represents revenue from its domestic and international one-stop-shop logistics services and supply chain management solutions, after elimination of inter-company transactions, was RMB9,959 million (US\$1,520 million) in the quarter ended March 31, 2021, an increase of 101% compared to RMB4,951 million in the same quarter of 2020, primarily due to the increases in both volume of orders fulfilled and average revenue per order from our fast growing cross-border and international commerce retail businesses. The relatively high year-over-year revenue growth rate was also due to the substantial decline in business activities during the early stages of the COVID-19 pandemic in the same period last year.

- ***Local Consumer Services***

Revenue from Local Consumer Services, which primarily represents platform commissions, fees from provision of delivery services and other services provided by our on-demand delivery and local services platform Ele.me, was RMB7,249 million (US\$1,107 million) in the quarter ended March 31, 2021, an increase of 50% compared to RMB4,841 million in the same quarter of 2020, primarily due to an increase in GMV, partly offset by the increase in subsidies for user acquisition and engagement that is contra revenue. The relatively high year-over-year revenue growth rate was also due to mass



closure of restaurants and local merchants in China during the early stages of the COVID-19 pandemic in the same period last year.

### **Cloud computing**

Revenue from our cloud computing business in the quarter ended March 31, 2021 was RMB16,761 million (US\$2,558 million), an increase of 37% compared to RMB12,217 million in the same quarter of 2020, primarily driven by growth in revenue from customers in the Internet, public sector and finance industries. The slower revenue growth during the quarter was primarily due to revenue decline from a top cloud customer in the Internet industry. This customer, which has a sizeable presence outside of China that used our overseas cloud services in the past, has decided to terminate the relationship with respect to their international business due to non-product related requirements.

### **Digital media and entertainment**

Revenue from our digital media and entertainment segment in the quarter ended March 31, 2021 was RMB8,047 million (US\$1,228 million), an increase of 12% compared to RMB7,198 million in the same quarter of 2020. The slight increase was primarily due to the increase in revenues from Alibaba Pictures and online games business, partly offset by the decrease in revenue from customer management.

### **Innovation initiatives and others**

Revenue from innovation initiatives and others in the quarter ended March 31, 2021 was RMB1,222 million (US\$187 million), an increase of 18% compared to RMB1,034 million in the same quarter of 2020.

## **Costs and Expenses**

The following tables set forth a breakdown of our costs and expenses, share-based compensation expense and costs and expenses excluding share-based compensation expense by function for the periods indicated.

	Three months ended March 31,					% of Revenue YoY change
	2020		2021			
	RMB	% of Revenue	RMB	US\$	% of Revenue	
	(in millions, except percentages)					
Costs and expenses:						
Cost of revenue	72,502	64%	125,454	19,148	67%	3%
Product development expenses	10,587	9%	13,302	2,031	7%	(2)%
Sales and marketing expenses	12,179	11%	25,153	3,839	14%	3%
General and administrative expenses	7,871	7%	27,734	4,233	14%	7%
Amortization and impairment of intangible assets	4,044	3%	3,415	521	2%	(1)%
Total costs and expenses	107,183	94%	195,058	29,772	104%	10%
Share-based compensation expense:						
Cost of revenue	1,857	2%	1,750	267	1%	(1)%
Product development expenses	3,484	3%	3,785	578	2%	(1)%
Sales and marketing expenses	1,017	1%	1,001	153	1%	0%
General and administrative expenses	2,294	2%	2,096	320	1%	(1)%
Total share-based compensation expense	8,652	8%	8,632	1,318	5%	(3)%
Costs and expenses excluding share-based compensation expense:						
Cost of revenue	70,645	62%	123,704	18,881	66%	4%
Product development expenses	7,103	6%	9,517	1,453	5%	(1)%
Sales and marketing expenses	11,162	10%	24,152	3,686	13%	3%
General and administrative expenses	5,577	5%	25,638	3,913	13%	8%
Amortization and impairment of intangible assets	4,044	3%	3,415	521	2%	(1)%
Total costs and expenses excluding share-based compensation expense	98,531	86%	186,426	28,454	99%	13%

**Cost of revenue** – Cost of revenue in the quarter ended March 31, 2021 was RMB125,454 million (US\$19,148 million), or 67% of revenue, compared to RMB72,502 million, or 64% of revenue, in the same quarter of 2020. Without the effect of share-based compensation expense, cost of revenue as a percentage of revenue would have increased from 62% in the quarter ended March 31, 2020 to 66% in the quarter ended

March 31, 2021. The increase was primarily attributable to higher proportion of our direct sales businesses from the consolidation of Sun Art which resulted in increased cost of inventory.

**Product development expenses** – Product development expenses in the quarter ended March 31, 2021 were RMB13,302 million (US\$2,031 million), or 7% of revenue, compared to RMB10,587 million, or 9% of revenue, in the same quarter of 2020. Without the effect of share-based compensation expense, product development expenses as a percentage of revenue would have decreased from 6% in the quarter ended March 31, 2020 to 5% in the quarter ended March 31, 2021.

**Sales and marketing expenses** – Sales and marketing expenses in the quarter ended March 31, 2021 were RMB25,153 million (US\$3,839 million), or 14% of revenue, compared to RMB12,179 million, or 11% of revenue, in the same quarter of 2020. Without the effect of share-based compensation expense, sales and marketing expenses as a percentage of revenue would have increased from 10% in the quarter ended March 31, 2020 to 13% in the quarter ended March 31, 2021. The increase was primarily due to an increase in marketing and promotional spending for user acquisition and retention on our China retail marketplaces.

**General and administrative expenses** – General and administrative expenses in the quarter ended March 31, 2021 were RMB27,734 million (US\$4,233 million) or 14% of revenue, compared to RMB7,871 million, or 7% of revenue, in the same quarter of 2020, primarily due to the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million). Without the effect of this fine imposed and share-based compensation expense, general and administrative expenses as a percentage of revenue would have decreased from 5% in the quarter ended March 31, 2020 to 4% in the quarter ended March 31, 2021.

**Share-based compensation expense** – Total share-based compensation expense included in the cost and expense items above in the quarter ended March 31, 2021 was RMB8,632 million (US\$1,318 million), compared to RMB8,652 million in the same quarter of 2020. Share-based compensation expense as a percentage of revenue decreased to 5% in the quarter ended March 31, 2021, as compared to 8% in the same quarter last year.

The following table sets forth our analysis of share-based compensation expense for the quarters indicated by type of share-based awards:

	Three months ended							% Change	
	March 31, 2020		December 31, 2020		March 31, 2021				
	RMB	% of	RMB	% of	RMB	US\$	% of	YoY	QoQ
		Revenue		Revenue			Revenue		
(in millions, except percentages)									
By type of awards:									
Alibaba Group share-based awards <sup>(1)</sup>	6,832	6%	7,694	4%	7,162	1,093	4%	5%	(7)%
Ant Group share-based awards <sup>(2)</sup>	259	0%	542	0%	444	68	0%	71%	(18)%
Others <sup>(3)</sup>	1,561	2%	843	0%	1,026	157	1%	(34)%	22%
Total share-based compensation expense	8,652	8%	9,079	4%	8,632	1,318	5%	(0)%	(5)%

(1) This represents Alibaba Group share-based awards granted to our employees.

(2) This represents Ant Group share-based awards granted to our employees, which is subject to mark-to-market accounting treatment.

(3) Others includes share-based awards of our subsidiaries.

Share-based compensation expense related to Alibaba Group share-based awards remained stable in this quarter compared to the previous quarter.

We expect that our share-based compensation expense will continue to be affected by changes in the fair value of the underlying awards and the quantity of awards we grant in the future.

**Amortization and impairment of intangible assets** – Amortization and impairment of intangible assets in the quarter ended March 31, 2021 was RMB3,415 million (US\$521 million), a decrease of 16% from RMB4,044 million in the same quarter of 2020. The decrease was primarily due to an impairment loss of intangible assets recorded in the quarter ended March 31, 2020.

### **Income (loss) from operations and operating margin**

Loss from operations in the quarter ended March 31, 2021 was RMB7,663 million (US\$1,170 million), or negative 4% of revenue, compared to income from operations of RMB7,131 million, or 6% of revenue, in the same quarter of 2020, due to the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million). Excluding this impact, our income from operations would have been RMB10,565 million (US\$1,612 million), an increase of 48% year-over-year.

### **Adjusted EBITDA and Adjusted EBITA**

Adjusted EBITDA increased 18% year-over-year to RMB29,898 million (US\$4,563 million) in the quarter ended March 31, 2021, compared to RMB25,440 million in the same quarter of 2020. Excluding the consolidation of Sun Art, our adjusted EBITDA would have grown 12% year-over-year.

Adjusted EBITA increased 14% year-over-year to RMB22,612 million (US\$3,451 million) in the quarter ended March 31, 2021, compared to RMB19,827 million in the same quarter of 2020. A reconciliation of net income to adjusted EBITDA and adjusted EBITA is included at the end of this results announcement.

### **Adjusted EBITA and adjusted EBITA margin by segments**

Adjusted EBITA and adjusted EBITA margin by segments are set forth in the table below. See the section entitled “Information by Segments” above for a reconciliation of income (loss) from operations to adjusted EBITA.

	Three months ended March 31,				
	2020		2021		
	RMB	% of Segment Revenue	RMB	US\$	% of Segment Revenue
	(in millions, except percentages)				
Core commerce	28,126	30%	30,680	4,683	19%
Cloud computing	(179)	(1)%	308	47	2%
Digital media and entertainment <sup>(1)</sup>	(3,335)	(46)%	(2,698)	(412)	(34)%
Innovation initiatives and others <sup>(1)</sup>	(3,106)	(300)%	(3,179)	(485)	(260)%

(1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

**Core commerce segment** – Adjusted EBITA increased by 9% to RMB30,680 million (US\$4,683 million) in the quarter ended March 31, 2021, compared to RMB28,126 million in the same quarter of 2020, primarily due to marketplace-based core commerce adjusted EBITA increasing 28% year-over-year to

RMB44,336 million (US\$6,767 million), partly offset by the increase in our strategic investments, including Local Consumer Services and Taobao Deals, as well as the normalization of grocery demand from Freshippo stores after China's recovery from the COVID-19 pandemic. Starting this quarter, for purposes of presenting our marketplace-based core commerce adjusted EBITA, we expanded the list of new initiative businesses that we break out in order to present the progress of our strategic investments as well as the profitability of our marketplace-based core commerce businesses on a like-for-like basis. The new initiative businesses, which now include our New Retail businesses, Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others, represent strategic areas where we are executing to capture incremental opportunities. Comparative figures are presented in the same manner accordingly.

Adjusted EBITA margin decreased from 30% in the quarter ended March 31, 2020 to 19% in the quarter ended March 31, 2021, primarily due to the consolidation of Sun Art, the increase in our strategic investments in Local Consumer Services and Taobao Deals, as well as the increased revenue contribution from our self-operated New Retail and direct sales businesses, in respect of which revenue is recorded on a gross basis, including the cost of inventory.

A reconciliation of adjusted EBITA for core commerce to marketplace-based core commerce adjusted EBITA is included at the end of this results announcement.

We expect that our core commerce adjusted EBITA margin will continue to be affected by the pace of our investment in new businesses and the growth of our self-operated New Retail and direct sales businesses.

**Cloud computing segment** – Adjusted EBITA was a profit of RMB308 million (US\$47 million) in the quarter ended March 31, 2021, compared to a loss of RMB179 million in the same quarter of 2020, primarily attributable to the realization of economies of scale.

**Digital media and entertainment segment** – Adjusted EBITA in the quarter ended March 31, 2021 was a loss of RMB2,698 million (US\$412 million), compared to a loss of RMB3,335 million in the same quarter of 2020. Adjusted EBITA margin improved to negative 34% in the quarter ended March 31, 2021 from negative 46% in the quarter ended March 31, 2020, primarily due to reduced losses of Alibaba Pictures, partly offset by the decrease in revenue contribution from customer management.

**Innovation initiatives and others segment** – Adjusted EBITA in the quarter ended March 31, 2021 was a loss of RMB3,179 million (US\$485 million), compared to a loss of RMB3,106 million in the same quarter of 2020, mainly due to our investments in technological research and innovation offset by the reduced loss of DingTalk.

#### **Interest and investment income, net**

Interest and investment income, net in the quarter ended March 31, 2021 was RMB111 million (US\$17 million), compared to a loss of RMB7,715 million in the same quarter of 2020, primarily due to the year-over-year decrease in net loss arising from the fair value changes of our investments in the quarter ended March 31, 2021.

The above-mentioned losses were excluded from our non-GAAP net income.

#### **Other income, net**

Other income, net in the quarter ended March 31, 2021 was RMB2,115 million (US\$323 million), compared to RMB1,180 million in the same quarter of 2020. The increase in other income, net was mainly due to the decrease in exchange loss.

### **Income tax expenses**

Income tax expenses in the quarter ended March 31, 2021 were RMB7,049 million (US\$1,076 million), compared to RMB2,628 million in the same quarter of 2020.

Excluding the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments, as well as deferred tax effects arising from our share of results of equity method investees, our effective tax rate would have been 23% in the quarter ended March 31, 2021.

### **Share of results of equity method investees**

Share of results of equity method investees in the quarter ended March 31, 2021 was RMB5,992 million (US\$915 million), compared to RMB3,545 million in the same quarter of 2020. We record our share of results of all equity method investees one quarter in arrears. Share of results of equity method investees in the quarter ended March 31, 2021 and the comparative periods consisted of the following:

	Three months ended			
	March 31, 2020	December 31, 2020	March 31, 2021	
	RMB	RMB	RMB	US\$
	(in millions)			
Share of profit (loss) of equity method investees				
- Ant Group	5,109	4,796	7,182	1,096
- Others	164	(100)	(432)	(66)
Impairment loss	(234)	(7,196)	(55)	(8)
Dilution (loss) gain	(249)	(19)	437	67
Others <sup>(1)</sup>	(1,245)	(1,082)	(1,140)	(174)
Total	3,545	(3,601)	5,992	915

(1) Others mainly include amortization of intangible assets of equity method investees and share-based compensation expense related to share-based awards granted to employees of our equity method investees.

### **Net income (loss) and Non-GAAP net income**

Our net loss in the quarter ended March 31, 2021 was RMB7,654 million (US\$1,168 million), as compared to net income of RMB348 million in the same quarter of 2020, primarily due to the Anti-Monopoly Fine in the amount of RMB18,228 million (US\$2,782 million), partly offset by the year-over-year decrease in net loss arising from the fair value changes of our investments in the quarter ended March 31, 2021.

Excluding the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments and intangible assets and certain other items, non-GAAP net income in the quarter ended March 31, 2021 was RMB26,216 million (US\$4,001 million), an increase of 18% compared to RMB22,287 million in the same quarter of 2020. A reconciliation of net income to non-GAAP net income is included at the end of this results announcement.

### **Net income (loss) attributable to ordinary shareholders**

Net loss attributable to ordinary shareholders in the quarter ended March 31, 2021 was RMB5,479 million (US\$836 million), compared to net income attributable to ordinary shareholders of RMB3,162 million in the same quarter of 2020 primarily due to the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million), partly offset by the year-over-year decrease in net loss arising from the fair value changes of our investments in the quarter ended March 31, 2021.

### **Diluted earnings (loss) per ADS/share and non-GAAP diluted earnings per ADS/share**

Diluted loss per ADS in the quarter ended March 31, 2021 was RMB1.99 (US\$0.30) on a weighted average of 22,024 million diluted shares outstanding during the quarter, compared to diluted earnings per ADS of RMB1.16 on a weighted average of 21,822 million diluted shares outstanding during the same quarter in 2020. Excluding the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments and intangible assets and certain other items, non-GAAP diluted earnings per ADS in the quarter ended March 31, 2021 was RMB10.32 (US\$1.58), an increase of 12% compared to RMB9.20 in the same quarter of 2020.

Diluted loss per share in the quarter ended March 31, 2021 was RMB0.25 (US\$0.04 or HK\$0.30), compared to diluted earnings per share of RMB0.14 in the same quarter of 2020. Excluding the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments and intangible assets and certain other items, non-GAAP diluted earnings per share in the quarter ended March 31, 2021 was RMB1.29 (US\$0.20 or HK\$1.53), an increase of 12%, compared to RMB1.15 in the same quarter of 2020.

A reconciliation of diluted earnings (loss) per ADS/share to non-GAAP diluted earnings per ADS/share is included at the end of this results announcement. Each ADS represents eight ordinary shares.

### **Cash, cash equivalents and short-term investments**

As of March 31, 2021, cash, cash equivalents and short-term investments were RMB473,638 million (US\$72,291 million), compared to RMB456,314 million as of December 31, 2020. The increase in cash, cash equivalents and short-term investments during the quarter ended March 31, 2021 was primarily due to net proceeds of RMB32,008 million (US\$4,885 million) from issuance of unsecured senior notes, partly offset by cash used in investment and acquisition activities of RMB17,597 million (US\$2,686 million).

### **Cash flow from operating activities and free cash flow**

Net cash provided by operating activities in the quarter ended March 31, 2021 was RMB24,183 million (US\$3,691 million), which includes a net cash inflow of RMB18,796 million (US\$2,869 million) in connection with the consumer protection fund deposits received primarily from Tmall merchants, as well as our increased spending for strategic initiatives. Free cash flow, which excluded these deposits and certain other items, was an outflow of RMB658 million (US\$100 million) in the quarter ended March 31, 2021, compared to an outflow of RMB4,214 million in the same quarter of 2020. A reconciliation of net cash provided by operating activities to free cash flow is included at the end of this results announcement.

### **Net cash used in investing activities**

During the quarter ended March 31, 2021, net cash used in investing activities of RMB27,701 million (US\$4,228 million) primarily reflected (i) cash outflow of RMB17,597 million (US\$2,686 million) for investment and acquisition activities, including the investments in Bilibili and STO Express, (ii) an increase in short-term investments by RMB7,846 million (US\$1,198 million), as well as (iii) capital expenditures of RMB7,688 million (US\$1,173 million), which included cash outflow for acquisition of land use rights and construction in progress relating to office campuses of RMB1,645 million (US\$251 million).

We adopted ASU 2019-02, “Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350),” on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.

## Employees

As of March 31, 2021, we had a total of 251,462 employees, compared to 252,084 as of December 31, 2020.

## **FULL FISCAL YEAR 2021 SUMMARY FINANCIAL RESULTS**

	Year ended March 31,			
	2020	2021		
	RMB	RMB	US\$( <sup>1</sup> )	YoY % Change
	(in millions, except percentages and per share amounts)			
Revenue	509,711	717,289	109,480	41%
Income from operations	91,430	89,678	13,688	(2)% ( <sup>3</sup> )
Operating margin	18%	13%		
Adjusted EBITDA( <sup>2</sup> )	157,659	196,842	30,044	25%
Adjusted EBITDA margin( <sup>2</sup> )	31%	27%		
Adjusted EBITA( <sup>2</sup> )	137,136	170,453	26,016	24%
Adjusted EBITA margin( <sup>2</sup> )	27%	24%		
Net income	140,350	143,284	21,869	2%
Net income attributable to ordinary shareholders	149,263	150,308	22,941	1%
Non-GAAP net income( <sup>2</sup> )	132,479	171,985	26,250	30%
Diluted earnings per share( <sup>5</sup> )	6.99	6.84	1.04	(2)% ( <sup>4</sup> )
Diluted earnings per ADS( <sup>5</sup> )	55.93	54.70	8.35	(2)% ( <sup>4</sup> )
Non-GAAP diluted earnings per share( <sup>2</sup> ) ( <sup>5</sup> )	6.62	8.14	1.24	23%
Non-GAAP diluted earnings per ADS( <sup>2</sup> ) ( <sup>5</sup> )	52.98	65.15	9.94	23%

- (1) This results announcement contains translations of certain Renminbi (“RMB”) amounts into U.S. dollars (“US\$”) and Hong Kong dollars (“HK\$”) for the convenience of the reader. Unless otherwise stated, all translations of RMB into US\$ were made at RMB6.5518 to US\$1.00, the exchange rate on March 31, 2021 as set forth in the H.10 statistical release of the Federal Reserve Board, and all translations of RMB into HK\$ were made at RMB0.84518 to HK\$1.00, the middle rate on March 31, 2021 as published by The People’s Bank of China. The percentages stated in this announcement are calculated based on the RMB amounts and there may be minor differences due to rounding.
- (2) See the sections entitled “Information about Segments,” “Non-GAAP Financial Measures” and “Reconciliations of Non-GAAP Measures to the Nearest Comparable U.S. GAAP Measures” for more information about the non-GAAP measures referred to within this results announcement.
- (3) The year-over-year decrease was primarily due to the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million), as well as an increase in share-based compensation expense related to Ant Group share-based awards granted to our employees of RMB16,054 million.
- (4) The year-over-year decrease was primarily due to the increase in the weighted average number of shares in fiscal year 2021. This increase was primarily due to the effects of the full year impact of our share issuance in connection with our global offering in November 2019.
- (5) Each ADS represents eight ordinary shares.



## FULL FISCAL YEAR 2021 INFORMATION BY SEGMENTS

The table below sets forth selected financial information of our operating segments for the fiscal year 2021:

	Year ended March 31, 2021							
	Core commerce	Cloud computing	Digital media and entertainment <sup>(1)</sup>	Innovation initiatives and others <sup>(1)</sup>	Unallocated <sup>(2)</sup>	Consolidated		
	RMB	RMB	RMB	RMB	RMB	RMB		US\$
	(in millions, except percentages)							
Revenue	621,146	60,120	31,186	4,837	—	717,289	109,480	
Income (Loss) from operations	158,981	(9,050)	(10,321)	(15,502)	(34,430)	89,678	13,688	
Add: Share-based compensation expense	24,356	8,861	3,281	5,162	8,460	50,120	7,650	
Add: Amortization of intangible assets	11,175	23	922	83	224	12,427	1,896	
Add: Fine imposed pursuant to China’s Anti-Monopoly Law	—	—	—	—	18,228	18,228	2,782	
Adjusted EBITA	194,512 <sup>(3)</sup>	(166)	(6,118)	(10,257)	(7,518)	170,453	26,016	
Adjusted EBITA margin	31%	(0)%	(20)%	(212)%		24%		
	Year ended March 31, 2020							
	Core commerce	Cloud computing	Digital media and entertainment <sup>(1)</sup>	Innovation initiatives and others <sup>(1)</sup>	Unallocated <sup>(2)</sup>	Consolidated		
	RMB	RMB	RMB	RMB	RMB	RMB		
	(in millions, except percentages)							
Revenue	436,104	40,016	29,094	4,497	—		509,711	
Income (Loss) from operations	138,631	(7,016)	(15,389)	(12,499)	(12,297)		91,430	
Add: Share-based compensation expense	15,427	5,577	2,566	3,928	4,244		31,742	
Add: Amortization and impairment of intangible assets	11,742	25	1,377	86	158		13,388	
Add: Impairment of goodwill	—	—	—	—	576		576	
Adjusted EBITA	165,800 <sup>(3)</sup>	(1,414)	(11,446)	(8,485)	(7,319)		137,136	
Adjusted EBITA margin	38%	(4)%	(39)%	(189)%			27%	

- (1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.
- (2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.
- (3) Marketplace-based core commerce adjusted EBITA increased 17% year-over-year to RMB229,134 million (US\$34,973 million). In fiscal year 2021, for purposes of presenting our marketplace-based core commerce adjusted EBITA, we expanded the list of new initiative businesses that we break out in order to present the progress of our strategic investments as well as the profitability of our marketplace-based core commerce businesses on a like-for-like basis. The new initiative businesses, which now include our New Retail businesses, Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others, represent strategic areas where we are executing to capture incremental opportunities. Comparative figures are presented in the same manner accordingly. A reconciliation of adjusted EBITA for core commerce to marketplace-based core commerce adjusted EBITA is included at the end of this results announcement.

## FULL FISCAL YEAR 2021 OPERATIONAL AND FINANCIAL RESULTS

### Revenue

Revenue in fiscal year 2021 was RMB717,289 million (US\$109,480 million), an increase of 41% compared to RMB509,711 million in fiscal year 2020. The increase was mainly driven by the robust revenue growth of our China commerce retail business, which includes the consolidation of Sun Art starting in October 2020, and the strong revenue growth of cloud computing and Cainiao logistics services businesses. Excluding the consolidation of Sun Art, our revenue would have grown 32% year-over-year to RMB674,420 million (US\$102,937 million).

The following table sets forth a breakdown of our revenue by segment for the periods indicated:

	Year ended March 31,					YoY % Change
	2020		2021			
		% of			% of	
	RMB	Revenue	RMB	US\$	Revenue	
	(in millions, except percentages)					
Core commerce:						
China commerce retail						
- Customer management <sup>(1)</sup>	246,482	48%	306,070	46,715	43%	24%
- Others <sup>(2)</sup>	86,268	17%	167,613	25,583	23%	94%
	332,750	65%	473,683	72,298	66%	42%
China commerce wholesale	12,427	3%	14,322	2,186	2%	15%
International commerce retail	24,323	5%	34,455	5,259	5%	42%
International commerce wholesale	9,594	2%	14,396	2,197	2%	50%
Cainiao logistics services	22,233	4%	37,258	5,687	5%	68%
Local Consumer Services	25,440	5%	31,537	4,813	5%	24%
Others	9,337	2%	15,495	2,365	2%	66%
Total core commerce	436,104	86%	621,146	94,805	87%	42%
Cloud computing	40,016	8%	60,120	9,176	8%	50%
Digital media and entertainment <sup>(3)</sup>	29,094	5%	31,186	4,760	4%	7%
Innovation initiatives and others <sup>(3)</sup>	4,497	1%	4,837	739	1%	8%
Total	509,711	100%	717,289	109,480	100%	41%

- (1) We presented our commission revenue as part of customer management revenue in order to better reflect our value proposition to merchants on our platforms. Comparative figures are presented in the same manner accordingly.
- (2) "Others" revenue under China commerce retail is primarily generated by our New Retail and direct sales businesses, comprising mainly Tmall Supermarket, Sun Art, Freshippo, direct import and Intime.
- (3) Beginning on April 1, 2020, we reclassified revenue from our self-developed online games business, which was previously reported under the innovation initiatives and others segment, as revenue from digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

### Core commerce

- **China commerce retail business**

Revenue from our China commerce retail business in fiscal year 2021 was RMB473,683 million (US\$72,298 million), an increase of 42% compared to RMB332,750 million in fiscal year 2020. Customer management revenue grew 24% year-over-year, primarily due to robust growth in revenue from new monetization formats, such as recommendation feeds, increases in both average unit price

per click and the volume of paid clicks in search monetization, as well as the robust growth of online physical goods GMV on our China retail marketplaces, excluding unpaid orders.

“Others” revenue under China commerce retail business in fiscal year 2021 was RMB167,613 million (US\$25,583 million), achieving year-over-year growth of 94% compared to RMB86,268 million in fiscal year 2020, primarily driven by the consolidation of Sun Art, as well as the contributions from our direct sales businesses, including Tmall Supermarket and Freshippo.

- ***China commerce wholesale business***

Revenue from our China commerce wholesale business in fiscal year 2021 was RMB14,322 million (US\$2,186 million), an increase of 15% compared to RMB12,427 million in fiscal year 2020. The increase was primarily due to increases in both average revenue from paying members and the number of paying members on 1688.com.

- ***International commerce retail business***

Revenue from our international commerce retail business in fiscal year 2021 was RMB34,455 million (US\$5,259 million), an increase of 42% compared to RMB24,323 million in fiscal year 2020. The increase was primarily due to the growth in revenue generated by Lazada and Trendyol.

- ***International commerce wholesale business***

Revenue from our international commerce wholesale business in fiscal year 2021 was RMB14,396 million (US\$2,197 million), an increase of 50% compared to RMB9,594 million in fiscal year 2020. The increase was primarily due to an increase in the number of paying members on Alibaba.com, as well as an increase in revenue generated by cross-border related value-added services.

- ***Cainiao logistics services***

Revenue from Cainiao Network’s logistics services, which represents revenue from its domestic and international one-stop-shop logistics services and supply chain management solutions, after elimination of inter-company transactions, was RMB37,258 million (US\$5,687 million) in fiscal year 2021, an increase of 68% compared to RMB22,233 million in fiscal year 2020, primarily due to the increases in both volume of orders fulfilled and average revenue per order from our fast growing cross-border and international commerce retail businesses.

- ***Local Consumer Services***

Revenue from Local Consumer Services, which primarily represents platform commissions, fees from provision of delivery services and other services provided by our on-demand delivery and local services platform Ele.me, was RMB31,537 million (US\$4,813 million) in fiscal year 2021, an increase of 24% compared to RMB25,440 million in fiscal year 2020, primarily due to an increase in GMV.

## **Cloud computing**

Revenue from our cloud computing business in fiscal year 2021 was RMB60,120 million (US\$9,176 million), an increase of 50% compared to RMB40,016 million in fiscal year 2020, primarily driven by growth in revenue from customers in the Internet, the public sector and finance industries.

## **Digital media and entertainment**

Revenue from our digital media and entertainment business in fiscal year 2021 was RMB31,186 million (US\$4,760 million), an increase of 7% compared to RMB29,094 million in fiscal year 2020. The increase

was primarily due to the increase in revenue from online games business, partly offset by the decrease in revenue from customer management.

### **Innovation initiatives and others**

Revenue from innovation initiatives and others in fiscal year 2021 was RMB4,837 million (US\$739 million), an increase of 8% compared to RMB4,497 million in fiscal year 2020.

### **Costs and Expenses**

The following tables set forth a breakdown of our costs and expenses, share-based compensation expense and costs and expenses excluding share-based compensation expense by function for the periods indicated.

	Year ended March 31,					% of Revenue YoY change
	2020		2021			
	RMB	% of Revenue	RMB	US\$	% of Revenue	
	(in millions, except percentages)					
<b>Costs and expenses:</b>						
Cost of revenue	282,367	55%	421,205	64,289	59%	4%
Product development expenses	43,080	9%	57,236	8,736	8%	(1)%
Sales and marketing expenses	50,673	10%	81,519	12,442	11%	1%
General and administrative expenses	28,197	5%	55,224	8,429	8%	3%
Amortization and impairment of intangible assets	13,388	3%	12,427	1,896	1%	(2)%
Impairment of goodwill	576	0%	—	—	—	0%
Total costs and expenses	418,281	82%	627,611	95,792	87%	5%
<b>Share-based compensation expense by function:</b>						
Cost of revenue	7,322	1%	11,224	1,713	2%	1%
Product development expenses	13,654	3%	21,474	3,278	3%	0%
Sales and marketing expenses	3,830	1%	5,323	812	0%	(1)%
General and administrative expenses	6,936	1%	12,099	1,847	2%	1%
Total share-based compensation expense	31,742	6%	50,120	7,650	7%	1%
<b>Costs and expenses excluding share-based compensation expense:</b>						
Cost of revenue	275,045	54%	409,981	62,576	57%	3%
Product development expenses	29,426	6%	35,762	5,458	5%	(1)%
Sales and marketing expenses	46,843	9%	76,196	11,630	11%	2%
General and administrative expenses	21,261	4%	43,125	6,582	6%	2%
Amortization and impairment of intangible assets	13,388	3%	12,427	1,896	1%	(2)%
Impairment of goodwill	576	0%	—	—	—	0%
Total costs and expenses excluding share-based compensation expense	386,539	76%	577,491	88,142	80%	4%

**Cost of revenue** – Cost of revenue in fiscal year 2021 was RMB421,205 million (US\$64,289 million), or 59% of revenue, compared to RMB282,367 million, or 55% of revenue, in fiscal year 2020. Without the effect of share-based compensation expense, cost of revenue as a percentage of revenue would have increased from 54% in fiscal year 2020 to 57% in fiscal year 2021. The increase was primarily attributable to higher proportion of our direct sales businesses from the consolidation of Sun Art as well as the growth of our Tmall Supermarket, which resulted in increased cost of inventory.

**Product development expenses** – Product development expenses in fiscal year 2021 were RMB57,236 million (US\$8,736 million), or 8% of revenue, compared to RMB43,080 million, or 9% of revenue, in fiscal year 2020. Without the effect of share-based compensation expense, product development expenses as a percentage of revenue would have decreased from 6% in fiscal year 2020 to 5% in fiscal year 2021.

**Sales and marketing expenses** – Sales and marketing expenses in fiscal year 2021 were RMB81,519 million (US\$12,442 million), or 11% of revenue, compared to RMB50,673 million, or 10% of revenue, in fiscal year 2020. Without the effect of share-based compensation expense, sales and marketing expenses as a percentage of revenue would have increased from 9% in fiscal year 2020 to 11% in fiscal year 2021. The increase was primarily due to an increase in marketing and promotional spending for user acquisition and retention on our China retail marketplaces.

**General and administrative expenses** – General and administrative expenses in fiscal year 2021 were RMB55,224 million (US\$8,429 million) or 8% of revenue, compared to RMB28,197 million, or 5% of revenue, in fiscal year 2020, primarily due to the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million). Without the effect of this fine imposed and share-based compensation expense, general and administrative expenses as a percentage of revenue would have decreased from 4% in fiscal year 2020 to 3% in fiscal year 2021.

**Share-based compensation expense** – Total share-based compensation expense included in the cost and expense items above in fiscal year 2021 was RMB50,120 million (US\$7,650 million), an increase of 58% compared to RMB31,742 million in fiscal year 2020. Share-based compensation expense as a percentage of revenue increased to 7% in fiscal year 2021, as compared to 6% in fiscal year 2020.

The following table sets forth our analysis of share-based compensation expense for the periods indicated by type of share-based awards:

	Year ended March 31,					YoY % Change
	2020		2021			
		% of			% of	
	RMB	Revenue	RMB	US\$	Revenue	
	(in millions, except percentages)					
By type of awards:						
Alibaba Group share-based awards <sup>(1)</sup>	26,216	5%	29,317	4,475	4%	12%
Ant Group share-based awards <sup>(2)</sup>	1,261	0%	17,315	2,643	2%	1,273%
Others <sup>(3)</sup>	4,265	1%	3,488	532	1%	(18)%
Total share-based compensation expense	31,742	6%	50,120	7,650	7%	58%

- (1) This includes Alibaba Group share-based awards granted to our employees and Ant Group employees. Commencing upon the receipt of the 33% equity interest in Ant Group on September 23, 2019, the expense relating to Alibaba Group share-based awards granted to Ant Group employees are recognized in share of results of equity method investees.
- (2) This represents Ant Group share-based awards granted to our employees, which is subject to mark-to-market accounting treatment.
- (3) Others includes share-based awards of our subsidiaries.

Share-based compensation expense related to Alibaba Group share-based awards increased in fiscal year 2021 compared to fiscal year 2020. This increase is primarily due to the general increase in the average fair market value of the awards granted.

Share-based compensation expense related to Ant Group share-based awards increased significantly in fiscal year 2021 compared to fiscal year 2020, mainly due to the recognition of an increase in the value of these awards in fiscal year 2021.

We expect that our share-based compensation expense will continue to be affected by changes in the fair value of the underlying awards and the quantity of awards we grant in the future.

**Amortization and impairment of intangible assets** – Amortization and impairment of intangible assets in fiscal year 2021 was RMB12,427 million (US\$1,896 million), a decrease of 7% from RMB13,388 million in fiscal year 2020. The decrease was mainly due to an impairment loss of intangible assets recorded in fiscal year 2020.

### **Income from operations and operating margin**

Income from operations in fiscal year 2021 was RMB89,678 million (US\$13,688 million), or 13% of revenue, a decrease of 2% compared to RMB91,430 million, or 18% of revenue, in fiscal year 2020. The year-over-year decrease was primarily due to the Anti-monopoly Fine in the amount of RMB18,228 million (US\$2,782 million), as well as an increase in share-based compensation expense related to Ant Group share-based awards granted to our employees of RMB16,054 million.

### **Adjusted EBITDA and Adjusted EBITA**

Adjusted EBITDA increased 25% year-over-year to RMB196,842 million (US\$30,044 million) in fiscal year 2021, compared to RMB157,659 million in fiscal year 2020. Adjusted EBITA increased 24% year-over-year to RMB170,453 million (US\$26,016 million) in fiscal year 2021, compared to RMB137,136 million in fiscal year 2020. A reconciliation of net income to adjusted EBITDA and adjusted EBITA is included at the end of this results announcement.

### **Adjusted EBITA and adjusted EBITA margin by segments**

Adjusted EBITA and adjusted EBITA margin by segments are set forth in the table below. See the section entitled “Information about Segments” above for a reconciliation of income (loss) from operations to adjusted EBITA.

	Year ended March 31,				
	2020		2021		
	RMB	% of Segment Revenue	RMB	US\$	% of Segment Revenue
	(in millions, except percentages)				
Core commerce	165,800	38%	194,512	29,688	31%
Cloud computing	(1,414)	(4)%	(166)	(25)	(0)%
Digital media and entertainment <sup>(1)</sup>	(11,446)	(39)%	(6,118)	(934)	(20)%
Innovation initiatives and others <sup>(1)</sup>	(8,485)	(189)%	(10,257)	(1,566)	(212)%

- (1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

**Core commerce segment** – Adjusted EBITA increased by 17% to RMB194,512 million (US\$29,688 million) in fiscal year 2021, compared to RMB165,800 million in fiscal year 2020, primarily due to marketplace-based core commerce adjusted EBITA increasing 17% year-over-year to RMB229,134 million (US\$34,973 million), partly offset by our increased strategic investments in certain new businesses within China retail marketplaces, such as Taobao Deals. In fiscal year 2021, for purposes of presenting our marketplace-based core commerce adjusted EBITA, we expanded the list of new initiative businesses that we break out in order to present the progress of our strategic investments as well as the profitability of our marketplace-based core commerce businesses on a like-for-like basis. The new initiative businesses, which now include our New Retail businesses, Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others, represent strategic areas where we are executing to capture incremental opportunities. Comparative figures are presented in the same manner accordingly.

Adjusted EBITA margin decreased from 38% in fiscal year 2020 to 31% in fiscal year 2021 primarily due to the consolidation of Sun Art, as well as the increased revenue contribution from our self-operated New Retail and direct sales businesses, in respect of which revenue is recorded on a gross basis, including the cost of inventory.

A reconciliation of adjusted EBITA for core commerce to marketplace-based core commerce adjusted EBITA is included at the end of this results announcement.

We expect that our core commerce adjusted EBITA margin will continue to be affected by the pace of our investments in new businesses and by a continuing revenue mix shift to self-operated New Retail and direct sales businesses.

**Cloud computing segment** – Adjusted EBITA in fiscal year 2021 was a loss of RMB166 million (US\$25 million), compared to a loss of RMB1,414 million in fiscal year 2020, primarily attributable to the realization of economies of scale.

**Digital media and entertainment segment** – Adjusted EBITA in fiscal year 2021 was a loss of RMB6,118 million (US\$934 million), compared to a loss of RMB11,446 million in fiscal year 2020. Adjusted EBITA margin improved to negative 20% in fiscal year 2021 from negative 39% in fiscal year 2020, primarily due to reduced losses in Youku and increased contribution from our online games business.

**Innovation initiatives and others segment** – Adjusted EBITA in fiscal year 2021 was a loss of RMB10,257 million (US\$1,566 million), compared to a loss of RMB8,485 million in fiscal year 2020. The increase in adjusted EBITA loss was primarily due to our investments in technological research and innovation.

### **Interest and investment income, net**

Interest and investment income, net in fiscal year 2021 was RMB72,794 million (US\$11,110 million), compared to RMB72,956 million in fiscal year 2020. In fiscal year 2021, we recognized a one-time gain of RMB6.4 billion (US\$977 million) arising from the revaluation of our previously held equity interest in Sun Art upon our consolidation in October 2020. In fiscal year 2020, we recognized one-time gains of RMB71.6 billion and RMB10.3 billion in relation to the receipt of the 33% equity interest in Ant Group and our deconsolidation of the AliExpress Russia businesses, respectively. The year-over-year decrease in such gains was partly offset by net gains arising from changes in the fair values of our investments in fiscal year 2021, compared to net losses in fiscal year 2020. The above-mentioned gains and losses were excluded from our non-GAAP net income.

### **Other income, net**

Other income, net in fiscal year 2021 was RMB7,582 million (US\$1,157 million), compared to RMB7,439 million in fiscal year 2020.

### **Income tax expenses**

Income tax expenses in fiscal year 2021 were RMB29,278 million (US\$4,469 million), compared to RMB20,562 million in fiscal year 2020.

Our effective tax rate increased to 18% in fiscal year 2021 from 12% in fiscal year 2020. Excluding the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments, as well as the deferred tax effects on basis differences arising from our share of results of equity investees, our effective tax rate would have been 15% in fiscal year 2021.

### **Share of results of equity method investees**

Share of results of equity method investees in fiscal year 2021 was a profit of RMB6,984 million (US\$1,066 million), compared to a loss of RMB5,733 million in fiscal year 2020. We record our share of results of all equity method investees one quarter in arrears. Share of results of equity method investees in fiscal year 2021 and the comparative periods consisted of the following:

	Year ended March 31,		
	2020	2021	
	RMB	RMB	US\$
		(in millions)	
Share of profit (loss) of equity investees:			
- Ant Group <sup>(1)</sup>	5,324	19,693	3,006
- Others	3,332	(1,016)	(155)
Impairment loss	(11,824)	(7,256)	(1,107)
Dilution (loss) gain	(108)	409	62
Others <sup>(2)</sup>	(2,457)	(4,846)	(740)
Total	(5,733)	6,984	1,066

- (1) We received the 33% equity interest in Ant Group on September 23, 2019. Similar to other equity method investees, we record our share of results of Ant Group one quarter in arrears. As such, the share of profit of Ant Group in fiscal year 2020 reflects our share of profit of Ant Group for the period from the day following receipt of the equity interest to the end of the quarter on December 31, 2019.
- (2) Others mainly include amortization of intangible assets of equity method investees and share-based compensation expense related to share-based awards granted to employees of our equity method investees.

### **Net income and Non-GAAP net income**

Our net income in fiscal year 2021 was RMB143,284 million (US\$21,869 million), an increase of 2% compared to RMB140,350 million in fiscal year 2020.

Excluding the one-time gain in relation to the receipt of the 33% equity interest in Ant Group in fiscal year 2020, the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments, intangible assets and goodwill and certain other items, non-GAAP net income in fiscal year 2021 was RMB171,985 million (US\$26,250 million), an increase of 30% compared to RMB132,479 million in fiscal year 2020. A reconciliation of net income to non-GAAP net income is included at the end of this results announcement.

### **Net income attributable to ordinary shareholders**

Net income attributable to ordinary shareholders in fiscal year 2021 was RMB150,308 million (US\$22,941 million), as compared to RMB149,263 million in fiscal year 2020.



### **Diluted earnings per ADS/share and non-GAAP diluted earnings per ADS/share**

Diluted earnings per ADS in the fiscal year 2021 was RMB54.70 (US\$8.35) on a weighted average of 21,982 million diluted shares outstanding during the year, a decrease of 2% compared to RMB55.93 on a weighted average of 21,346 million diluted shares outstanding in fiscal year 2020. Excluding the one-time gain in relation to the receipt of the 33% equity interest in Ant Group in fiscal year 2020, the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments, intangible assets and goodwill and certain other items, non-GAAP diluted earnings per ADS in fiscal year 2021 was RMB65.15 (US\$9.94), an increase of 23% compared to RMB52.98 in fiscal year 2020.

Diluted earnings per share in fiscal year 2021 was RMB6.84 (US\$1.04 or HK\$8.09), a decrease of 2% compared to RMB6.99 in fiscal year 2020. Excluding the one-time gain in relation to the receipt of the 33% equity interest in Ant Group in fiscal year 2020, the Anti-monopoly Fine, share-based compensation expense, revaluation and disposal gains/losses of investments, impairment of investments, intangible assets and goodwill and certain other items, non-GAAP diluted earnings per share in fiscal year 2021 was RMB8.14 (US\$1.24 or HK\$9.63), an increase of 23%, compared to RMB6.62 in fiscal year 2020.

A reconciliation of diluted earnings per ADS/share to non-GAAP diluted earnings per ADS/share is included at the end of this results announcement. Each ADS represents eight ordinary shares.

### **Cash, cash equivalents and short-term investments**

As of March 31, 2021, cash, cash equivalents and short-term investments were RMB473,638 million (US\$72,291 million), compared to RMB358,981 million as of March 31, 2020. The increase in cash, cash equivalents and short-term investments in fiscal year 2021 was primarily due to free cash flow generated from operations of RMB172,662 million (US\$26,353 million) and net proceeds of RMB32,008 million (US\$4,885 million) from issuance of unsecured senior notes, partly offset by net cash used in investment and acquisition activities of RMB85,620 million (US\$13,068 million).

### **Cash flow from operating activities and free cash flow**

Net cash provided by operating activities in fiscal year 2021 was RMB231,786 million (US\$35,378 million), an increase of 28% compared to RMB180,607 million in fiscal year 2020. Free cash flow increased by 32% in fiscal year 2021 to RMB172,662 million (US\$26,353 million), from RMB130,914 million in fiscal year 2020, mainly due to our profit growth. A reconciliation of net cash provided by operating activities to free cash flow is included at the end of this results announcement.

### **Net cash used in investing activities**

During fiscal year 2021, net cash used in investing activities of RMB244,194 million (US\$37,271 million) primarily reflected (i) an increase in short-term investments by RMB114,826 million (US\$17,526 million), (ii) cash outflow of RMB95,312 million (US\$14,547 million) for investment and acquisition activities, including the acquisition of Sun Art and investment in YTO Express, as well as (iii) capital expenditures of RMB41,450 million (US\$6,326 million), which included cash outflow for acquisition of land use rights and construction in progress relating to office campuses of RMB5,290 million (US\$807 million).

We adopted ASU 2019-02, “Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350),” on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.

## WEBCAST AND CONFERENCE CALL INFORMATION

Alibaba Group's management will hold a conference call to discuss the financial results at 7:30 a.m. U.S. Eastern Time (7:30 p.m. Hong Kong Time) on May 13, 2021.

Details of the conference call are as follows:

International: +65 6713 5330

U.S.: +1 347 549 4094

U.K.: +44 203 713 5084

Hong Kong: +852 3018 8307

China Landline: 800 820 2079

China Mobile: 400 820 6895

Conference ID: 8598233 (English)

Conference ID: 6767665 (simultaneous interpretation in Chinese, listen only mode)

A live webcast of the earnings conference call can be accessed at <http://www.alibabagroup.com/en/ir/earnings>. An archived webcast will be available through the same link following the call. A replay of the conference call will be available for one week (dial-in number: +61 2 8199 0299; same conference ID as shown above).

Our results announcement and accompanying slides are available at Alibaba Group's Investor Relations website at <http://www.alibabagroup.com/en/ir/home> on May 13, 2021.

## ABOUT ALIBABA GROUP

Alibaba Group's mission is to make it easy to do business anywhere. The company aims to build the future infrastructure of commerce. It envisions that its customers will meet, work and live at Alibaba, and that it will be a good company that lasts for 102 years.

## CONTACTS

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## SAFE HARBOR STATEMENTS

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "potential," "continue," "ongoing," "targets," "guidance" and similar statements. In addition, statements that are not historical facts, including statements about Alibaba's strategies and business plans, Alibaba's beliefs, expectations and guidance regarding the growth of its business and its revenue, the business outlook and quotations from management in this announcement, as well as Alibaba's strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the "SEC"), in announcements made on the website of The Stock Exchange of Hong Kong

Limited (the “Hong Kong Stock Exchange”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s ability to maintain the trusted status of its ecosystem; risks associated with sustained investments in Alibaba’s business and strategic acquisitions and investments; Alibaba’s expected revenue growth and ability to maintain or grow its revenue or business; Alibaba’s ability to continue to compete effectively and maintain and improve the network effects of its ecosystem; company culture; Alibaba’s ability to continue to innovate; risks and challenges associated with operating a complex and large-scale company; risks associated with expanding our international and cross-border businesses and operations; fluctuations in general economic and business conditions in China and globally; impacts of the COVID-19 pandemic; uncertainties arising from competition among countries and geopolitical tensions, including protectionist or national security policies; changes in laws, regulations and regulatory environment that affect Alibaba’s business operations; risks associated with the performance of our business partners, including but not limited to Ant Group; privacy and data protection regulations and concerns; and security breaches, and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Alibaba’s filings with the SEC and announcements on the website of the Hong Kong Stock Exchange. All information provided in this results announcement is as of the date of this results announcement and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

## **NON-GAAP FINANCIAL MEASURES**

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: for our consolidated results, adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted earnings per share/ADS and free cash flow. For more information on these non-GAAP financial measures, please refer to the section entitled “Information about Segments” and the table captioned “Reconciliations of Non-GAAP Measures to the Nearest Comparable U.S. GAAP Measures” in this results announcement.

We believe that adjusted EBITDA, adjusted EBITA, marketplace-based core commerce adjusted EBITA, non-GAAP net income and non-GAAP diluted earnings per share/ADS help identify underlying trends in our business that could otherwise be distorted by the effect of certain income or expenses that we include in income from operations, net income and diluted earnings per share/ADS. We believe that these non-GAAP measures provide useful information about our core operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making. We present three different income measures, namely adjusted EBITDA, adjusted EBITA and non-GAAP net income, as well as one measure that provides supplemental information on our core commerce segment, namely marketplace-based core commerce adjusted EBITA, in order to provide more information and greater transparency to investors about our operating results.

We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic corporate transactions, including investing in our new business initiatives, making strategic investments and acquisitions and strengthening our balance sheet.

Adjusted EBITDA, adjusted EBITA, marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted earnings per share/ADS and free cash flow should not be considered in isolation or construed as an alternative to income from operations, adjusted EBITA for core commerce, net income, diluted earnings per share/ADS, cash flows or any other measure of performance or as an indicator of our operating performance. These non-GAAP financial measures presented here do not have standardized meanings prescribed by U.S. GAAP and may not be comparable to similarly titled measures presented by

other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data.

**Adjusted EBITDA** represents net income before (i) interest and investment income, net, interest expense, other income, net, income tax expenses and share of results of equity method investees, (ii) certain non-cash expenses, consisting of share-based compensation expense, amortization and impairment of intangible assets, depreciation of property and equipment, operating lease cost relating to land use rights and impairment of goodwill, and (iii) a fine imposed pursuant to China's Anti-monopoly Law, which we do not believe are reflective of our core operating performance during the periods presented.

**Adjusted EBITA** represents net income before (i) interest and investment income, net, interest expense, other income, net, income tax expenses and share of results of equity method investees, (ii) certain non-cash expenses, consisting of share-based compensation expense, amortization and impairment of intangible assets and impairment of goodwill, and (iii) a fine imposed pursuant to China's Anti-monopoly Law, which we do not believe are reflective of our core operating performance during the periods presented.

**Marketplace-based core commerce adjusted EBITA** represents adjusted EBITA for core commerce excluding the effects of (i) New Retail businesses (primarily Freshippo, Tmall Supermarket, Community Marketplaces and Taoxianda), (ii) Local Consumer Services, (iii) Lazada, (iv) Taobao Deals, (v) Cainiao Network, and others. Marketplace-based core commerce adjusted EBITA reflects the performance of our most established businesses, namely, those of our China retail marketplaces and wholesale marketplaces which primarily adopt a marketplace-based approach. By excluding certain businesses that are in the earlier stages of their development and with business approaches that continue to evolve, marketplace-based core commerce adjusted EBITA enables investors to clearly evaluate the performance of our most established businesses on a like-for-like basis.

**Non-GAAP net income** represents net income before share-based compensation expense, amortization and impairment of intangible assets, impairment of investments and goodwill, gain or loss on deemed disposals/disposals/revaluation of investments, gain in relation to the receipt of the 33% equity interest in Ant Group, a fine imposed pursuant to China's Anti-monopoly Law, amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group and others, as adjusted for the tax effects on non-GAAP adjustments.

**Non-GAAP diluted earnings per share** represents non-GAAP net income attributable to ordinary shareholders divided by the weighted average number of shares outstanding during the periods on a diluted basis. **Non-GAAP diluted earnings per ADS** represents non-GAAP diluted earnings per share after adjustment to the ordinary share-to-ADS ratio.

**Free cash flow** represents net cash provided by operating activities as presented in our consolidated cash flow statement less purchases of property and equipment (excluding acquisition of land use rights and construction in progress relating to office campuses) and other intangible assets, as well as adjustments to exclude from net cash provided by operating activities the consumer protection fund deposits from merchants on our China retail marketplaces. Prior to April 1, 2020, we also deducted acquisition of licensed copyrights from cash flows from investing activities. After our adoption of ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)," on April 1, 2020, we changed the classification of cash outflows for the acquisition of licensed copyrights from investing activities to operating activities in the consolidated statements of cash flows, prospectively beginning on April 1, 2020. We deduct certain items of cash flows from investing activities in order to provide greater transparency into cash flow from our revenue-generating business operations. We exclude "acquisition of land use rights and construction in progress relating to office campuses" because the office campuses are used by us for corporate and administrative purposes and are not directly related to our revenue-generating business operations. We also exclude consumer protection fund deposits from merchants on our China retail marketplaces because these deposits are restricted for the purpose of compensating consumers for claims against merchants.

The section entitled “Information about Segments” and the table captioned “Reconciliations of Non-GAAP Measures to the Nearest Comparable U.S. GAAP Measures” in this results announcement have more details on the non-GAAP financial measures that are most directly comparable to GAAP financial measures and the related reconciliations between these financial measures.

**ALIBABA GROUP HOLDING LIMITED**  
**UNAUDITED CONSOLIDATED INCOME STATEMENTS**

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in millions, except per share data)			(in millions, except per share data)		
<b>Revenue</b>	114,314	187,395	28,602	509,711	717,289	109,480
Cost of revenue	(72,502)	(125,454)	(19,148)	(282,367)	(421,205)	(64,289)
Product development expenses	(10,587)	(13,302)	(2,031)	(43,080)	(57,236)	(8,736)
Sales and marketing expenses	(12,179)	(25,153)	(3,839)	(50,673)	(81,519)	(12,442)
General and administrative expenses	(7,871)	(27,734)	(4,233)	(28,197)	(55,224)	(8,429)
Amortization and impairment of intangible assets	(4,044)	(3,415)	(521)	(13,388)	(12,427)	(1,896)
Impairment of goodwill	—	—	—	(576)	—	—
<b>Income (Loss) from operations</b>	7,131	(7,663)	(1,170)	91,430	89,678	13,688
Interest and investment income, net	(7,715)	111	17	72,956	72,794	11,110
Interest expense	(1,165)	(1,160)	(177)	(5,180)	(4,476)	(683)
Other income, net	1,180	2,115	323	7,439	7,582	1,157
<b>(Loss) Income before income tax and share of results of equity method investees</b>	(569)	(6,597)	(1,007)	166,645	165,578	25,272
Income tax expenses	(2,628)	(7,049)	(1,076)	(20,562)	(29,278)	(4,469)
Share of results of equity method investees	3,545	5,992	915	(5,733)	6,984	1,066
<b>Net income (loss)</b>	348	(7,654)	(1,168)	140,350	143,284	21,869
Net loss attributable to noncontrolling interests	2,872	2,288	349	9,083	7,294	1,114
Net income (loss) attributable to Alibaba Group Holding Limited	3,220	(5,366)	(819)	149,433	150,578	22,983
Accretion of mezzanine equity	(58)	(113)	(17)	(170)	(270)	(42)
<b>Net income (loss) attributable to ordinary shareholders</b>	3,162	(5,479)	(836)	149,263	150,308	22,941
<b>Earnings (Loss) per share attributable to ordinary shareholders<sup>(1)</sup></b>						
Basic	0.15	(0.25)	(0.04)	7.10	6.95	1.06
Diluted	0.14	(0.25)	(0.04)	6.99	6.84	1.04
<b>Earnings (Loss) per ADS attributable to ordinary shareholders<sup>(1)</sup></b>						
Basic	1.18	(2.02)	(0.31)	56.82	55.63	8.49
Diluted	1.16	(1.99)	(0.30)	55.93	54.70	8.35
<b>Weighted average number of shares used in calculating earnings per ordinary share (million shares)<sup>(1)</sup></b>						
Basic	21,435	21,652		21,017	21,619	
Diluted	21,822	22,024		21,346	21,982	

(1) Each ADS represents eight ordinary shares.

## ALIBABA GROUP HOLDING LIMITED

### REVENUE

The following table sets forth our revenue by segments for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in millions)			(in millions)		
Core commerce <sup>(1)</sup>	93,865	161,365	24,629	436,104	621,146	94,805
Cloud computing <sup>(2)</sup>	12,217	16,761	2,558	40,016	60,120	9,176
Digital media and entertainment <sup>(3)(5)</sup>	7,198	8,047	1,228	29,094	31,186	4,760
Innovation initiatives and others <sup>(4)(5)</sup>	1,034	1,222	187	4,497	4,837	739
Total	114,314	187,395	28,602	509,711	717,289	109,480

- (1) Revenue from core commerce is primarily generated from our China retail marketplaces, Sun Art, Freshippo, 1688.com, Lazada, AliExpress, Alibaba.com, Local Consumer Services and Cainiao logistics services.
- (2) Revenue from cloud computing is primarily generated from the provision of services, such as elastic computing, database, storage, network virtualization services, large scale computing, security, management and application services, big data analytics, a machine learning platform and IoT services.
- (3) Revenue from digital media and entertainment is primarily generated from Youku, online games business and UCWeb.
- (4) Revenue from innovation initiatives and others is primarily generated from businesses such as Amap, Tmall Genie and other innovation initiatives. Other revenue also includes SME annual fee received from Ant Group and its affiliates.
- (5) Beginning on April 1, 2020, we reclassified revenue from our self-developed online games business, which was previously reported under the innovation initiatives and others segment, as revenue from digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

# ALIBABA GROUP HOLDING LIMITED

## INFORMATION ABOUT SEGMENTS

The following table sets forth our income (loss) from operations by segments for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in millions)			(in millions)		
Core commerce	20,166	23,382	3,569	138,631	158,981	24,265
Cloud computing	(1,757)	(1,436)	(219)	(7,016)	(9,050)	(1,381)
Digital media and entertainment <sup>(1)</sup>	(4,478)	(3,565)	(544)	(15,389)	(10,321)	(1,575)
Innovation initiatives and others <sup>(1)</sup>	(4,035)	(4,201)	(642)	(12,499)	(15,502)	(2,366)
Unallocated	(2,765)	(21,843)	(3,334)	(12,297)	(34,430)	(5,255)
Total	7,131	(7,663)	(1,170)	91,430	89,678	13,688

- (1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.

The following table sets forth our adjusted EBITA by segments for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in millions)			(in millions)		
Core commerce	28,126	30,680	4,683	165,800	194,512	29,688
Cloud computing	(179)	308	47	(1,414)	(166)	(25)
Digital media and entertainment <sup>(1)</sup>	(3,335)	(2,698)	(412)	(11,446)	(6,118)	(934)
Innovation initiatives and others <sup>(1)</sup>	(3,106)	(3,179)	(485)	(8,485)	(10,257)	(1,566)
Unallocated	(1,679)	(2,499)	(382)	(7,319)	(7,518)	(1,147)
Total	19,827	22,612	3,451	137,136	170,453	26,016

- (1) Beginning on April 1, 2020, we reclassified the results of our self-developed online games business, which was previously reported under the innovation initiatives and others segment, to the digital media and entertainment segment because it has moved beyond the incubation stage. This reclassification conforms to the way that we manage and monitor segment performance. Comparative figures were reclassified to conform to this presentation.



**ALIBABA GROUP HOLDING LIMITED**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

	As of March 31, 2020	As of March 31, 2021	
	RMB	RMB	US\$
		(in millions)	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	330,503	321,262	49,034
Short-term investments	28,478	152,376	23,257
Restricted cash and escrow receivables	15,479	35,207	5,374
Equity securities and other investments	4,234	9,807	1,497
Prepayments, receivables and other assets	84,229	124,708	19,034
Total current assets	462,923	643,360	98,196
Equity securities and other investments	161,329	237,221	36,207
Prepayments, receivables and other assets	57,985	98,432	15,024
Investment in equity method investees	189,632	200,189	30,555
Property and equipment, net	103,387	147,412	22,499
Intangible assets, net	60,947	70,833	10,811
Goodwill	276,782	292,771	44,686
<b>Total assets</b>	<b>1,312,985</b>	<b>1,690,218</b>	<b>257,978</b>
<b>Liabilities, Mezzanine Equity and Shareholders' Equity</b>			
Current liabilities:			
Current bank borrowings	5,154	3,606	550
Current unsecured senior notes	—	9,831	1,500
Income tax payable	20,190	25,275	3,858
Escrow money payable	3,014	211	32
Accrued expenses, accounts payable and other liabilities	161,536	260,929	39,826
Merchant deposits	13,640	15,017	2,292
Deferred revenue and customer advances	38,338	62,489	9,538
Total current liabilities	241,872	377,358	57,596

**ALIBABA GROUP HOLDING LIMITED**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS (CONTINUED)**

	As of March 31,	As of March 31,	
	2020	2021	
	RMB	RMB	US\$
		(in millions)	
Deferred revenue	2,025	3,158	482
Deferred tax liabilities	43,898	59,598	9,097
Non-current bank borrowings	39,660	38,335	5,851
Non-current unsecured senior notes	80,616	97,381	14,863
Other liabilities	25,263	30,754	4,694
<b>Total liabilities</b>	<b>433,334</b>	<b>606,584</b>	<b>92,583</b>
Commitments and contingencies	—	—	—
Mezzanine equity	9,103	8,673	1,324
Shareholders' equity:			
Ordinary shares	1	1	—
Additional paid-in capital	343,707	394,308	60,183
Treasury shares at cost	—	—	—
Subscription receivables	(51)	(47)	(7)
Statutory reserves	6,100	7,347	1,121
Accumulated other comprehensive loss	(643)	(19,063)	(2,909)
Retained earnings	406,287	554,924	84,698
Total shareholders' equity	755,401	937,470	143,086
Noncontrolling interests	115,147	137,491	20,985
<b>Total equity</b>	<b>870,548</b>	<b>1,074,961</b>	<b>164,071</b>
<b>Total liabilities, mezzanine equity and equity</b>	<b>1,312,985</b>	<b>1,690,218</b>	<b>257,978</b>

**ALIBABA GROUP HOLDING LIMITED**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
		(in millions)			(in millions)	
Net cash provided by operating activities <sup>(1)</sup>	2,164	24,183	3,691	180,607	231,786	35,378
Net cash used in investing activities <sup>(1)</sup>	(32,995)	(27,701)	(4,228)	(108,072)	(244,194)	(37,271)
Net cash provided by financing activities	2,967	30,270	4,620	70,853	30,082	4,591
Effect of exchange rate changes on cash and cash equivalents, restricted cash and escrow receivables	2,322	1,149	176	4,100	(7,187)	(1,097)
(Decrease) Increase in cash and cash equivalents, restricted cash and escrow receivables	(25,542)	27,901	4,259	147,488	10,487	1,601
Cash and cash equivalents, restricted cash and escrow receivables at beginning of period	371,524	328,568	50,149	198,494	345,982	52,807
Cash and cash equivalents, restricted cash and escrow receivables at end of period	345,982	356,469	54,408	345,982	356,469	54,408

- (1) We adopted ASU 2019-02, "Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)," on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.

**ALIBABA GROUP HOLDING LIMITED**  
**RECONCILIATIONS OF NON-GAAP MEASURES TO THE NEAREST COMPARABLE U.S. GAAP MEASURES**

The table below sets forth a reconciliation of our net income (loss) to adjusted EBITA and adjusted EBITDA for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in millions)			(in millions)		
<b>Net income (loss)</b>	<b>348</b>	<b>(7,654)</b>	<b>(1,168)</b>	<b>140,350</b>	<b>143,284</b>	<b>21,869</b>
Less: Interest and investment income, net	7,715	(111)	(17)	(72,956)	(72,794)	(11,110)
Add: Interest expense	1,165	1,160	177	5,180	4,476	683
Less: Other income, net	(1,180)	(2,115)	(323)	(7,439)	(7,582)	(1,157)
Add: Income tax expenses	2,628	7,049	1,076	20,562	29,278	4,469
Add: Share of results of equity method investees	(3,545)	(5,992)	(915)	5,733	(6,984)	(1,066)
<b>Income (Loss) from operations</b>	<b>7,131</b>	<b>(7,663)</b>	<b>(1,170)</b>	<b>91,430</b>	<b>89,678</b>	<b>13,688</b>
Add: Share-based compensation expense	8,652	8,632	1,318	31,742	50,120	7,650
Add: Amortization and impairment of intangible assets	4,044	3,415	521	13,388	12,427	1,896
Add: Fine imposed pursuant to China's Anti-monopoly Law	—	18,228	2,782	—	18,228	2,782
Add: Impairment of goodwill	—	—	—	576	—	—
<b>Adjusted EBITA</b>	<b>19,827</b>	<b>22,612</b>	<b>3,451</b>	<b>137,136</b>	<b>170,453</b>	<b>26,016</b>
Add: Depreciation of property and equipment, and operating lease cost relating to land use rights	5,613	7,286	1,112	20,523	26,389	4,028
<b>Adjusted EBITDA</b>	<b>25,440</b>	<b>29,898</b>	<b>4,563</b>	<b>157,659</b>	<b>196,842</b>	<b>30,044</b>

**ALIBABA GROUP HOLDING LIMITED**  
**RECONCILIATIONS OF NON-GAAP MEASURES TO THE NEAREST COMPARABLE U.S.**  
**GAAP MEASURES (CONTINUED)**

The table below sets forth a reconciliation of adjusted EBITA for core commerce to marketplace-based core commerce adjusted EBITA for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
		(in millions)			(in millions)	
<b>Adjusted EBITA for core commerce</b>	<b>28,126</b>	<b>30,680</b>	<b>4,683</b>	<b>165,800</b>	<b>194,512</b>	<b>29,688</b>
Less: Effects of New Retail businesses, Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others <sup>(1)</sup>	6,421	13,656	2,084	30,230	34,622	5,285
<b>Marketplace-based core commerce adjusted EBITA<sup>(1)</sup></b>	<b>34,547</b>	<b>44,336</b>	<b>6,767</b>	<b>196,030</b>	<b>229,134</b>	<b>34,973</b>

- (1) Starting this quarter, for purposes of presenting our marketplace-based core commerce adjusted EBITA, we expanded the list of new initiative businesses that we break out in order to present the progress of our strategic investments as well as the profitability of our marketplace-based core commerce businesses on a like-for-like basis. The new initiative businesses, which now include our New Retail businesses, Local Consumer Services, Lazada, Taobao Deals, Cainiao Network, and others, represent strategic areas where we are executing to capture incremental opportunities. Comparative figures are presented in the same manner accordingly.

**ALIBABA GROUP HOLDING LIMITED**  
**RECONCILIATIONS OF NON-GAAP MEASURES TO THE NEAREST COMPARABLE U.S.**  
**GAAP MEASURES (CONTINUED)**

The table below sets forth a reconciliation of our net income (loss) to non-GAAP net income for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
		(in millions)			(in millions)	
<b>Net income (loss)</b>	<b>348</b>	<b>(7,654)</b>	<b>(1,168)</b>	<b>140,350</b>	<b>143,284</b>	<b>21,869</b>
Add: Share-based compensation expense	8,652	8,632	1,318	31,742	50,120	7,650
Add: Amortization and impairment of intangible assets	4,044	3,415	521	13,388	12,427	1,896
Add: Impairment of investments and goodwill	709	532	81	25,656	14,737	2,250
Add: Loss/Less: Gain on deemed disposals/disposals/ revaluation of investments and others	10,334	3,085	471	(4,764)	(66,305)	(10,120)
Add: Fine imposed pursuant to China's Anti-monopoly Law	—	18,228	2,782	—	18,228	2,782
Less: Gain in relation to the receipt of the 33% equity interest in Ant Group	—	—	—	(71,561)	—	—
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Group	—	—	—	97	—	—
Adjusted for tax effects on non-GAAP adjustments <sup>(1)</sup>	(1,800)	(22)	(4)	(2,429)	(506)	(77)
<b>Non-GAAP net income</b>	<b>22,287</b>	<b>26,216</b>	<b>4,001</b>	<b>132,479</b>	<b>171,985</b>	<b>26,250</b>

(1) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to certain gains and losses from investments, share-based compensation expense and amortization and impairment of intangible assets.

**ALIBABA GROUP HOLDING LIMITED**  
**RECONCILIATIONS OF NON-GAAP MEASURES TO THE NEAREST COMPARABLE U.S.**  
**GAAP MEASURES (CONTINUED)**

The table below sets forth a reconciliation of our diluted earnings (loss) per share/ADS to non-GAAP diluted earnings per share/ADS for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
	(in millions, except per share data)			(in millions, except per share data)		
<b>Net income (loss) attributable to ordinary shareholders – basic</b>	<b>3,162</b>	<b>(5,479)</b>	<b>(836)</b>	<b>149,263</b>	<b>150,308</b>	<b>22,941</b>
Dilution effect on earnings arising from option plans operated by equity method investees and subsidiaries	(1)	(2)	—	(48)	(55)	(8)
Net income (loss) attributable to ordinary shareholders – diluted	3,161	(5,481)	(836)	149,215	150,253	22,933
Add: Non-GAAP adjustments to net income (loss) <sup>(1)</sup>	21,939	33,870	5,169	(7,871)	28,701	4,381
<b>Non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share/ADS</b>	<b>25,100</b>	<b>28,389</b>	<b>4,333</b>	<b>141,344</b>	<b>178,954</b>	<b>27,314</b>
<b>Weighted average number of shares on a diluted basis (million shares)<sup>(5)</sup></b>	<b>21,822</b>	<b>22,024</b>		<b>21,346</b>	<b>21,982</b>	
<b>Diluted earnings (loss) per share<sup>(2)(5)</sup></b>	<b>0.14</b>	<b>(0.25)</b>	<b>(0.04)</b>	<b>6.99</b>	<b>6.84</b>	<b>1.04</b>
Add: Non-GAAP adjustments to net income (loss) per share <sup>(3)(5)</sup>	1.01	1.54	0.24	(0.37)	1.30	0.20
<b>Non-GAAP diluted earnings per share<sup>(4)(5)</sup></b>	<b>1.15</b>	<b>1.29</b>	<b>0.20</b>	<b>6.62</b>	<b>8.14</b>	<b>1.24</b>
<b>Diluted earnings (loss) per ADS<sup>(2)(5)</sup></b>	<b>1.16</b>	<b>(1.99)</b>	<b>(0.30)</b>	<b>55.93</b>	<b>54.70</b>	<b>8.35</b>
Add: Non-GAAP adjustments to net income (loss) per ADS <sup>(3)(5)</sup>	8.04	12.31	1.88	(2.95)	10.45	1.59
<b>Non-GAAP diluted earnings per ADS<sup>(4)(5)</sup></b>	<b>9.20</b>	<b>10.32</b>	<b>1.58</b>	<b>52.98</b>	<b>65.15</b>	<b>9.94</b>

(1) See the table above for the reconciliation of net income (loss) to non-GAAP net income for more information of these non-GAAP adjustments.

(2) Diluted earnings (loss) per share is derived from net income (loss) attributable to ordinary shareholders for computing diluted earnings (loss) per share divided by weighted average number of shares on a diluted basis. Diluted earnings (loss) per ADS is derived from the diluted earnings (loss) per share after adjustment to the ordinary share-to-ADS ratio.

(3) Non-GAAP adjustments to net income (loss) per share is derived from non-GAAP adjustments to net income (loss) divided by weighted average number of shares on a diluted basis. Non-GAAP adjustments to net income (loss) per ADS is derived from the non-GAAP adjustments to net income (loss) per share after adjustment to the ordinary share-to-ADS ratio.

- (4) Non-GAAP diluted earnings per share is derived from non-GAAP net income attributable to ordinary shareholders for computing non-GAAP diluted earnings per share divided by weighted average number of shares on a diluted basis. Non-GAAP diluted earnings per ADS is derived from the non-GAAP diluted earnings per share after adjustment to the ordinary share-to-ADS ratio.
- (5) Each ADS represents eight ordinary shares.



**ALIBABA GROUP HOLDING LIMITED**  
**RECONCILIATIONS OF NON-GAAP MEASURES TO THE NEAREST COMPARABLE U.S.**  
**GAAP MEASURES (CONTINUED)**

The table below sets forth a reconciliation of net cash provided by operating activities to free cash flow for the periods indicated:

	Three months ended March 31,			Year ended March 31,		
	2020	2021		2020	2021	
	RMB	RMB	US\$	RMB	RMB	US\$
		(in millions)			(in millions)	
<b>Net cash provided by operating activities<sup>(1)</sup></b>	<b>2,164</b>	<b>24,183</b>	<b>3,691</b>	<b>180,607</b>	<b>231,786</b>	<b>35,378</b>
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campuses)	(3,881)	(6,043)	(922)	(24,662)	(36,160)	(5,519)
Less: Acquisition of licensed copyrights <sup>(1)</sup> and other intangible assets	(2,716)	(2)	—	(12,836)	(1,735)	(265)
Less: Changes in the consumer protection fund deposits	219	(18,796)	(2,869)	(12,195)	(21,229)	(3,241)
<b>Free cash flow</b>	<b>(4,214)</b>	<b>(658)</b>	<b>(100)</b>	<b>130,914</b>	<b>172,662</b>	<b>26,353</b>

- (1) We adopted ASU 2019-02, “Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350),” on April 1, 2020. As a result of our adoption of this new accounting update, we are now reporting cash outflows for the acquisition of licensed copyrights as operating activities in the consolidated statements of cash flows prospectively beginning on April 1, 2020. Prior to our adoption of ASU 2019-02, cash outflows for the acquisition of licensed copyrights were previously classified as investing activities in the consolidated statements of cash flows.

## ALIBABA GROUP HOLDING LIMITED

### SELECTED OPERATING DATA

#### Annual active consumers

The table below sets forth the number of active consumers on our China retail marketplaces for the periods indicated:

	Twelve months ended							
	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021
				(in millions)				
Annual active consumers	674	693	711	726	742	757	779	811

#### Mobile MAUs

The table below sets forth the mobile MAUs on our various mobile apps that access our China retail marketplaces for the periods indicated:

	The month ended							
	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021
				(in millions)				
Mobile MAUs	755	785	824	846	874	881	902	925

## **APPENDIX II**

### **REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020 AND ITS AUDITOR'S REPORT**

The information set out below is a reproduction of the annual financial statements of the Issuer as at and for the year ended 31 December 2020 and its auditor's report.

**SG Issuer**  
**Société Anonyme**

Financial statements,  
Report of the Executive Board and Corporate Governance Statement and  
Report of the Réviseur d'entreprises agréé

**As at and for the year ended 31 December 2020**

**16, boulevard Royal**  
**L-2449 Luxembourg**  
**R.C.S. Luxembourg: B121.363**

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**Executive Board Members**

As at 31 December 2020

**EXECUTIVE BOARD MEMBERS**

**Chairman:**

**Mr Yves CACCLIN**

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Members:**

**Mr Thierry BODSON**

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Alexandre GALLICHE**

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Pascal JACOB**

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mrs Estelle STEPHAN JASPARD**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Laurent WEIL**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Christian ROUSSON (since 3 April 2020)**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Supervisory Board Members**

As at 31 December 2020

**SUPERVISORY BOARD MEMBERS**

**Chairman:**

**Mr Olivier BLANC (from 11 February 2020 until 5 April 2020)\***

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Pierre LESCOURRET (Member since 19 March 2020 – Chairman since 6 April 2020)\***

Employee of Société Générale  
Basalte, 4 boulevard Franck Kupcka, F-92800 Puteaux, France

\* There was no Chairman of the Supervisory Board from 27 September 2019 to 11 February 2020.

**Members:**

**Mr Olivier BLANC (since 6 April 2020)**

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Gregory CLAUDY**

Independent Director  
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

**Mr Olivier FREITAS**

Employee of Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Didier LALLEMAND (until 19 March 2020)**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Vincent ROBILLARD**

Employee of Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Audit Committee Members**

As at 31 December 2020

**AUDIT COMMITTEE MEMBERS**

**Chairman:**

**Mr Gregory CLAUDY**

Independent Director

225A, rue du Burgknapp, B-6717 Heinstert, Belgium

**Members:**

**Mr Olivier FREITAS**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Didier LALLEMAND (until 19 March 2020)**

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Mr Olivier BLANC (since 6 April 2020)**

Employee of Société Générale Luxembourg

11, avenue Emile Reuter, L-2420 Luxembourg



**Management and Administration**  
As at 31 December 2020

**MANAGEMENT AND ADMINISTRATION**

**Issuer**

SG Issuer  
16, Bd Royal, L-2449 Luxembourg, Luxembourg

**Guarantor (if applicable, as specified in the Final Terms)**

Société Générale  
29, boulevard Haussmann, F-75009 Paris, France

**Arranger and Dealer**

Société Générale  
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Security Trustee and Security Agent Trustee**

The Bank of New York Mellon Corporate Trustee Services Limited  
One Canada Square, London E14 5AL, United Kingdom

**Collateral Custodian**

The Bank of New York Mellon S.A., Luxembourg Branch  
Vertigo Building, Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Luxembourg

**Collateral Monitoring Agent**

The Bank of New York Mellon London Branch  
One Canada Square, London E14 5AL, United Kingdom

**Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent**

Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

**Paying Agents**

Société Générale  
29, boulevard Haussmann, F-75009 Paris, France  
&  
Société Générale, New York Branch  
1221, avenue of the Americas, New York NY 10020, United States of America

**Warrant Agent**

Société Générale Luxembourg  
11, avenue Emile Reuter, L-2420 Luxembourg, Luxembourg

**Legal advisers and Réviseur d'entreprises agréé**

As at 31 December 2020

**LEGAL ADVISERS AND RÉVISEUR D'ENTREPRISES AGRÉÉ**

**Legal advisers**

To the Arranger as to English, French and U.S. laws

Allen & Overy LLP

52, avenue Hoche, CS 90005, 75379 Paris Cedex 08, France

To the Trustee as to English Law

Allen & Overy LLP

1 Bishops Square, London E1 6AD, United Kingdom

To the Arranger as to Luxembourg Law

Allen & Overy Luxembourg

5, avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

**Independent Auditor (Réviseur d'entreprises agréé)**

Ernst & Young S.A.

35E, Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg

**Report of the Executive Board and Corporate Governance Statement**

As at 31 December 2020

**REPORT OF THE EXECUTIVE BOARD AND CORPORATE GOVERNANCE STATEMENT**

The Directors of SG Issuer (the “Company” or “SGIS”) (each a « Director », collectively the « Executive Board ») present the financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the year ended 31 December 2020.

**1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS**

The purpose of SG Issuer is to issue Notes and Warrants with all types of underlyings including, without restriction, Shares, Index, Interest Rate, Dividend, Credit Risk, Foreign Exchange, Commodities, Funds, Warrants, allowing investors to access to the full pricing capabilities of Société Générale, which proposes an extensive range of investment strategies linked to these various asset classes.

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings.

Notes are mainly Debt Securities, Bonds, Certificates. Issuing Proceeds raised by the sale of the Notes are transferred to Société Générale Paris S.A. (“Société Générale”) through a Fully Funded Swap (“FFS”), which perfectly hedges SGIS for the full issue size.

Warrants are financial products like Turbos, inline Warrants, daily Leverage Certificates, etc., which aim to replicate the same financial exposure as buying (Call) or selling (Put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.

Warrants are distributed by Société Générale mainly to clients in France, Belgium, Luxembourg, United-Kingdom, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore. Issuing proceeds raised by the sale of the Warrants are transferred to Société Générale through a FFS.

Payments in respect of the Notes and Warrants issued by the Company are unconditionally and irrevocably guaranteed by Société Générale.

On request of investors, the Company can issue Collateralised Notes or Warrants (“Secured Notes” or “Secured Warrants”) in order to propose an additional layer of protection to investors in case of default of Société Générale.

Notes and Warrants issuances are governed by the Base Prospectuses prepared by Société Générale.

The main programs for Notes are (i) the Debt Instruments Issuance Program, the Base Prospectus of which has been updated and approved by the CSSF on 5 June 2020 and (ii) the “Programme d'Emission de Titres de Créance”, the Base Prospectus of which has been updated and approved by the CSSF on 15 June 2020. Similarly, the main program for Warrants is the Warrants Issuance Program, for which the last updates have been approved by the CSSF on 29 June 2020.

In addition, (i) the German law Dual Language Debt Instruments Issuance Programme has been approved by the CSSF on 2 July 2020 and (ii) the Dual Language Leveraged and Tracking Products Issuance Programme has been approved by the CSSF on 15 July 2020.

The state of business of the Company at the closing of the financial year is adequately presented in the financial statements published hereby.

The decrease in total assets and liabilities (before impact of the offsetting) (see Note 4) is due to the evolution of the activity of issuing financial instruments and significant changes in the fair value of the notes, induced by the Covid-19 impact on the stocks market.

**Report of the Executive Board and Corporate Governance Statement (continued)**

As at 31 December 2020

During the year ended 31 December 2020, 11 902 new Notes were issued (among which 53 secured Notes) and 2 991 Warrants were issued<sup>1</sup>.

The Company did not exercise any research and development activity, does not have any branch, and did not acquire any own shares.

## **2. RISKS AND UNCERTAINTIES**

The risks associated with the investment in the Notes or Warrants depend on several factors. Such factors will vary depending on the characteristics of the Notes or Warrants issued, in particular depending on the underlying type, the maturity, the secured / unsecured status of the Notes or Warrants, the interest rates incurred, the volatility of the underlying.

For each Note, the Company systematically hedges its position by contracting a FFS with Société Générale, with strictly identical characteristics. Also, for each Warrant, the Company systematically hedges its position by contracting an option with Société Générale, with strictly identical characteristics.

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 15 hereafter.

## **3. COVID-19 CRISIS**

The development of the Covid-19 virus into a pandemic has created an unprecedented environment both operationally and in financial markets. The lockdown measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during the year 2020 : the crisis has been affecting both the supply and demand for goods and services and has led to financial market dislocations. In this context, the Company has been closely monitoring the situation and following instructions given by the World Health Organisation and the authorities in Luxembourg. The Company has put in place the necessary measures to ensure business continuity with consideration for staff and client health and safety as a priority.

Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy. Strong uncertainties still remain about the consequences, magnitude and duration of the crisis.

During the year 2020, the crisis had a limited impact on the Company, considering the quality of the asset portfolio and the robustness of its balance sheet. The specific setup of the Company and the hedging of assets and liabilities contributed to fully mitigate the Company's exposure to the market volatility. Nevertheless, the Covid-19 crisis had an impact on the volume of the activity due to the decrease in clients' requests for this type of instruments.

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<sup>1</sup> The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial period.

## **Report of the Executive Board and Corporate Governance Statement (continued)**

As at 31 December 2020

### **4. DECONSOLIDATION OF SGIS BY SOCIÉTÉ GÉNÉRALE LUXEMBOURG S.A.**

The Company was a 100% owned subsidiary of Société Générale Luxembourg S.A. until 30 November 2020. On this date, Société Générale Luxembourg S.A. sold 100 shares to Société Générale S.A. ("SG S.A.") and renounced to its voting rights on its remaining shares. As Société Générale S.A. is the sole shareholder with voting rights, it inherits the power and control over SGIS. Consequently, Société Générale Luxembourg has lost power and control on SGIS as per IFRS 10. SGIS is thus directly consolidated by Société Générale S.A. as from 1 December 2020.

Despite Société Générale Luxembourg does not consolidate SGIS, Société Générale Luxembourg keeps a significant influence on SGIS. Société Générale Luxembourg has lost the power and control over SGIS but, based on the existing significant economic relationships, the Group's supervision and the common workforce, Société Générale Luxembourg conserves significant influence as per IAS 28.

### **5. FUTURE DEVELOPMENTS AND PERSPECTIVES**

In the context of the acquisition by the Société Générale Group (SG Group) of the listed warrants activities from Commerz Bank, Société Générale has decided that new warrants for this activity would mostly be done by another issuer of the Group starting from 1 April 2020. As this activity represented most of the Warrants issued by SGIS so far, the Executive Board noticed a significant drop in new Warrant issuances starting from the second quarter of 2020, which represented however a slight decrease in the commission income for the Company. The Executive Board expects that the drop in Warrants issuances will continue during the year 2021.

Furthermore, 2021 will with no doubt be marked by the unprecedented macroeconomic consequences of the Covid-19 pandemic. It is expected that the financial markets environment will affect the Company's volume of Notes issued and sold to the public during the period when the outbreak continues. In such highly uncertain environment, the Company intends to continue in the coming years the development of its business.

### **6. SUBSEQUENT EVENTS**

SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the Courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities (16 000 KEUR for securities issued by SG Issuer and guaranteed by Société Générale). The French corporate was the subject of a "safeguard procedure", which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

For this litigation (and any other litigation relating to securities issued by SG Issuer) SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer in the context of this litigation regarding potential damages or attorneys' fees.

### **7. CORPORATE GOVERNANCE STATEMENT**

The Executive Board of the Company is committed to maintaining the standards of corporate governance enforced at the level of the European Union and at level of the Société Générale Group. This statement describes the Company's governance principles and practices.

In compliance with its status, the Company is governed by an Executive Board and supervised by a dedicated Supervisory Board.

## **Report of the Executive Board and Corporate Governance Statement (continued)**

As at 31 December 2020

### **7.1 Executive Board**

The Executive Board supervises and controls the Management and operations of the Company and is responsible for the Company system of risk management and internal control.

The Executive Board meetings are held on demand several times during the year.

The Board has quorum when more than half of its members are present. An opinion supported by more than half of the members present becomes a decision.

Key tasks of the Executive Board:

- Ensures that the supervision of accounting is organized and monitored appropriately;
- Reviews and approves the Company's financial statements and condensed interim financial information;
- Supervises and controls operative management.

### **7.2 Supervisory Board**

The Supervisory Board ensures permanently and by all means suited the control of the Management of the Company carried out by the Executive Board. However, this supervision has to be translated in no way by an intervention in the Management of the Company. The Supervisory Board can mandate advisory committees comprised of members of the Supervisory Board and/or of other non-members to lead different missions. The Supervisory Board can confer these advisory committees of the power or mandates permanently or temporary. These advisory committees cannot have the effect of restricting the powers of the Executive Board.

### **7.3 Audit Committee**

The mission of the Audit Committee is to monitor the issues related to the preparation and control of accounting and financial information, to monitor the independence of the statutory auditors, as well as to monitor the efficiency of the internal control, measurement, supervision and risk control systems related to the accounting and financial processes. If needed, it gives recommendations and its opinion to the Supervisory Board.

An Audit Committee of the Company took place on 23 April 2021, during which the financial statements for the year ended 31 December 2020 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

### **7.4 Internal Audit**

The Internal Audit of both Société Générale Luxembourg and Société Générale support the Company's Executive Board in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the functioning of SG Issuer on a regular basis and evaluate its internal controls, risk management, and administrative function. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments at the request of management.

Internal Audit does not have any direct authority over the activities it reviews.

## Report of the Executive Board and Corporate Governance Statement (continued)

As at 31 December 2020

### 7.5 Controls framework

First level of controls is related to the execution of the procedures, guidelines and instructions established to ensure the proper and efficient functioning of the Company. They are executed by the involved teams in charge of the production.

A second level of control is ensured by Société Générale Luxembourg : Outsourced Essential Services ("OES") supervision (ensured by the Corporate department), Market Risk and Operational Risk (ensured by the Risk department), "Level 2 permanent control" activity (monitoring and assessment of the level 1 permanent control system)."

The Chief Financial Officer of the Company ensures the completeness of the procedural framework.

### 7.6 New Products Committee

All the new activities and business of the Company are analysed and authorized by a dedicated New Products Committee (NPC). All involved departments within Société Générale are represented (operations, finance, risk, accounting standards, etc...) to assess the impact for the Company.

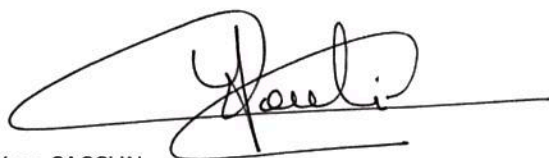
### 7.7 Service level agreements

The Company and several of its service providers are subsidiaries of the Société Générale Group.


Service Level Agreements ("SLAs") were signed by the Company with Société Générale Luxembourg and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by Société Générale Luxembourg and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from Société Générale Luxembourg and operational services – Middle Office and Back Office – from Société Générale). In particular, the calculation of the remuneration related to the issuance of the Notes is delegated to Societe Generale Paris Middle Office within the framework of the SLA.

Luxembourg, 29 April 2021

For the Executive Board



Yves CACCLIN  
Chairman of the Executive Board



Alexandre GALLICHE  
Member of the Executive Board

**Global Statement for the financial statements**

As at 31 December 2020

**GLOBAL STATEMENT FOR THE FINANCIAL STATEMENTS**

To the best of our knowledge, the financial statements gives a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the Report of the Executive Board (management report) includes a fair presentation of the development and performance of the business and the position of the Company, together with a description of the main risks and uncertainties that it faces.

Luxembourg, 29 April 2021

Executive Board Member  
For the Executive Board

A handwritten signature in black ink, appearing to read 'Yves CACCLIN', with a large, sweeping horizontal stroke underneath.

Yves CACCLIN  
Chairman of the Executive Board

Alexandre GALLICHE  
Member of the Executive Board

A handwritten signature in black ink, appearing to read 'Alexandre GALLICHE', with a large, sweeping horizontal stroke underneath.



## **Independent auditor's report**

To the sole Shareholder of  
SG Issuer  
16, boulevard Royal  
L-2449 Luxembourg

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of SG Issuer S.A. (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### **Basis for opinion**

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Hedging of financial instruments issued

##### *Description*

The activity of the Company consists in issuing Notes and Warrants, which are subscribed by investors. These financial instruments are fully hedged with mirror transactions concluded with Société Générale S.A. replicating the financial instruments issued by the Company (see Note 4).

We have considered the hedging of financial instruments issued to be a key audit matter considering the financial risk which would result from inadequate hedging of the financial instruments issued by the Company.

##### *How the matter was addressed in our audit*

We tested the key controls implemented by the Company in relation with the issuance of financial instruments and the conclusion of mirror transactions with Société Générale S.A., as well as the key controls on the stock of financial instruments to ensure the effectiveness of the hedging.

We verified the intercompany reconciliation process between the Company and Société Générale S.A., and the intercompany reconciliations performed as at 31 December 2020.

For a sample of financial instruments issued by the Company as at 31 December 2020, we verified that the Company has contracted the mirror financial instruments with Société Générale S.A..

Also, we inquired about the existence of operational errors during the year and, if applicable, the related financial impact.

#### **Other information**

The Executive Board is responsible for the other information. The other information comprises the information included in the report of the Executive Board and Corporate Governance Statement but does not include the financial statements and our report of “réviseur d’entreprises agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Executive Board for the financial statements**

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of Executive Board 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d’entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d’entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 relevant ethical requirements regarding independence, and communicate to 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

### **Report on other legal and regulatory requirements**

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 30 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

The report of the Executive Board is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, included in the report of the Executive Board, is the responsibility of the Executive Board. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Charles Dequaire

**Statement of Financial Position**

As at 31 December 2020

	Notes	('000 EUR) 2020	('000 EUR) 2019
Cash and cash equivalents	3	44 293	65 975
Financial assets at fair value through profit or loss			
- <i>Mandatorily measured at fair value through profit or loss</i>	4.1	43 135 651	52 893 265
- <i>Trading derivatives</i>	4.1	674 352	5 786 274
Loans and receivables	5	49 902	51 660
Other assets	6	835 571	430 988
<b>Total assets</b>		<b>44 739 769</b>	<b>59 228 162</b>
Financial liabilities at amortised cost	4.3	65 342	83 669
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss</i>	4.2	43 146 652	52 889 867
- <i>Trading derivatives</i>	4.2, 10, 14	676 965	5 788 693
Other liabilities	6	848 336	463 523
Tax liabilities	7	75	62
<b>Total liabilities</b>		<b>44 737 370</b>	<b>59 225 814</b>
Share capital	8.1	2 000	2 000
Share premium		-	-
Legal reserve	8.2	200	200
Profit for the financial year		199	148
<b>Total equity</b>		<b>2 399</b>	<b>2 348</b>
<b>Total liabilities and equity</b>		<b>44 739 769</b>	<b>59 228 162</b>

The accompanying Notes are an integral part of these financial statements.

**Statement of Profit and Loss and Other Comprehensive Income**

For the year ended 31 December 2020

		(‘000 EUR) 2020	(‘000 EUR) 2019
	Notes		
Interest income	9	917	1 023
Commission income	10	48 748	52 679
Other income	11	-	14 384
<b>Total revenues</b>		<b>49 665</b>	<b>68 086</b>
Interest expenses	9	(18 409)	(36 624)
Net loss from financial instruments at fair value through profit or loss		(139)	(727)
Personnel expenses	12	(273)	(411)
Other operating expenses	13	(30 569)	(30 114)
Cost of risk	5	(1)	-
<b>Total expenses</b>		<b>(49 391)</b>	<b>(67 876)</b>
<b>Profit before tax</b>		<b>274</b>	<b>210</b>
Income tax	7	(75)	(62)
<b>Profit for the financial year</b>		<b>199</b>	<b>148</b>
<b>Total comprehensive income for the financial year</b>		<b>199</b>	<b>148</b>

The accompanying Notes are an integral part of these financial statements.

**Statement of Changes in Equity**  
For the year ended 31 December 2020

	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)	('000 EUR)
	Share capital	Share premium	Legal reserve	Other unavailable reserves	Other available reserves	Total reserves	Profit for the financial year	Total equity
<b>As at 31 December 2018</b>	<b>2 000</b>	<b>25 000</b>	<b>200</b>	<b>-</b>	<b>1 662</b>	<b>1 862</b>	<b>187</b>	<b>29 049</b>
Transfer to available reserves	-	-	-	-	-	-	-	-
Allocation of the result of the previous year before dividend distribution	-	-	-	-	187	187	(187)	-
Dividend to the sole shareholder	--	-	-	-	(1 849)	(1 849)	-	(1 849)
Capital increase/Allocation to the share premium account (Note 8.1)	-	31 605	-	-	-	-	-	31 605
Reimbursement of the share premium (Note 8.1)	-	(56 605)	-	-	-	-	-	(56 605)
Profit for the financial year 2019	-	-	-	-	-	-	148	148
<b>As at 31 December 2019</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>148</b>	<b>2 348</b>
Transfer to available reserves	-	-	-	-	148	148	(148)	-
Allocation of the result of the previous year before dividend distribution	-	-	-	-	(148)	(148)	-	(148)
Capital increase/Allocation to the share premium account (Note 8.1)	-	34 981	-	-	-	-	-	34 981
Reimbursement of the share premium (Note 8.1)	-	(34 981)	-	-	-	-	-	(34 981)
Profit for the financial year 2020	-	-	-	-	-	-	199	199
<b>As at 31 December 2020</b>	<b>2 000</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>199</b>	<b>2 399</b>

The accompanying Notes are an integral part of these financial statements.

**Statement of Cash Flows**  
For the year ended 31 December 2020

	Notes	('000 EUR) 2020	('000 EUR) 2019 <i>Restated*</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the financial year		199	148
Net(increase)/decrease in financial assets	4.1	(3 866 206)	11 650 759
Net increase/(decrease) in financial liabilities	4.2	3 899 072	(11 626 283)
(Increase)/decrease in other assets	6	(404 583)	(260 399)
Increase/(decrease) in tax liabilities and other liabilities	6, 7	384 750	279 831
Taxes paid	7	75	62
<i>Non cash adjustments :</i>			
Net change in fair value and foreign exchange difference	4.1, 4.2	139	727
Change in cost of risk	5	1	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>13 446</b>	<b>44 845</b>
<b>FINANCING ACTIVITIES</b>			
Payment of capital surplus **	8.1	(34 981)	(56 605)
Dividend paid		(148)	(1 849)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(35 129)</b>	<b>(58 454)</b>
Cash and cash equivalents as at January 1 <sup>st</sup>	3	65 975	79 584
Net increase/(decrease) in cash and cash equivalents		(21 682)	(13 609)
<b>Cash and cash equivalents as at December 31<sup>st</sup></b>		<b>44 293</b>	<b>65 975</b>
<b>Additional information on operational cash flows from interest and dividends</b>			
Interest paid		35 775	57 428
Interest received	9	917	1 023
Dividend received		-	-

\* Refer to Note 2.5 - comparative data.

\*\* KEUR 34 981 for the year ended 31 December 2020 (and KEUR 56 605 for the year ended 31 December 2019) represent the share premium reimbursed by the Company to the shareholder (refer to Note 8.1).



**Notes to the financial statements**

As at 31 December 2020

**NOTE 1 – CORPORATE INFORMATION**

SG Issuer (hereafter the "Company" or "SGIS") is a Luxembourg company incorporated on 16 November 2006 as a public limited company ("Société Anonyme".) for an unlimited period.

Since April 2013, the Company's corporate objects are to issue debt securities, bonds, certificates, warrants and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, Warrant or option coupons, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

To that effect, the Company may purchase, hold, dispose of, lend, loan or resell, by any means, including in particular the use of trusts, in trust or repurchase, any type of assets whatever their names and forms and whether or not accompanied by guarantees, in particular financial instruments (financial securities - stocks, fund units, bonds, certificates, Warrants - or financial contracts - swaps, options or other) or any other debt securities, acknowledgements of debts or capital securities, receive or issue monetary loans (including loans convertible into shares of the Company) - within the group of companies to which the Company belongs - and to supply guarantees in any form (actual guarantees such as pledges, securities, mortgages or other - personal guarantees or any other form of guarantee) for their own account, for the account of the group of companies to which the Company belongs or on behalf of third parties.

The Company's financial year begins on 1 January and ends on 31 December each year.

The Company's capital was 100% owned by Société Générale Luxembourg S.A. until 30 November 2020. At this date, Société Générale Luxembourg S.A. sold 100 shares to Société Générale S.A. and renounced to its voting rights on its remaining shares. SG Luxembourg S.A. inherits the power and control over SGIS. Consequently, Société Générale Luxembourg has lost power and control on SGIS as per IFRS 10. SGIS is thus directly consolidated by SG S.A. from 1 December 2020.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter "Société Générale" or the "parent Company"), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

## Notes to the financial statements

As at 31 December 2020

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

##### 2.1.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements as at and for the year ended 31 December 2020 were authorised for issue by the Supervisory Board on 28 April 2021.

##### 2.1.2 Functional and presentation currency

The financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital. Unless stated otherwise, the amounts in the financial statements are expressed in thousands of EUR (KEUR). The value "0" indicates the presence of a number, which is rounded to zero, while "-" represents the value nil.

##### 2.1.3 Use of estimates and judgments

The preparation of the Company's financial statements requires Executive Board to make judgments, estimates and assumptions that affect the reported amount of figures recorded in the statement of profit and loss, on the unrealised or deferred gains and losses, on the valuation of assets and liabilities in the statement of financial position, and on information disclosed in the notes to the financial statements.

In order to make these assumptions and estimates, the Executive Board uses information available at the date of preparation of the financial statements and can exercise its judgment. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the financial statements.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, Executive Board has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial Executive Board judgment and/or estimates are listed below with respect to judgments/estimates involved.

The use of significant estimates and judgment mainly concerns the following topics:

- Fair value in the statement of financial position of financial instruments not quoted in an active market which are classified as financial assets and liabilities at fair value through profit or loss (see Notes 4.1 and 4.2);
- The amount of impairment and provisions for credit risk related to financial assets measured at amortized cost (see Note 4.3);
- The analysis of the contractual cash flow characteristics of financial assets (see Note 2.3.3.1).

## Notes to the financial statements

As at 31 December 2020

### 2.1.4 Segment reporting

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements are presented to the Executive Board of SGIS in analysing the performance of the Company. The company has only one geographical area related to its revenue, which is France.

## 2.2 New accounting standards

### 2.2.1 New accounting standards applied by the Company as at 1 January 2020

Amendments to IFRS 3 “Business Combinations” (Note 2.2.1.1)

Amendments to IAS 1 and IAS 8 “Definition of materiality” (Note 2.2.1.2)

Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the interest rate benchmark reform (“IBOR Reform”) (Note 2.2.1.3)

First application of the revised conceptual framework for financial reporting (the revised “Conceptual Framework”) (Note 2.2.1.4).

Amendments to IFRS 16 “Lease contract” due to the Covid-19 crisis (Note 2.2.1.5)

#### 2.2.1.1 Amendments to IFRS 3 “Business Combinations”

*Issued by the IASB on 22 October 2018 and adopted by the European Union on 29 November 2019.*

The amendments are intended to provide clearer guidance to facilitate the differentiation between the acquisition of a business and the acquisition of a group of assets, for which the accounting treatment is different. This amendment to IFRS 3 standard is not applicable to the Company, as the acquisition of business is not part of its usual activity and it did not proceed to any acquisition in the previous periods.

#### 2.2.1.2 Amendments to IAS 1 and IAS 8 “Definition of materiality”

*Issued by the IASB on 31 October 2018 and adopted by the European Union on 29 November 2019.*

These amendments are intended to clarify the definition of ‘materiality’ in order to facilitate the judgment in the context of the preparation of financial statements and interim financial information, particularly when selecting the information to be presented in the Notes.

The Company assessed the potential impact of this clarification. No impact on the financial statements as at 31 December 2020 was observed.

#### 2.2.1.3 Amendments to IFRS 7, IAS 39 and IFRS 9 in the context of the interest rate benchmark reform (“IBOR Reform”)

*Issued by the IASB on 27 August 2020 and adopted by the European Union on 14 January 2021.*

In the context of the interest rate reform – or IBOR reform – currently being implemented by SG Group, the accounting standards applicable have been amended by the IASB. The project structure is set-up at the level of SG Group, with specific application of the changes by business line.

The objective of the first amendments, implemented by the Group since 31 December 2019, is to enable the continued application of hedge accounting treatments despite uncertainties regarding the timetable and specificities regarding the transition from current interest rate benchmarks to new ones; and to do so despite any possible changes to financial instruments indexed on the current interest rate benchmarks. These amendments have no impact on the Company’s financial statements considering it doesn’t use hedge accounting.

## Notes to the financial statements

As at 31 December 2020

Supplementary amendments have been introduced by the IASB regarding the treatment of the changes in financial instruments contracts in the framework of the IBOR reform. Adopted by the European Union on 14 January 2021, they were early applied at the level of SG Group in its financial statements as at 31 December 2020 and by extension at the level of the Company.

These supplementary amendments provide for the application of the following treatments:

- changes brought about by the IBOR reform in the determination of the contractual cash flows, when performed on an economically equivalent basis, should be booked as a revision of the variable interest rate when measuring financial assets and liabilities at amortised cost, financial assets at fair value through other comprehensive income and lease liabilities;
- continuation of the hedging relationship when changes are made, in the framework of the IBOR reform, on the hedged item and/or the hedging instrument and leading to a new documentation of the hedge .

The Company has assessed no impact of the IBOR reform further to the early adoption of the above amendments.

### **2.2.1.4 First application of the revised conceptual framework for financial reporting (the revised “Conceptual Framework”)**

*Issued by IASB on 29 March 2018 and adopted by the European Union on 6 December 2019.*

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The changes to the Conceptual Framework affect the application of IFRS in situations where no standard applies to a particular transaction or event.

The revised Conceptual Framework is effective for the Company as it develops accounting policies based on the Conceptual Framework, it is effective in the financial statements as at 31 December 2020.

To date, the Company has not identified any impact on the application of IFRS due to the revised Conceptual Framework.

### **2.2.1.5 Amendments to IFRS 16 “Lease contract” due to the COVID-19 crisis**

*Issued by the IASB on 28 May 2020 – Adopted by the European Union on 12 October 2020*

These amendments are to allow, as an option, tenants benefiting from rent relief in the context of the Covid-19 pandemic, not to analyse whether the concessions granted to them should be accounted for as modifications to rental contracts. This would imply spreading out the effects of the advantage granted over the term of the contract in profit or loss, they can recognise these reductions as negative variable rents (generating an immediate gain in profit or loss). The amendment specifies that the lessees electing to apply the exemption should apply it retrospectively in accordance with IAS 8 but are not required to restate priori period figures.

SGIS has only one lease agreement related to the building. Since the term of this agreement is 2 years and the annual rental fees amount to KEUR 23, leases are considered non material.

The Company did not benefit from any rent relief following the Covid-19 crisis in 2020.

### **2.2.2 Accounting standards, amendments or interpretations to be applied by the Company in the future**

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 31 December 2020. They are required to be applied from annual periods beginning on 1 January 2021 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 31 December 2020.

## Notes to the financial statements

As at 31 December 2020

These standards are expected to be applied according to the following schedule:

2022	<p>Amendments to IFRS 3 (Reference to the Conceptual Framework)</p> <p>Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" - Onerous contracts - contract execution costs</p> <p>Annual IFRS Improvement (2018 - 2020 Cycle)</p> <p>Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before intended use</p>
2023	<ul style="list-style-type: none"> <li>• Amendments to IAS 1 "Classification of liabilities as current or non-current"</li> <li>• IFRS 17 « Insurance contracts »</li> </ul>

### 2.2.2.1 Amendments to IFRS 3 (Reference to the Conceptual Framework)

*Published by the IASB on 14 May 2020*

After its meeting on 30 January 2020, the IASB finalised the amendments to IFRS 3 and decided to require an entity to apply the amendments to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

The IASB published Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3, Business Combinations that update an outdated reference in IFRS 3 without significantly changing its requirements.

At this stage, the Company does not expect any significant impact from these amendments.

### 2.2.2.2 Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets" – Onerous contracts – Contract execution costs

*Published by the IASB in May 2020*

These amendments specify the costs to be used in determining the costs of performing a contract when analyzing onerous contracts. These amendments will be effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.

At this stage, the Company does not expect any significant impact from these amendments.

### 2.2.2.3 Annual IFRS Improvements (2018 – 2020 Cycle)

*Published by IASB on 14 May 2020*

As part of the annual procedure for improving IFRS, the IASB published minor changes to IFRS 9 "Financial instruments" and IFRS 16 "Leases". The IASB also published minor changes to IFRS 1 "First time adoption of International Financial Reporting Standards" and IAS 41 "Agriculture", which is not applicable to the Company.

The amendment on IFRS 9 "Financial instruments" clarifies which fees an entity includes when performing the "10 per cent" test to assess whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

## Notes to the financial statements

As at 31 December 2020

The Company will integrate this new guidances in its accounting policy. At this stage, the Company does not expect any significant impact from these amendments.

The amendment to IFRS 16 clarifies the treatment of lease incentives related to reimbursement of leasehold improvements by the lessor. The amendment only relates to an illustrative example and as such will not result in any impact for the Company.

### **2.2.2.4 Amendments to IAS 16 “Property, Plant and Equipment” – Proceeds before intended use**

*Published by IASB on 14 May 2020*

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Such sales proceeds or related costs realised during the preparation of the asset for its intended use should be recognised in profit or loss.

As the Company has no property, plant and equipment, the Company does not expect any impact from these amendments.

### **2.2.2.5 Amendments to IAS 1 “Classification of liabilities as current or non current”**

*Published by IASB on 23 January 2020*

On 23 January 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2022.

On 15 July 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023.

At this stage, the Company does not expect any significant impact from these amendments.

### **2.2.2.6 IFRS 17 “Insurance Contracts”**

*Issued by the IASB on 18 May 2017, amended on 25 June 2020*

This new standard will replace IFRS 4 “Insurance Contracts” that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the statement of financial position is replaced by a current value measurement of insurance contracts.

The Company expects no effect from this standard as it has no insurance contracts.

**Notes to the financial statements**

As at 31 December 2020

**2.3 Summary of significant accounting policies****2.3.1 Foreign currency transactions**

Transactions in foreign currencies are initially recorded in EUR at the exchange rate ruling at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the statement of profit and loss and other comprehensive income in the caption *“Net gains from financial instruments at fair value through profit or loss”* and *“Interest Expenses”*.

The most important foreign currency positions for the Company are USD, JPY, GBP, HKD and CHF. The following foreign exchange rates were used:

	USD	JPY	GBP	HKD	CHF
<b>31.12.2020</b>	1.2271	126.4900	0.8990	9.5142	1.0802
<b>31.12.2019</b>	1.1234	121.9400	0.8508	8.7473	1.0854

**2.3.2 Cash and cash equivalents**

Cash and cash equivalents comprise only cash repayable on demand.

Cash and cash equivalents in the Company are subject to impairment under IFRS 9 and are presented net of impairment (cf. Note 2.3.3.3).

**2.3.3 Financial instruments****2.3.3.1. Classification of financial instruments***Classification of financial assets*

Financial assets are classified under IFRS 9 based on the characteristics of their contractual cash flows and on how they are managed (business models).

For the debt instruments held, SGIS has defined its business model as “held to collect” for the Fully Funded Swaps, for Cash and cash equivalents and for Loans and receivables. These assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past years and no sale is anticipated in the future.

The Fully Funded Swaps (hereafter “FFS”) are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). This type of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As these financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the Solely Payments of Principles and Interest (or “SPPI”) test and consequently these financial assets are mandatorily measured at Fair Value through Profit and Loss (“FVTPL”).

Cash and cash equivalents and Loans and receivables are SPPI compliant and are thus measured at amortised cost. Cash and cash equivalents and Loans and receivables are subject to impairment under IFRS 9 and are presented net of impairment.

The Options held, covering the Warrants issued, are Trading derivatives and thus measured at FVTPL.

## Notes to the financial statements

As at 31 December 2020

Purchases and sales of financial assets recorded under Financial assets at fair value through profit or loss and Financial assets at fair value through other comprehensive income are recognised in the statement of financial position at the delivery-settlement date. Changes in fair value between the trade and settlement dates are recorded in the income statement or booked to shareholders' equity depending on the accounting category of the relevant financial assets. Loans and receivables are recorded in statement of financial position on the date they are paid or at the maturity date for invoiced services. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Company.

### Classification of financial liabilities

Financial liabilities are classified into one of the following two categories:

- Financial liabilities at fair value through profit or loss:

These are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Company upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option.

The Company has designated at fair value through profit or loss the notes issued because mirror transactions (Fully Funded Swaps or "FFS") that are used to hedge those notes are measured mandatorily at fair value through profit and loss and thus reduce the accounting mismatch;

- Financial liabilities at amortised cost:

These include the other non-derivative financial liabilities and are measured at amortized cost.

### **2.3.3.2. Valuation of financial instruments**

#### Definition of fair value

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.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

#### Fair value hierarchy

The fair values of financial instruments include accrued interest as applicable.

For information purposes, in the notes to the financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the significance of the inputs used according to the following levels:

#### **Level 1 (L1): instruments valued on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities**

Level 1 instruments carried at fair value on the statement of financial position include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the statement of financial position date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm's length basis.



## Notes to the financial statements

As at 31 December 2020

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm's length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Company has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

### **Level 2 (L2): instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)**

These are instruments measured using a financial model based on observable market inputs. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Level 2 instruments include in particular non derivative financial instruments carried at fair value on the statement of financial position that are not directly quoted or do not have a quoted price on a sufficiently active market (e.g. corporate bonds, repos transactions, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

### **Level 3 (L3): instruments valued using inputs that are not based on observable market data (referred to as unobservable inputs)**

Level 3 instruments carried at fair value on the statement of financial position are predominantly instruments for which the sales margin is not immediately recognized in profit or loss.

Accordingly, Level 3 financial instruments include derivatives with longer maturities than those usually traded and/or with specifically-tailored return profiles. Similarly, debt measured at fair value is classified as Level 3 where the valuation of the associated embedded derivatives is also based on unobservable inputs.

The main L3 complex derivatives are:

- Equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- Interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, or between interest rates and exchange rates, for example for quanto products (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);

## Notes to the financial statements

As at 31 December 2020

- Credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation ("N to default" products in which the buyer of the hedge is compensated as of the Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- Commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e. options on commodity swaps or instruments based on baskets of underlyings).

At the level of SG Group, valuation models are determined in order to fully embed the impact of IFRS 13 as described above and use appropriate parameters and methodologies in order to determine L3 instruments valuation. Counterparty credit risk estimates relies on Credit Value Adjustments (CVA) and Debit Value Adjustments (DVA) calculations.

Different calculation methods can exist regarding the CVA-DVA / OCA (Own Credit Adjustment) impact calculation: derived from the yield discounting methodology, other from the Monte-Carlo EPE/ENE (Expected Positive / Negative Exposure). The methodology for calculation of CVA-DVA (OCA not applicable to the Company) applied to SGIS (the same as the SG Group) is the yield discounting methodology.

The valuation methods used by the Company to establish the fair value of financial instruments are detailed below.

The fair values of financial instruments include accrued interest as applicable.

- For Unsecured Notes and Fully Funded Swaps

The fair value for both the unsecured Notes (liabilities) and the Fully Funded Swap (FFS) (assets) is calculated by discounting the expected future cash flows with the risk free curve. To take the credit adjustment into account, the risk free curve is adjusted with Société Générale Group's credit spread curve. A dedicated process has been implemented using Société Générale Group and SGIS operational teams' input. This process is fully functional, constantly monitored as of today.

- For Secured and Repack Notes

Secured Notes are Notes which are collateralized with assets deposited on segregated or pooled accounts with external custodian (The Bank of New York Mellon S.A., Luxembourg Branch, hereafter "BNY Mellon Luxembourg") and pledged in favor of the Note holders.

Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the "Reference Bond") issued by a third-party issuer (the "Reference Bond Issuer").

The collateral assets are composed of eligible securities.

Should Société Générale defaults, the pledge on the assets is to be enforced; the Notes holders are exposed to credit risk of the collateral (external securities). Therefore, as Société Générale and SGIS are mere risk pass-through, the credit risk premium (external bonds issuers) shall not be adjusted with Société Générale credit spread. Thus, no additional credit adjustment is needed for the secured Notes.

The fair value of the Secured Notes and the Repack Notes and the associated FFS is computed, for each accounting period, by discounting the expected future cash flows by a composite Repo rate curve.

- For Warrants and Options

For financial instruments recognised at fair value in the statement of financial position, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the statement of financial position date or if the clearing value does not reflect transaction prices.

## Notes to the financial statements

As at 31 December 2020

However, due especially to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Company does not have quoted prices in the markets.

The base models may not fully capture all factors relevant to the valuation of SGIS on these financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, SGIS applies various techniques (from the Group) to estimate the credit risk associated with its financial instruments measured at fair value.

The reevaluation differences attributable to the Company's credit risk are thus determined using valuation models which take into account the most recent financing terms and conditions on the markets along with the residual maturity of the related liabilities.

- For secured notes issued by the Company, as investors are not exposed to the Company's risk, no own credit risk should impact the fair value of the instruments and as such, no adjustment has to be calculated.
- For unsecured notes, investors are not contractually exposed to the Company's credit risk but to Société Générale Group's own credit risk.

SGIS valuation models therefore reflects the absence of credit risk, and structured bonds are not impacted by Own Credit Adjustments within the entity.

### Deferred margin related to main unobservable inputs

The Company does not apply deferred margin related to its main unobservable inputs as margin on Notes and Warrants issued are offset by a similar margin on Fully Funded Swaps and Options purchased.

### 2.3.3.3. Impairments and provisions

Some financial assets involve credit risk which exposes the Company to a potential loss if the counterparties were to be unable to respect their financial commitments. The Company is remunerated for bearing this risk by a portion of the contractual interest that it receives on those assets; this is known as the credit margin.

This potential loss, or expected credit loss, is recognised in profit or loss without waiting for the occurrence of a default event on a specific counterparty.

For loans and receivables measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Company, is recognised in profit or loss. On the statement of financial position, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairments are written-back in case of a subsequent decrease of credit risk. No impairment is recognised on cash and cash equivalents. The Company does not have loan commitments or financial guarantees contracts.

### Impairment and provisions for credit risk

To determine the amount of impairment or loss allowances to be recorded at each reporting date, these exposures are classified into one of three categories based on the increase in credit risk observed since initial recognition. An impairment or loss allowance shall be recognised for the exposures in each category as follows:

- Exposures classified in Stage 1: At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are underperforming/credit-impaired on acquisition. Stage 1 exposures are impaired for the amount of credit losses that the Company expects to incur within 12 months (12-month expected credit losses), based on past data and the current situation.
- Exposures classified in Stage 2: To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Company, taking into account the counterparty's credit risk rating, the magnitude of the change in the counterparty's credit rating and the existence of payments of more than 30 days.
- Exposures classified in Stage 3 (doubtful outstandings): The Company determines whether or not there is objective evidence of impairment (default event).

## **Notes to the financial statements**

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Stage 2 and 3 exposures are impaired for the amount of credit losses that the Company expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity.

### **Impairments / Reversal of impairments**

Impairments / Reversal of impairments includes net reversals of impairment and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

#### **2.3.3.4. Offsetting financial assets and financial liabilities**

A financial asset and a financial liability are offset and the net amount presented on the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties.

The financial instruments issued by the Company are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The instruments which are unsold are held by SG.

The treatment is applied based on IAS 32 paragraph 42: "A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- ( currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

In December 2014, a cash netting clause was added in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (the Fully Funded Swaps) and the liabilities (the Notes) are settled (and intended to be settled) simultaneously.

In June 2017, the Company added a new cash netting clause in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (OTC Options) and the liabilities (the Warrants) are settled (and intended to be settled) simultaneously.

In application of IAS 32 - Offsetting a financial asset and a financial liability, the Company proceeds to the accounting netting of the non-sold amounts. The impact of the off-setting for the non-sold Notes and the corresponding Fully Funded Swaps and impact of the off-setting for the non-sold Warrants and the corresponding options are described in Note 4.1 and Note 4.2.

#### **2.3.4 Other assets and other liabilities**

Settlement accounts for trades are included in other assets or other liabilities and are presented separately in distinctive captions on assets or liabilities side (cf. Note 6).

#### **2.3.5 Shareholders' equity**

Equity are the resources contributed to the Company by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings).

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

## Notes to the financial statements

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### 2.3.6 Interest income and expense

Interest is recognized as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

Interest income and expense are recorded in the statement of profit and loss under Interest and similar income and Interest and similar expense for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income).

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is measured at the effective interest rate applied to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

### 2.3.7 Fee income and expense

Fee income and Fee expense combine fees on services rendered and received, as well as fees on pledge security granted that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under Interest income and Interest expenses.

The Company recognizes fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- fees for ongoing services, such as custody fees and administration costs are recognized as income over the life of the service;
- fees for one-off services, such as issuance and listing fees are recognized as income when the service is provided.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognized under Other Assets and Other Liabilities. For example : supplier contracts generate trade payables, accrued expenses or prepaid expenses.

Income related to the issuance of Notes and Warrants falls under the scope of IFRS 15 and as such, is considered separately as income generated by 2 services when the Company performs its activities:

- The issuing fee recognized upfront for the initiation and the structuration of the issuance;
- Account and security servicing during the lifecycle of the security.

### 2.3.8 Other operating expenses

The Company records operating expenses according to the type of services to which they refer.

Other operating expenses mainly include lease payments, building maintenance and other costs, travel and business expenses, outsourcing and advisory fees and marketing and advertising expenses. Detail is provided in Note 13.

## **Notes to the financial statements**

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### **2.3.9 Income tax**

Income tax includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period.
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

#### **2.3.9.1. Current tax**

Current tax is based on the taxable profit and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under Income tax in the statement of profit and loss.

#### **2.3.9.2. Deferred tax**

Deferred taxes are recognized whenever the Company identifies a temporary difference between the accounting base and tax base for assets and liabilities that will affect future tax payments or from tax loss carried forward.

The amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realized or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value. The Company off-sets its deferred tax assets against liabilities as there is both legal right to offset its current tax assets and liabilities and it is the Company's intention to settle on a net basis.

### **2.3.10. Other commitments linked to secured notes**

In relation to each Serie of Secured Notes, in order to secure its obligations in respect of such Notes, the Company enters into a pledge agreement which will be governed by the Luxembourg act dated 5 August 2005 on financial collateral arrangements, as amended. Under each Pledge Agreement, the Company will grant first ranking security over the Collateral Assets contained in one or more accounts held by the Company with BNY Mellon Luxembourg (or such other custodian or account bank as is specified in the applicable Final Terms, pursuant to the terms of a custodian agreement between, inter alia, the Company and the collateral custodian). The security granted under each Pledge Agreement will be granted either in favour of:

- in the case of English Law Notes, The Bank of New York Mellon Corporate Trustee Services Limited or such other security trustee as is specified in the applicable Final Terms as security trustee on behalf of itself and the relevant Noteholders and the other relevant Secured Parties (as defined in the Additional Terms and Conditions for Secured Notes) or,
- in the case of French Law Notes, directly in favour of the relevant Noteholders and the other relevant Secured Parties as represented by The Bank of New York Mellon Corporate Trustee Services Limited or such other security agent as is specified in the applicable Final Terms as security agent.

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Following the occurrence of a Secured Note Acceleration Event (as defined in the Additional Terms and Conditions for Secured Notes), all Noteholders whose Notes have become immediately due and payable will first be entitled to claim for any outstanding amounts due to them under the terms of the Guarantee. If neither the Issuer nor the Guarantor (pursuant to the terms of the Guarantee) has paid all amounts due to Noteholders within a period of 3 Business Days following the occurrence of a Secured Note Acceleration Event, Noteholders may send a notice in writing to the Security Trustee (in the case of English Law Notes) or the Security Agent (in the case of French Law Notes) requesting that the relevant Pledge Agreement be enforced in accordance with the terms of the Base Prospectus.

The Company borrows the securities to be pledged from Société Générale Group. In accordance with IFRS 9, the borrowing of the securities to be pledged by the Company is not assimilated to the transfer of assets and thus does not result in recognition in the statement of financial position. The risks and rewards associated to the securities remain in Société Générale Group and as such are not presented in the Company's statement of financial position.

The pledged securities are accounted as an off balance-sheet commitment "Securities pledged". The committed amount is re-measured at each closing to reflect the value of the securities pledged.

### **2.4 Prior years corrections of error**

During Q4 2019, SG Issuer identified that, in 2019 as well as in prior years, Société Générale had paid to SG Issuer a remuneration in excess of the contractually agreed remuneration due to an error in using the right notes' maturities when applying the contractually agreed remuneration formula. However, such undue remuneration had no impact on any remuneration due to investors in SG Issuer's notes and warrants at any time.

Société Générale confirmed in a letter addressed to SG Issuer on 15 April 2020 and duly signed by both parties that it had decided to waive any reimbursement claim from SG Issuer related to such undue remuneration whenever paid.

Therefore, this operational incident had no impact on SG Issuer net result and shareholders' equity.

The economic nature of this excess remuneration being different from the contractual remuneration, the excess remuneration was recorded in "Other income" for the year ended 31 December 2019 and was presented as such in the financial statements as of 31 December 2019 (please also refer to Notes 10 and 11).

This excess remuneration paid by Société Générale to SG Issuer amounted to KEUR 14 384 for the year ended 31 December 2019.

### **2.5 Comparative data**

The presentation of the statement of cash flows was slightly changed in 2020 in order to clarify some of its components ("Taxes paid" as well as fair value and foreign exchange difference are now presented separately).

In the statement of cashflows, the comparative data for the year ended 31 December 2019 have been restated for comparison purposes. The restatements have no impact on the subtotals and total disclosed in the statement of cash flows.

### **2.6 Brexit**

The United Kingdom organised on 23 June 2016 a referendum at which a majority of British people voted to leave the European Union (Brexit).

After having been postponed several times, the United Kingdom withdrawal agreement entered into force on 31 January 2020 with transition period which ended on 31 December 2020. The law of Europe-an union has also ceased to apply to the United Kingdom since 1 January 2021.

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Despite the unfavourable health and political context, the negotiations conducted between the United Kingdom and the European Union resulted on 24 December 2020 in a Trade and cooperation agreement excluding financial services. To date, there is merely a European equivalence for the use of Clearing Houses for an 18-month period from 1 January 2021.

The impacts on the Company's operations have been analysed, and they mainly relate to transactions in GBP, as a result the Company had very limited impacts due to Brexit. The Company continues to follow the ongoing negotiations and has taken into account the short-/mid-/long-term consequences of the Brexit in the assumptions and estimates selected to prepare the consolidated accounts.

### 2.7 Covid-19 crisis

The Covid-19 pandemic is causing unprecedented health crisis and economic shock. The lockdown measures imposed by many governments to stop the spread of virus have led to a collapse of global activity during the first half of 2020: the crisis has been affecting both the supply and demand for goods and services and has led to financial market dislocations.

Governments and central banks have tried to mitigate the effects of this shock by providing significant support in term of liquidity and credit guarantees to the economy. Strong uncertainties remain about the consequences, magnitude and duration of the crisis. In this context, Société Générale Group has defined new potential scenarios of economic recovery and analysed their effects on its activities in order to integrate them into the assumptions and estimates used for preparing the financial statements.

In conjunction with the numerous publications of regulatory authorities and of the IASB, Société Générale Group has also introduced some adjustments and taken into account Governments support measures in the methodology used for the application of measurement principles regarding expected credit losses.

SGIS policy is to rely on the methodological framework defined by the Société Générale Group. Therefore, SGIS adopted a similar approach to Société Générale Group for the adjustments related to Governments support measures due to the fact it generally operates in similar countries and environments and also relies on its parent Group's modelizations for macroeconomic scenarios and analysis of activities.

Covid-19 consequences are detailed below to shed light on the financial consequences of the crisis and on their implementation in the preparation of the financial statements, as recommended by the market and accounting authorities.

#### **Covid-19 impact on Market Risk**

Following the Covid-19 outbreak, we noted as explained above a significant change in fair value of financial liabilities. Given the specific setup of SGIS, the notes are fully backed, meaning that the change in fair value of SGIS notes is fully reflected on asset side. Due to these hedging arrangements, there can be no impact on the statement of profit and loss.

Consequently, on the market risk ground, the Covid-19 situation did not have any impact. The absence of profit or loss on issuing GOPs ("Groupe Opérationnel", securities portfolio) is still monitored on a daily basis ensuring that no profit or loss remain on GOPs.

#### **Covid-19 impact on Expected Credit Loss**

Both the Statement of financial position and the off-balance sheet of SGIS are largely out of scope as regards Expected Credit Loss (ECL) calculation. Financial assets (Fully Funded Swaps) and options held are measured at Fair Value through Profit or Loss ("FVTPL") as described in note 2.3.3.1 (classification of financial instrument).



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Only a minor part of the statement of financial position is measured at amortized cost and thus subject to impairment in accordance with IFRS 9, corresponding essentially as at 31 December 2020 to term deposits with Société Générale Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds. The amount of expected credit loss calculated on loans and receivables in accordance with IFRS 9 amounts to KEUR 4 as at 31 December 2020 (31 December 2019: KEUR 3).

**Covid-19 support measures**

Given its specific activities, SGIS does not deal directly with clients, does not grant loans and its only counterpart is SG or Société Générale Group entities. Therefore, SGIS suffer today no impact in terms of potential downgrade in credit risk rating or in terms of granted moratorium and no specific measures has been put in place due to Covid-19 crisis regarding credit risk nor operational risk.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents amount to KEUR 44 293 as at 31 December 2020 (31 December 2019: KEUR 65 975) and are mainly composed of cash held with Société Générale Luxembourg and Société Générale.

As of 31 December 2020 and 2019, this caption only contained cash that was repayable on demand.

**NOTE 4 – FINANCIAL INSTRUMENTS****4.1 Financial assets measured at fair value through profit or loss**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>('000 EUR)</b>	<b>('000 EUR)</b>
<b>Financial assets at fair value through profit or loss</b>		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	43 135 651	52 893 265
- Trading derivatives (Options)	674 352	5 786 274
<b>Total</b>	<b>43 810 003</b>	<b>58 679 539</b>

As at 31 December 2020, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 43 135 651 (31 December 2019: KEUR 52 893 265) and replicate all the Notes issued by the Company (see Note 4.2). Differences between the fair value of Fully Funded Swaps and Notes arise due to late settlements.

As at 31 December 2020, Trading derivatives (Options) amount to KEUR 674 352 (31 December 2019: KEUR 5 786 274) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between the fair value of Options and Warrants arise due to late settlements.

As at 31 December 2020, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 43 040 180 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2019: KEUR 30 038 519) and KEUR 9 324 545 for the non-sold Warrants and the corresponding Options (31 December 2019: KEUR 6 692 028) (see Note 4.2).

**Notes to the financial statements**

As at 31 December 2020

The movements in financial assets at fair value through profit or loss were as follows:

	(‘000 EUR) Mandatorily at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
<b>As at 1 January 2020</b>	<b>52 893 265</b>	<b>5 786 274</b>	<b>58 679 539</b>
Acquisition	24 577 807	43 734 538	68 312 345
Maturity/Disposal/Liquidation/Cancellation	(15 955 857)	(48 488 524)	(64 444 381)
Change in fair value and foreign exchange difference	(5 377 903)	2 274 582	(3 103 321)
Offsetting of Assets and Liabilities (Change)	(13 001 661)	(2 632 518)	(15 634 179)
<b>As at 31 December 2020</b>	<b>43 135 651</b>	<b>674 352</b>	<b>43 810 003</b>

	(‘000 EUR) Mandatorily at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
<b>As at 1 January 2019</b>	<b>45 062 134</b>	<b>4 168 362</b>	<b>49 230 496</b>
Acquisition	72 576 576	40 408 628	112 985 204
Maturity/Disposal/Liquidation/Cancellation	(86 760 549)	(37 874 504)	(124 635 053)
Change in fair value and foreign exchange difference	11 266 997	494 774	11 761 771
Offsetting of Assets and Liabilities (Change)	10 748 107	(1 410 986)	9 337 121
<b>As at 31 December 2019</b>	<b>52 893 265</b>	<b>5 786 274</b>	<b>58 679 539</b>

**4.2 Financial liabilities measured at fair value through profit or loss**

	31.12.2020 (‘000 EUR)	31.12.2019 (‘000 EUR)
<b>Financial liabilities at fair value through profit or loss</b>		
- Designated at fair value through profit or loss (Notes)	43 146 652	52 889 867
- Trading derivatives (Warrants)	676 965	5 788 693
<b>Total</b>	<b>43 823 617</b>	<b>58 678 560</b>

As at 31 December 2020, the Company has issued secured and unsecured Notes for a total amount of KEUR 43 146 652 (31 December 2019: KEUR 52 889 867):

- 25 095 unsecured Notes were issued (stock) for a total amount of KEUR 37 165 082 (31 December 2019: 31 999 unsecured Notes were issued (stock) for a total amount of KEUR 48 347 725);
- 613 secured Notes were issued (stock) for a total amount of KEUR 5 981 570 (31 December 2019: 846 secured Notes were issued (stock) for a total amount of KEUR 4 542 142).

In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.

Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.

As at 31 December 2020, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 3 924 732 (31 December 2019: KEUR 4 468 186).

**Notes to the financial statements**

As at 31 December 2020

As at 31 December 2020, the Company also issued Warrants for a total amount of KEUR 676 965 (31 December 2019: KEUR 5 788 693). Refer to Note 14 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2020, the impact of the offsetting (decrease in the balance sheet) is KEUR 43 040 180 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2019: KEUR 30 038 519) and KEUR 9 324 545 for the non-sold Warrants and the corresponding Options (31 December 2019: KEUR 6 692 028) (see Note 4.1).

The movements in financial liabilities at fair value through profit or loss were as follows:

	(‘000 EUR) Designated at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
<b>As at 1 January 2020</b>	<b>52 889 867</b>	<b>5 788 693</b>	<b>58 678 560</b>
Acquisition	24 671 673	43 256 910	67 928 583
Cancelled/Liquidation/Maturity Disposal	(16 034 970)	(48 011 195)	(64 046 165)
Change in fair value and foreign exchange difference	(5 378 257)	2 275 075	(3 103 182)
Offsetting of Assets and Liabilities (Change)	(13 001 661)	(2 632 518)	(15 634 179)
<b>As at 31 December 2020</b>	<b>43 146 652</b>	<b>676 965</b>	<b>43 823 617</b>
	(‘000 EUR) Designated at fair value through profit or loss	(‘000 EUR) Trading derivatives	(‘000 EUR) Total
<b>As at 1 January 2019</b>	<b>45 053 728</b>	<b>4 170 486</b>	<b>49 224 214</b>
Acquisition	73 253 218	39 985 252	113 238 470
Cancelled/Liquidation/Maturity Disposal	(87 579 976)	(37 303 767)	(124 883 743)
Change in fair value and foreign exchange difference	11 414 790	347 708	11 762 498
Offsetting of Assets and Liabilities (Change)	10 748 107	(1 410 987)	9 337 120
<b>As at 31 December 2019</b>	<b>52 889 867</b>	<b>5 788 693</b>	<b>58 678 560</b>

**4.3 Financial liabilities measured at amortised cost**

As at 31 December 2020 and 2019, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by Société Générale Luxembourg, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to Société Générale Luxembourg both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.505% as at 31 December 2020) and activity related interests. Activity related interests means an amount equal to 100% of the activity related profit generated by the Company.

The convertible bond maturity shall be automatically extended by successive periods of one year, unless either the Issuer or the Holder has exercised its right to terminate the bond on the scheduled maturity date. The conversion option belongs to the Holder.

As at 31 December 2020, the Company also has amounts due to banks related to the Company's overdrafts current accounts for KEUR 406 (31 December 2019: KEUR 681).

**Notes to the financial statements**

As at 31 December 2020

**NOTE 5 – LOANS AND RECEIVABLES**

As at 31 December 2020 and 2019, loans and receivables only consist in deposits with Société Générale Luxembourg, which represent the reinvestment of the Company's share capital, reserves and other available funds.

The amount of expected credit loss calculated on loans and receivables in accordance with IFRS 9 is KEUR 4 as at 31 December 2020 (31 December 2019: KEUR 3).

**NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES**

As at 31 December 2020 and 2019, other assets and other liabilities are mainly composed of settlement accounts, as presented below:

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Settlement accounts on securities transactions	788 415	372 987
Miscellaneous receivables	47 156	58 001
<b>Total other assets</b>	<b>835 571</b>	<b>430 988</b>

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Settlement accounts on securities transactions	(774 392)	(392 183)
Deferred income	(7 198)	(7 605)
Miscellaneous payables	(66 746)	(63 735)
<b>Total other liabilities</b>	<b>(848 336)</b>	<b>(463 523)</b>

Miscellaneous payables and receivables mainly consist of payables on partly paid Notes and receivables on financial instruments replicating the partly paid Notes issued.

**NOTE 7 – TAXATION**

The Company is liable for all taxes applicable to Luxembourg commercial companies.

Since 2007, the Company has been part of a tax integration group led by SG Luxembourg, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the "Agreement") with SG Luxembourg. Under the Agreement, the Company pays to SG Luxembourg, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

The rate of current tax applied as of 31 December 2020 is 24.94 % (31 December 2019: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the year ended 31 December 2020, tax expenses amount to KEUR 75 (31 December 2019: KEUR 62).

**Notes to the financial statements**

As at 31 December 2020

**NOTE 8 – SHAREHOLDERS' EQUITY****8.1 Share capital and share premium**

As at 31 December 2019, the subscribed and fully paid share capital, 100% held by SG Luxembourg, was EUR 2 000 240, divided into 50 006 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2020, the Executive Board decided to increase the authorized capital of the Company from EUR 2 000 240 to EUR 2 000 280 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. In the context of the capital increase, the 2019 activity related interests amounting to EUR 34 981 050 have been allocated to the Share Premium. This Share premium has been paid to Société Générale Luxembourg in June 2020.

On 30 November 2020, 100 shares were sold by Société Générale Luxembourg S.A. to Société Générale S.A. for a total amount of EUR 4 000. Société Générale Luxembourg S.A. still holds 49 907 shares amounting to EUR 1 996 280 for which it waived its entire voting rights.

The Company manages its capital to ensure it will be able to continue as a going concern. The capital amount may be increased, subject to the approval of the Shareholders, if the Company's activity evolves, incurring specific additional risks.

**8.2 Reserves****8.2.1 Legal reserve**

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

As at 31 December 2020 and 2019, the legal reserve amounts to KEUR 200.

**8.2.2 Other reserves**

Since 2013, the Company is fiscally integrated in its parent company Société Générale Luxembourg. Société Générale Luxembourg constitutes the Net Wealth Tax reserve for the Company. As a consequence, no additional Net Wealth Tax reserve has been constituted by the Company since 2013.

As at 31 December 2020 and 2019, the amount of other reserves is nil.

**NOTE 9 – INTEREST INCOME AND EXPENSES**

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Interest income on cash and cash equivalents	21	74
Interest income on loans and receivables	896	949
<b>Total interest income</b>	<b>917</b>	<b>1 023</b>
Interest expenses on financial liabilities at amortised cost (note 4.3)	(18 409)	(36 624)
<b>Total interest expenses</b>	<b>(18 409)</b>	<b>(36 624)</b>
<b>Net interest margin</b>	<b>(17 492)</b>	<b>(35 601)</b>

**Notes to the financial statements**

As at 31 December 2020

**NOTE 10 – COMMISSION INCOME**

Commission income can be broken down as follows:

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Issuing upfront fees on Notes	37 407	45 436
Servicing fees on Notes	7 009	2 951
Commission on Warrants	4 332	4 292
<b>Commission income</b>	<b>48 748</b>	<b>52 679</b>

As at 31 December 2020, KEUR 7 198 are retained as deferred income under the caption “other liabilities” (2019 : KEUR 7 605) (cf. Note 6).

**NOTE 11 – OTHER INCOME**

As explained in Note 2.4, Other income included an excess remuneration of KEUR 14 384 for the year ended 31 December 2019.

**NOTE 12 – PERSONNEL EXPENSES**

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Wages and salaries	(212)	(333)
Social charges and associated costs	(44)	(63)
Recharge of personnel expenses from related parties	(17)	(15)
<b>Total</b>	<b>(273)</b>	<b>(411)</b>

The Company had 3 full-time equivalent during the year ended 31 December 2020 (2019: 3).

The annual cost of pension is calculated and invoiced by Société Générale Luxembourg, based on SG Luxembourg’s group total cost of pensions and according to the number of the Company’s full time equivalent employees.

**Notes to the financial statements**

As at 31 December 2020

**NOTE 13 – OTHER OPERATING EXPENSES**

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Issuance fees	(26 146)	(26 556)
Other operating charges	(4 423)	(3 558)
<b>Total</b>	<b>(30 569)</b>	<b>(30 114)</b>

Issues fees mainly consist of listing fees, collateral monitoring agent fees, maintenance of registers fees and trading fees.

Other operating charges are mainly composed of operating costs related to the Company (including audit fees) as well as activities outsourced to Société Générale S.A. and Société Générale Luxembourg.

Remuneration of the Réviseur d'entreprises agréé

The fees paid by the Company to its Réviseur d'entreprises agréé were as follows:

	('000 EUR) 31.12.2020	('000 EUR) 31.12.2019
Statutory audit of the financial statements	245	241
Other assurance services	40	40
<b>Total</b>	<b>285</b>	<b>281</b>

**NOTE 14 – OFF-BALANCE SHEET**

As at 31 December 2020, financial instruments to be issued (engagement taken before 31 December 2020 with value date after 31 December 2020) amount to KEUR 2 498 866 (31 December 2019: KEUR 2 836 408).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.

## Notes to the financial statements

As at 31 December 2020

## Warrants issuance summary

The Warrants issued as at 31 December 2020 and 2019 break down as follows:

Warrant Type	Category of Underlying	Type of Underlying	Option Type	31 December 2020			31 December 2019		
				Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)
Basket warrant	Basket	Index	Call	1	11 409	12 299	1	12 462	14 432
Commodity Future Warrant	Future	Mutual Fund	Put	10	37 801	142	24	35 591	6 048
		Commodity Future	Call	6	13 251	3	76	637 284	42 969
			Put	12	19 777	10 734	74	176 905	25 045
		Bruts	Call	6	436 509	0			
Commodity Warrant	Commodity	Index	Call	1	500	309	9	40 197	19 188
		Mutual Fund	Call	17	25 860	0	136	904 041	130 055
			Put	58	96 407	111	83	154 736	10 222
		Precious metals	Call	4	9 333	0	11	22 469	5 626
			Put	10	22 906	0	11	26 439	126
		Future Contract	Call	1	124 275	3 572	1	-	57 440
Currency Warrant	Currency	Currency	Call	60	18 978	45	9 155	88 621	41 196
			Put	85	270 190	0	4 152	417 838	305 098
Equity Warrant	Equity	American	Call	4	21 681	330	63	202 059	9 155
		Depository Receipt	Put	1	417	2	36	60 612	4 152
		Mutual Fund	Call	2	77 778	3	6	139 725	960
		Ordinary Share	Call	1 534	21 602 883	209 139	4 397	27 304 462	1 045 517
			Put	814	6 622 179	(11 836)	3 217	10 749 863	522 589
		Own Share	Call	12	36 680	161	67	103 867	12 856
			Put	5	3 719	129	42	52 041	8 039
		Preference	Call	6	12 621	137	29	61 705	2 846
			Put	4	6 453	0	19	31 784	822



## Notes to the financial statements

As at 31 December 2020

				31 December 2020			31 December 2019		
Warrant Type	Category of Underlying	Type of Underlying	Option Type	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)
Real Estate Investment Trust	REIT	REIT	Call	10	94 519	82	47	140 612	6 483
			Put	2	1 233	42	40	87 700	2 315
Index Warrant	Index	Index	Call	802	29 010 394	481 932	2 169	53 295 928	3 009 616
			Put	384	7 525 299	(59 540)	1 319	25 762 353	471 170
Fund Warrant	Fund	Mutual Fund	Call	175	1 115 036	26 814	228	1 467 868	34 668
			Put	-	-	-	6	118 816	60
		Fund	Call	1	10 000	2 355	-	-	-
Total Call				2 642	52 621 707	737 182	16 395	84 421 300	4 433 007
Total Put				1 385	14 606 381	(60 217)	9 023	37 674 678	1 355 686
Total Warrants				4 027	67 228 088	676 965	25 418	122 095 978	5 788 693

## Notes to the financial statements

As at 31 December 2020

### NOTE 15 – RISK MANAGEMENT

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from Société Générale's internal control systems.

For any further information on the risks relating to the Group, investors and/or Noteholders should refer to the "Risk and Capital Adequacy" section of the Registration Document (<https://www.societegenerale.com>).

#### 15.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates, securities prices, and foreign exchange rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with FFS concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the Secured / Unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc.

The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SG Luxembourg) with hedged interest rate risk. The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

#### 15.2 Credit risk

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with SG Luxembourg and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SG Luxembourg and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 31 December 2020 and 2019, no financial assets were past due nor impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

As at 31 December 2020, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

**Notes to the financial statements**

As at 31 December 2020

**15.3 Interest rate risk**

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

**15.4 Liquidity risk**

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any material liquidity risk thanks to the perfect replication between the contractual obligations of:

- the financial instruments issued by the Company; and
- the financial assets replicating the financial instruments issued by the Company.

Analysis per remaining contractual maturities

As at 31 December 2020, analysis per remaining contractual maturities is as follows:

<b>31.12.2020 - EUR' 000</b>	<b>&lt; 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Without fixed maturity</b>	<b>Total</b>
Cash and cash equivalents	44 293	-	-	-	-	44 293
<b>Financial assets at fair value through profit or loss</b>						
- <i>Mandatorily at fair value through profit or loss</i>	3 402 805	8 286 764	16 244 254	15 201 828	-	43 135 651
- <i>Trading derivatives</i>	76 606	199 233	335 032	63 481	-	674 352
Loans and receivables		200	48 702	1 000		49 902
Other assets	835 571	-	-	-	-	835 571
<b>Total assets</b>	<b>4 359 275</b>	<b>8 486 197</b>	<b>16 627 988</b>	<b>15 266 309</b>	<b>-</b>	<b>44 739 769</b>
<b>Financial liabilities at amortised cost</b>	405	16 937	48 000	-	-	65 342
<b>Financial liabilities at fair value through profit or loss</b>						
- <i>Designated at fair value through profit or loss</i>	3 406 716	8 286 877	16 243 680	15 209 379	-	43 146 652
- <i>Trading derivatives</i>	86 103	198 394	329 063	63 405	-	676 965
Other liabilities	848 336	-	-	-	-	848 336
Tax liabilities	75	-	-	-	-	75
<b>Total liabilities</b>	<b>4 341 635</b>	<b>8 502 208</b>	<b>16 620 743</b>	<b>15 272 784</b>	<b>-</b>	<b>44 737 370</b>

**Notes to the financial statements**

As at 31 December 2020

As at 31 December 2019 analysis per remaining contractual maturities is as follows:

<b>31.12.2019 - EUR' 000</b>	<b>&lt; 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Without fixed maturity</b>	<b>Total</b>
Cash and cash equivalents	65 975	-	-	-	-	65 975
<b>Financial assets at fair value through profit or loss</b>						
- <i>Mandatorily at fair value through profit or loss</i>	3 163 448	11 165 213	19 600 467	18 964 137	-	52 893 265
- <i>Trading derivatives</i>	1 193 884	947 357	1 080 289	2 564 744	-	5 786 274
Loans and receivables	-	1 953	48 707	1 000	-	51 660
Other assets	430 988	-	-	-	-	430 988
<b>Total assets</b>	<b>4 854 295</b>	<b>12 114 523</b>	<b>20 729 463</b>	<b>21 529 881</b>	<b>-</b>	<b>59 228 162</b>
<b>Financial liabilities at amortised cost</b>	681	34 988	48 000	-	-	83 669
<b>Financial liabilities at fair value through profit or loss</b>						
- <i>Designated at fair value through profit or loss</i>	3 163 305	11 165 232	19 597 397	18 963 933	-	52 889 867
- <i>Trading derivatives</i>	1 191 838	949 542	1 079 739	2 567 574	-	5 788 693
Other liabilities	463 523	-	-	-	-	463 523
Tax liabilities	62	-	-	-	-	62
<b>Total liabilities</b>	<b>4 819 409</b>	<b>12 149 762</b>	<b>20 725 136</b>	<b>21 531 507</b>	<b>-</b>	<b>59 225 814</b>

**15.5 Fair Value measurement**

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Société Générale, in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related FFS are classified as Level 3 when the valuation of the associated embedded derivatives (underlying of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensitivities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

**Notes to the financial statements**

As at 31 December 2020

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 2020 (by type of underlyings):

Type of underlyings	Assets In million EUR	Liabilities In million EUR	Main products	Valuation techniques used	Significant unobservable inputs	Range of unobservable inputs Min & Max
Equity / funds	18 295	18 299	Simple and complex derivatives on funds, equities or baskets on stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[1.6% ; 347.5%]
					Equity dividends	[0.0% ; 35.8%]
					Unobservable correlations	[-99.6% ; 100 %]
					Hedge funds volatilities	[7.6% ; 20.0%]
					Mutual funds volatilities	[2.1% ; 26.1%]
Rates and Forex	4 065	4 064	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-46.2% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[0.0% ; 27.5%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayment modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Inflation/ inflation correlations	[55.0% ; 88.90%]
Credit	4 409	4 416	Collateralized Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	[0% ; 100%]
			Other credit derivatives	Credit default models	Recovery rate variance for single name underlyings	[0% ; 100%]
					Time to default correlations	[0% ; 100%]
					Quanto correlations	[-50% ; 40%]
					Unobservable credit spreads	[0 bps ; 1 000 bps]
Commodity	5	5	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	0
<b>Total</b>	<b>26 774</b>	<b>26 784</b>				

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company. Moreover, changes in an unobservable parameter would have by underlying a minor effect on both assets and liabilities.

## Notes to the financial statements

As at 31 December 2020

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

<b>31.12.2020 - EUR' 000</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	44 293	44 293
<b>Financial assets at fair value through profit or loss</b>		
- <i>Mandatorily at fair value through profit or loss</i>	43 135 651	43 135 651
- <i>Trading derivatives</i>	674 352	674 352
Loans and receivables *	49 902	51 057
Other assets	835 571	835 571
<b>Total assets</b>	<b>44 739 769</b>	<b>44 740 924</b>
<b>Financial liabilities at amortised cost *</b>	65 342	66 995
<b>Financial liabilities at fair value through profit or loss</b>		
- <i>Designated at fair value through profit or loss</i>	43 146 652	43 146 652
- <i>Trading derivatives</i>	676 965	676 965
Other liabilities	848 336	848 336
Tax liabilities	75	75
<b>Total liabilities</b>	<b>44 737 370</b>	<b>44 739 023</b>
<b>31.12.2019 - EUR' 000</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	65 975	65 975
<b>Financial assets at fair value through profit or loss</b>		
- <i>Mandatorily at fair value through profit or loss</i>	52 893 265	52 893 265
- <i>Trading derivatives</i>	5 786 274	5 786 274
Loans and receivables *	51 660	53 302
Other assets	430 988	430 988
<b>Total assets</b>	<b>59 228 162</b>	<b>59 229 804</b>
<b>Financial liabilities at amortised cost *</b>	83 669	85 311
<b>Financial liabilities at fair value through profit or loss</b>		
- <i>Designated at fair value through profit or loss</i>	52 889 867	52 889 867
- <i>Trading derivatives</i>	5 788 693	5 788 693
Other liabilities	463 523	463 523
Tax liabilities	62	62
<b>Total liabilities</b>	<b>59 225 814</b>	<b>59 227 456</b>

\* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris). Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

**Notes to the financial statements**

As at 31 December 2020

The fair value hierarchy of IFRS 13

As at 31 December 2020, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

<b>31.12.2020 - EUR' 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets at fair value through profit or loss</i></b>				
<b>- <i>Mandatorily at fair value through profit or loss</i></b>		<b>16 742 790</b>	<b>26 392 861</b>	<b>43 135 651</b>
<i>Commodities instruments</i>	-	65 635	5 146	70 781
<i>Credit derivatives/securities</i>	-	757 733	3 868 234	4 625 967
<i>Equity and index securities</i>	-	13 294 655	17 941 949	31 236 604
<i>Foreign exchange instruments/securities</i>	-	769 582	1 507 575	2 277 157
<i>Interest rate instruments/securities</i>	-	1 540 967	2 557 228	4 098 195
<i>Other financial instruments</i>	-	314 218	512 729	826 947
<b>- <i>Trading derivatives</i></b>		<b>293 242</b>	<b>381 110</b>	<b>674 352</b>
<i>Equity and Index instruments</i>	-	283 580	352 688	636 268
<i>Foreign exchange instruments / securities</i>	-	121	-	121
<i>Other financial instruments</i>	-	9 541	28 422	37 963
<b><i>Financial liabilities at fair value through profit or loss</i></b>				
<b>- <i>Designated at fair value through profit or loss</i></b>		<b>16 756 021</b>	<b>26 390 631</b>	<b>43 146 652</b>
<i>Commodities instruments</i>	-	65 635	5 146	70 781
<i>Credit derivatives/securities</i>	-	758 637	3 867 054	4 625 691
<i>Equity and index securities</i>	-	13 300 879	17 941 049	31 241 928
<i>Foreign exchange instruments/securities</i>	-	769 390	1 507 425	2 276 815
<i>Interest rate instruments/securities</i>	-	1 541 023	2 557 228	4 098 251
<i>Other financial instrument</i>	-	320 457	512 729	833 186
<b>- <i>Trading derivatives</i></b>		<b>283 392</b>	<b>393 573</b>	<b>676 965</b>
<i>Equity and Index instruments</i>	-	275 506	357 534	633 040
<i>Foreign exchange instruments / securities</i>	-	45	-	45
<i>Other financial instruments</i>	-	7 841	36 039	43 880

**Notes to the financial statements**

As at 31 December 2020

As at 31 December 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

<b>31.12.2019 - EUR' 000</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b><i>Financial assets at fair value through profit or loss</i></b>				
<b>- Mandatorily at fair value through profit or loss</b>	-	<b>21 171 636</b>	<b>31 721 629</b>	<b>52 893 265</b>
<i>Commodities instruments</i>	-	736 757	6 113	742 870
<i>Credit derivatives/securities</i>	-	1 378 833	4 856 266	6 235 099
<i>Equity and index securities</i>	-	15 198 731	20 867 313	36 066 044
<i>Foreign exchange instruments/securities</i>	-	1 777 010	847 690	2 624 700
<i>Interest rate instruments/securities</i>	-	1 921 912	3 961 009	5 882 921
<i>Other financial instruments</i>	-	158 393	1 183 238	1 341 631
<b>- Trading derivatives</b>	-	<b>5 229 694</b>	<b>556 580</b>	<b>5 786 274</b>
<i>Equity and Index instruments</i>	-	3 203 565	222 023	3 425 588
<i>Other financial instruments</i>	-	2 026 129	334 557	2 360 686
<b><i>Financial liabilities at fair value through profit or loss</i></b>				
<b>- Designated at fair value through profit or loss</b>	-	<b>21 169 553</b>	<b>31 720 314</b>	<b>52 889 867</b>
<i>Commodities instruments</i>	-	736 757	6 113	742 870
<i>Credit derivatives/securities</i>	-	1 379 219	4 855 992	6 235 211
<i>Equity and index securities</i>	-	15 197 980	20 866 396	36 064 376
<i>Foreign exchange instruments/securities</i>	-	1 775 900	847 573	2 623 473
<i>Interest rate instruments/securities</i>	-	1 921 464	3 961 009	5 882 473
<i>Other financial instrument</i>	-	158 233	1 183 231	1 341 464
<b>- Trading derivatives</b>	-	<b>5 229 108</b>	<b>559 585</b>	<b>5 788 693</b>
<i>Equity and Index instruments</i>	-	3 201 226	221 988	3 423 214
<i>Other financial instruments</i>	-	2 027 882	337 597	2 365 479



**Notes to the financial statements**

As at 31 December 2020

The following table describes the variation in Level 3 by financial instruments (in KEUR):

<b>Financial liabilities at fair value through profit or loss</b>	<b>Balance at 01.01.2020</b>	Acquisitions (Issuance)	Change in fair value	Reimbursements	Transfers from L2 to L3	Transfers from L3 to L2	Offsetting of the assets and liabilities	<b>Balance 31.12.2020</b>
<b><i>Designated at fair value through P&amp;L</i></b>	<b>31 720 314</b>	<b>22 296 217</b>	<b>(1 385 452)</b>	<b>(15 265 696)</b>	<b>3 317 982</b>	<b>(12 106 854)</b>	<b>(2 185 880)</b>	<b>26 390 631</b>
Equity and index instrument	20 866 396	18 626 719	(1 042 806)	(10 938 790)	2 895 051	(11 019 510)	(1 446 011)	<b>17 941 049</b>
Commodity instruments	6 113	-	431	14 142	814	(15 831)	(523)	<b>5 146</b>
Credit derivatives	4 855 992	841 742	(323 127)	(1 475 901)	179 927	(182 710)	(28 869)	<b>3 867 054</b>
Foreign exchange instruments	847 573	2 261 911	(85 711)	(215 326)	156 576	(533 014)	(924 584)	<b>1 507 425</b>
Interest rate instruments	3 961 009	446 628	67 452	(1 674 612)	66 762	(335 807)	25 796	<b>2 557 228</b>
Others financial instruments	1 183 231	119 217	(1 691)	(975 209)	18 852	(19 982)	188 311	<b>512 729</b>
<b><i>Trading derivatives</i></b>	<b>559 585</b>	<b>(4 442)</b>	<b>328 411</b>	<b>(271 242)</b>	<b>(173 667)</b>	<b>501</b>	<b>(45 573)</b>	<b>393 573</b>
Equity and index instruments	221 988	(6 097)	58 183	62 582	68 836	419	(48 377)	<b>357 534</b>
Foreign exchange instruments	-	-	252 680	-	(252 680)	-	-	-
Other financial instruments	337 597	1 655	17 548	(333 824)	10 177	82	2 804	<b>36 039</b>

The above figures are valued on the liabilities side at fair value through profit or loss. Variations of Level 3 of financial instruments in assets are not presented because the figures are similar.

## Notes to the financial statements

As at 31 December 2020

### Transfers from Level 3 to Level 2

The consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

### Transfers from Level 2 to Level 3

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc...).

## 15.6 Operational risk

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collect of internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

## NOTE 16 – RELATED PARTIES

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2020 and 2019 are presented below. Related parties are considered to be a party that has the ability to control the Company or exercise significant influence over the Company in making financial or operational decisions. The Company has a related party relationship with SG Luxembourg, its parent company (SG) and with its Executive Board Members, Supervisory Board Members and Executive Officers. As disclosed below in the table, the Company entered into transactions with SG Luxembourg and its parent company (SG).

The issued Notes are sold to Société Générale as market maker, such Notes being expected to be subscribed *in fine* by third party investors, either for their own account or via distribution network. Moreover, all Notes are guaranteed by Société Générale.

Also, the Company borrows securities from Société Générale, which serve as collateral for the secured Notes issued by the Company.

**Notes to the financial statements**

As at 31 December 2020

<b>As at 31 December 2020</b> <b>EUR' 000</b>	<b>Société Générale</b> <b>(Parent Company)</b>	<b>SG</b> <b>Luxembourg</b>	<b>Other SG Group</b> <b>entities</b>
Cash and cash equivalents	33 538	31	10 032
<b>Financial assets at fair value through profit or loss</b>			
- <i>Mandatorily at fair value through profit or loss</i>	43 135 651	-	-
- <i>Trading derivatives</i>	674 352	-	-
Loans and receivables	-	49 902	-
Other assets	835 571	-	-
<b>Total assets</b>	<b>44 679 112</b>	<b>49 933</b>	<b>10 032</b>
Financial liabilities at amortised cost	-	64 936	-
<b>Financial liabilities at fair value through profit or loss</b>			
- <i>Designated at fair value through profit or loss*</i>	-	-	-
- <i>Trading derivatives*</i>	-	-	-
Other liabilities	845 107	-	-
Tax liabilities	-	75	-
<b>Total liabilities</b>	<b>845 107</b>	<b>65 011</b>	<b>-</b>
Interest income	30	896	-
Commission income	48 748	-	-
<b>Total revenues</b>	<b>48 778</b>	<b>896</b>	<b>-</b>
Interest expenses	(690)	(17 720)	-
Personnel expenses	-	(273)	-
Other operating charges	(2 832)	(20 709)	(3 377)
<b>Total expenses</b>	<b>(3 522)</b>	<b>(38 702)</b>	<b>(3 377)</b>
<b>Total comprehensive income for the financial year</b>	<b>45 256</b>	<b>(37 806)</b>	<b>(3 377)</b>
<b>Financial commitments</b>	<b>2 498 866</b>	<b>-</b>	<b>-</b>
<b>Financial commitments-collateral to be returned</b>	<b>3 924 732</b>	<b>-</b>	<b>-</b>

\*The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

**Notes to the financial statements**

As at 31 December 2020

<b>As at 31 December 2019</b> <b>EUR' 000</b>	<b>Société Générale (Ultimate Parent Company)</b>	<b>SG Luxembourg (Parent Company)</b>	<b>Other SG Group entities</b>
Cash and cash equivalents	62 219	1 426	1 106
Financial assets at fair value through profit or loss			
- <i>Mandatorily at fair value through profit or loss</i>	52 893 265	-	-
- <i>Trading derivatives</i>	5 786 274	-	-
Loans and receivables	-	51 660	-
Other assets	430 988	-	-
<b>Total assets</b>	<b>59 172 746</b>	<b>53 086</b>	<b>1 106</b>
Financial liabilities at amortised cost	-	82 988	-
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss*</i>	-	-	-
- <i>Trading derivatives*</i>	-	-	-
Other liabilities	(461 711)	-	-
Tax liabilities	-	62	-
<b>Total liabilities</b>	<b>(461 711)</b>	<b>83 050</b>	<b>-</b>
Interest income	18	949	-
Commission income	52 679	-	-
Other income**	14 384	-	-
<b>Total revenues</b>	<b>67 081</b>	<b>949</b>	<b>-</b>
Interest expenses	(405)	(35 805)	-
Personnel expenses	-	(411)	-
Other operating charges	(1 755)	(21 033)	(3 865)
<b>Total expenses</b>	<b>(2 160)</b>	<b>(57 249)</b>	<b>(3 865)</b>
<b>Total comprehensive income for the financial year</b>	<b>64 921</b>	<b>(56 300)</b>	<b>(3 865)</b>
<b>Financial commitments</b>	<b>2 836 408</b>	<b>-</b>	<b>-</b>
<b>financial commitments-collateral to be returned</b>	<b>4 468 186</b>	<b>-</b>	<b>-</b>

\* The financial liabilities at fair value through profit or loss appearing on the statement of financial position are the financial instruments issued by the Company and subscribed by investors, who are not related parties.

\*\* As explained in Note 2.4, "Other Income" with Société Générale S.A. included in 2019 an excess remuneration of KEUR 14 384 for the year ended 31 December 2019 .

**Notes to the financial statements**

As at 31 December 2020

**NOTE 17 – REMUNERATION, ADVANCES AND LOANS GRANTED TO MEMBERS OF THE ADMINISTRATIVE OR SUPERVISORY BODY**

The independent director of the Company, earned a remuneration of EUR 28 000 for his services related to the year ended 31 December 2020 (31 December 2019: EUR 28 000).

As at 31 December 2020 and 2019, no other payment, advance or loans were given to members of the administrative or supervisory body.

**NOTE 18 – SUBSEQUENT EVENTS**

By resolution adopted on 15 January 2021, the Executive Board decided to increase the capital of the Company from EUR 2 000 280 to EUR 2 000 320 by the issue of a new share with a nominal value of EUR 40, subscribed by Société Générale Luxembourg S.A.. After this increase, the subscribed and fully paid share capital is EUR 2 000 320, divided into 50 008 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 16 925 951 to the share premium account.

In January and April 2021, SG Issuer, as the Issuer of Notes linked to the credit risk of a French corporate, and Société Générale, as the Guarantor, were brought before the courts of Paris (alongside other French financial institutions) by end investors to obtain compensation for the financial loss they suffered on their investment in these securities (16 000 KEUR for securities issued by SG Issuer and guaranteed by Société Générale). The French corporate was the subject of a “safeguard procedure”, which constitutes a credit event under the terms of the Notes which had a strong impact on the value of the Notes. These investors rely on unfounded allegations according to which SG Issuer and Société Générale were aware of the difficulties of the French corporate when setting up and marketing these Notes and that in doing so, they failed to meet their regulatory obligations (to act in an honest, fair and professional manner, to provide information on the product risks and to determine the suitability of the Notes for retail investors).

For this litigation (and any other litigation relating to securities issued by SG Issuer), SG Issuer is entitled to an indemnification by Société Générale in respect of any sum due by SG Issuer in the context of this litigation regarding potential damages or attorneys' fees.

### **APPENDIX III**

#### **REPRODUCTION OF THE PRESS RELEASE DATED 6 MAY 2021 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

The information set out below is a reproduction of the press release dated 6 May 2021 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2021.

## RESULTS AT MARCH 31<sup>ST</sup> 2021

### Press release

Paris, May 6<sup>th</sup> 2021

#### SHARP REBOUND IN EARNINGS

**Revenues up +21% vs. Q1 20 at EUR 6.2bn (+25%\*)**, with a good performance in all the businesses particularly in Global Markets, Financial Services and Financing & Advisory

**Continued discipline on costs**, with underlying operating expenses down -2.2%<sup>(1)</sup> vs. Q1 20 despite the increase in the contribution to the Single Resolution Fund and variable charges in conjunction with the increase in revenues, leading to a very strong positive jaws effect

**Doubling of underlying gross operating income vs. Q1 20 to EUR 2.1bn<sup>(1)</sup>**

**Underlying Group net income of EUR 1.3bn<sup>(1)</sup>**, reported Group net income of EUR 814 million

**Profitability (ROTE) at 10.1%<sup>(1)</sup>**

#### CONFIRMATION OF THE QUALITY OF THE BALANCE SHEET AND THE GROUP'S FINANCIAL SOLIDITY

**Low cost of risk at 21 basis points in Q1 21**, with provisions on performing loans stable at a high level

**2021 cost of risk expected between 30 and 35 basis points**

**CET 1 ratio level at 13.5%<sup>(2)</sup> at end-March 2021**, around 450 basis points above the regulatory requirement

**Efficient capital allocation between businesses**

#### 2021 PRIORITIES: SUPPORTING CUSTOMERS AND EXECUTION OF STRATEGIC INITIATIVES TOWARDS SUSTAINABLE GROWTH

**Objective of supporting our customers** in emerging from the crisis and their energy and digital transition

**Merger of the networks in France**

**Expansion of growth drivers** (record client onboarding at Boursorama and acquisition of the activities of Banco Sabadell by ALD)

**Definition of a new roadmap** for Global Banking & Investor Solutions aimed at delivering sustainable growth

**Finalisation of the Group's refocusing programme** following the announcement of exclusive discussions being entered into with Amundi with a view to the disposal of Lyxor's asset management activities

#### Frédéric Oudéa, the Group's Chief Executive Officer, commented:

*"This excellent start to the year confirms, in particular, the relevance of the decisions taken in recent quarters and their successful execution. It is a major milestone for the Group and enables us to approach 2021 with confidence and determination, confirming our ability to achieve our financial targets. In line with 2020, and in a still uncertain environment on the health and economic front, our teams have maintained their exceptional commitment to supporting our customers and economies. From a commercial and financial viewpoint, the sharp rebound in our revenues, in keeping with the two previous quarters, our continued cost discipline and good risk management have enabled a very significant recovery in our earnings and profitability. We have also provided further confirmation of the quality of our balance sheet and loan portfolio. Consequently, over the next few quarters, priority will be given firstly to supporting our customers in gradually emerging from the crisis, relaunching their activity and adjusting their business models to digital and CSR challenges and secondly, to the effective implementation of our growth, innovation and operational efficiency initiatives which are strong value creators."*

<sup>(1)</sup> underlying data. See methodology note No. 5 for the transition from accounting data to underlying data

<sup>(2)</sup> including 25 basis points in respect of IFRS 9 phasing

The footnote \* in this document corresponds to data adjusted for changes in Group Structure and at constant exchange rates

## 1. GROUP CONSOLIDATED RESULTS

In EURm	Q1 21	Q1 20	Change	
Net banking income	6,245	5,170	+20.8%	+25.2%*
Operating expenses	(4,748)	(4,678)	+1.5%	+3.7%*
<i>Underlying operating expenses<sup>(1)</sup></i>	<i>(4,097)</i>	<i>(4,188)</i>	-2.2%	+0.2%*
Gross operating income	1,497	492	x 3.0	x 3.7*
<i>Underlying gross operating income<sup>(1)</sup></i>	<i>2,148</i>	<i>982</i>	x 2.2	x 2.4*
Net cost of risk	(276)	(820)	-66.3%	-65.1%*
<i>Underlying net cost of risk<sup>(1)</sup></i>	<i>(276)</i>	<i>(820)</i>	-66.3%	-65.1%*
Operating income	1,221	(328)	n/s	n/s
<i>Underlying operating income<sup>(1)</sup></i>	<i>1,872</i>	<i>(162)</i>	x 11.6	x 17.5*
Net profits or losses from other assets	6	80	-92.5%	-92.5%*
<i>Underlying net profits or losses from other assets<sup>(1)</sup></i>	<i>6</i>	<i>157</i>	-96.2%	-96.2%*
Net income from companies accounted for by the equity method	3	4	-25.0%	-25.0%*
<i>Underlying net income from companies accounted for by the equity method<sup>(1)</sup></i>	<i>3</i>	<i>4</i>	-25.0%	-25.0%*
Impairment losses on goodwill	0	0	n/s	n/s
Income tax	(283)	46	n/s	n/s
<b>Reported Group net income</b>	<b>814</b>	<b>(326)</b>	<b>n/s</b>	<b>n/s</b>
<i>Underlying Group net income<sup>(1)</sup></i>	<i>1,298</i>	<i>98</i>	<i>x 13.2</i>	<i>x 22.5*</i>
ROE	5.2%	-3.6%		
ROTE	5.9%	-4.2%		
<i>Underlying ROTE<sup>(1)</sup></i>	<i>10.1%</i>	<i>-0.5%</i>		

(1) Adjusted for exceptional items and linearisation of IFRIC 21

Societe Generale's Board of Directors, which met on May 5<sup>th</sup>, 2021, under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q1 2021.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

### Net banking income

The Group's net banking income was up +20.8% (+25.2%\*) in Q1 21 vs. Q1 20, confirming the rebound observed in H2 2020.

There was a further improvement in French Retail Banking's performance in Q1 21 despite the extension of the health restrictions. Net banking income (excluding PEL/CEL provision) was therefore lower than in Q1 20 (-2.4%), which had still been little impacted by the crisis.

International Retail Banking & Financial Services posted a slight increase in revenues (+0.1%\*), driven by strong growth in the revenues of Financial Services whose net banking income rose +7.9%\*. International Retail Banking delivered a resilient performance, with revenues down -3.8%\* and a mixed momentum according to the region.

Global Banking & Investor Solutions turned in an excellent performance, with revenues up +60.4%\* vs. Q1 20.



## Operating expenses

Underlying operating expenses totalled EUR -4,097 million, down -2.2% and stable when adjusted for changes in Group structure and at constant exchange rates (+0.2%\*) vs. Q1 20. The strict discipline observed in all the businesses offset the increase in the IFRIC 21 charge and variable costs in conjunction with the growth in revenues.

The Group therefore generated a strong positive jaws effect, with an underlying cost to income ratio of 66%.

## Cost of risk

The commercial cost of risk stood at a low level of EUR 276 million, or 21 basis points, significantly lower than in Q1 20 (65 basis points). It corresponds to an increase in the provision on non-performing loans of EUR 300 million and a decline in the provision on performing loans of EUR -24 million.

The Group's provisions on performing loans currently amount to EUR 3,578 million. They were EUR 3,622 million at December 31<sup>st</sup> 2020, after an increase of +59% during last year.

As part of the support provided to its customers during the crisis, the Group granted repayment moratoriums and State Guaranteed Loans. At March 31<sup>st</sup> 2021, the total amount of repayment moratoriums in force represented around EUR 2 billion and State Guaranteed Loans, around EUR 19 billion. Net exposure to State Guaranteed Loans in France ("PGE") is around EUR 2 billion.

The gross doubtful outstandings ratio amounted to 3.3% at March 31<sup>st</sup> 2021 (stable vs. December 31<sup>st</sup> 2020). It was 3% on repayment moratoriums and 3% on State Guaranteed Loans. The Group's gross coverage ratio for doubtful outstandings stood at 51%<sup>(2)</sup> at March 31<sup>st</sup> 2021, vs. 52% at December 31<sup>st</sup> 2020.

The Group anticipates a cost of risk of between 30 and 35 basis points in 2021.

## Net profits or losses from other assets

Net profits or losses from other assets totalled EUR +6 million in Q1 21 vs. EUR +80 million in Q1 20, including EUR -77 million corresponding to the effect of the application of IFRS 5 as part of the implementation of the Group's refocusing plan and EUR +130 million in respect of the Group's property disposal programme.

## Group net income

In EURm	Q1 21	Q1 20
Reported Group net income	814	(326)
Underlying Group net income <sup>(1)</sup>	1,298	98

In %	Q1 21	Q1 20
ROTE (reported)	5.9%	-4.2%
Underlying ROTE <sup>1</sup>	10.1%	-0.5%

Earnings per share amounts to EUR 0.79 in Q1 21 (vs. EUR -0.57 in Q1 20).

Underlying<sup>(3)</sup> earnings per share amounts to EUR 0.83 in Q1 21 (vs. EUR -0.48 in Q1 20).

<sup>(1)</sup> Adjusted for exceptional items and the linearisation of IFRIC 21

<sup>(2)</sup> Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

<sup>(3)</sup> calculated on the basis of underlying Group net income excluding linearisation of IFRIC 21. Taking into account IFRIC linearisation, it is EUR 1.36 in Q1 21 and EUR -0.07 in Q1 20

## 2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 62.9 billion at March 31<sup>st</sup>, 2021 (EUR 61.7 billion at December 31<sup>st</sup>, 2020). Net asset value per share was EUR 62.8 and tangible net asset value per share was EUR 55.2.

The **consolidated balance sheet** totalled EUR 1,503 billion at March 31<sup>st</sup>, 2021 (EUR 1,462 billion at December 31<sup>st</sup>, 2020). The net amount of customer loan outstandings at March 31<sup>st</sup>, 2021, including lease financing, was EUR 447 billion (EUR 440 billion at December 31<sup>st</sup>, 2020) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 462 billion, vs. EUR 451 billion at December 31<sup>st</sup>, 2020 (excluding assets and securities sold under repurchase agreements).

At April 16<sup>th</sup>, 2021, the parent company had issued EUR 18.3 billion of medium/long-term debt, having an average maturity of 5.8 years and an average spread of 39 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 1.0 billion. At April 16<sup>th</sup>, 2021, the Group had issued a total of EUR 19.3 billion of medium/long-term debt. Excluding structured issuances, the parent company had achieved 65% of its annual programme at April 16<sup>th</sup>, 2021.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 143% at end-March 2021, vs. 149% at end-December 2020, and 141% on average in Q1 2021 vs. 144% on average in Q1 2020. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-March 2021.

The Group's phased-in **risk-weighted assets** (RWA) amounted to EUR 353.1 billion at March 31<sup>st</sup>, 2021 (vs. EUR 351.9 billion at end-December 2020) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 81.8% of the total, at EUR 288.6 billion, up 0.5% vs. December 31<sup>st</sup>, 2020.

At March 31<sup>st</sup>, 2021, the Group's **Common Equity Tier 1** ratio stood at 13.5%, or average 450 basis points above the regulatory requirement. The CET1 ratio at March 31<sup>st</sup>, 2021 includes an effect of +25 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 13.2%. The Tier 1 ratio stood at 15.8% at end-March 2021 (16% at end-December 2020) and the total capital ratio amounted to 19.1% (19.2% at end-December 2020).

The phased-in **leverage ratio** stood at 4.5% at March 31<sup>st</sup>, 2021 (4.8% at end-December 2020).

With a level of 31.0% of RWA and 8.8% of leveraged exposure at end-March 2021, the Group's TLAC ratio is above the FSB's requirements for 2021. At March 31<sup>st</sup>, 2021, the Group was also above its MREL requirements of 8.5% of the TLOF<sup>(1)</sup> (which, in December 2017, represented a level of 24.37% of RWA), which were used as a reference for the SRB calibration.

The Group is rated by four rating agencies: (i) Fitch Ratings - long-term rating "A-", stable rating, senior preferred debt rating "A", short-term rating "F1"; (ii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", negative outlook, short-term rating "A-1".

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<sup>(1)</sup> TLOF: Total Liabilities and Own Funds

### 3. FRENCH RETAIL BANKING

<i>In EURm</i>	Q1 21	Q1 20	Change
Net banking income	1,847	1,880	-1.8%
<i>Net banking income excl. PEL/CEL</i>	1,859	1,905	-2.4%
Operating expenses	(1,453)	(1,450)	+0.2%
Gross operating income	394	430	-8.4%
Net cost of risk	(123)	(249)	-50.6%
Operating income	271	181	+49.7%
<b>Reported Group net income</b>	<b>203</b>	<b>219</b>	<b>-7.3%</b>
RONE	7.2%	7.8%	
<i>Underlying RONE<sup>(1)</sup></i>	<i>10.4%</i>	<i>10.7%</i>	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

Despite the extension of the health restrictions, French Retail Banking's commercial performance continued to gradually improve. The networks continued to support the economy, accompanying individual, corporate and professional customers in this still uncertain environment.

#### **Société Générale and Crédit du Nord networks:**

The bank disbursed a total amount of around EUR 18 billion in respect of State Guaranteed Loans ("PGE") to support the Corporate and Professional customers segment. In May, it will also market a "Recovery Participatory Loan" (Prêts Participatifs Relance) offering.

**The average loan outstandings** of the Societe Generale and Crédit du Nord networks rose 7% vs. Q1 20 to EUR 210 billion. Average outstanding loans to corporate and professional customers climbed 16% to EUR 97 billion, bolstered by the distribution of State Guaranteed Loans.

**The average outstanding balance sheet deposits<sup>(1)</sup>** of the Societe Generale and Crédit du Nord networks increased 14% vs. Q1 20 to EUR 229 billion, still driven by sight deposits.

As a result, the average loan/deposit ratio stood at 92% in Q1 21 vs. 98% in Q1 20.

**Insurance assets under management** totalled EUR 89 billion in Q1 21. Life insurance saw its net inflow grow by EUR 0.7 billion, with the unit-linked share accounting for 37% of new business in Q1 21.

**Private Banking's assets under management** totalled EUR 72 billion at end-March 2021. Net inflow remained buoyant at EUR 1.3 billion in Q1 21.

**In Personal Protection insurance**, premiums were up +3% vs. Q1 20. The **financial commissions** of the Societe Generale and Crédit du Nord networks were 7% higher than in Q1 20.

<sup>(1)</sup> Including BMTN (negotiable medium-term notes)

## **Boursorama:**

The bank consolidated its position as the leading online bank in France, with more than 2.8 million clients at end-March 2021. Client onboarding at Boursorama reached a record level, with 203,000 new clients in Q1 21. This quarter, the bank distinguished itself by being classified No. 1 in Europe in the digital performance ranking (D Rating ranking – March 2021). Boursorama also topped the list of French people's favourite brand in the online Banks category (March 2021). Finally, the bank was classified No. 1 in the Customer Relationship Podium ranking in the banks category (March 2021).

Housing loan production experienced strong growth (+27% vs. Q1 20). Deposit and financial savings climbed 30% vs. Q1 20. Furthermore, the number of stock market orders increased by 1.5x compared to Q1 20.

## **Net banking income excluding PEL/CEL**

Net banking income restated for PEL/CEL effects was -2.4% lower than in Q1 20 at EUR 1,859 million. Net interest income (excluding PEL/CEL) was down -5.7% vs. Q1 20, impacted primarily by the negative effect resulting from higher deposit volumes in a negative interest rate environment. Despite the extension of lockdown measures, commissions rose +0.8% vs. Q1 20.

## **Operating expenses**

Underlying operating expenses totalled EUR 1,336 million, down -1.6% vs. Q1 20 and -2.3% excluding Boursorama. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.9% in Q1 21 vs. 71.3% in Q1 20.

## **Cost of risk**

The commercial cost of risk was -51% lower than in Q1 20. It amounted to EUR 123 million, or 23 basis points, substantially lower than in Q1 20 (49 basis points).

## **Net profits or losses from other assets**

Net profits or losses from other assets totalled EUR 3 million in Q1 21. They amounted to EUR 131 million in Q1 20, including a capital gain of EUR 130 million relating to the Group's property disposal programme.

## **Contribution to Group net income**

The contribution to Group net income was EUR 203 million, 7.3% lower than in Q1 20. Against a backdrop of low interest rates and the transformation of the networks, RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 10.4% in Q1 21 (vs. 10.7% in Q1 20) and 11.3% excluding Boursorama.

## 4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q1 21	Q1 20	Change	
Net banking income	1,862	1,964	-5.2%	+0.1%*
Operating expenses	(1,089)	(1,146)	-5.0%	+0.0%*
Gross operating income	773	818	-5.5%	+0.2%*
Net cost of risk	(142)	(229)	-38.0%	-34.9%*
Operating income	631	589	+7.1%	+14.1%*
Net profits or losses from other assets	2	12	-83.3%	-83.3%*
<b>Reported Group net income</b>	<b>392</b>	<b>365</b>	<b>+7.4%*</b>	<b>+15.8%*</b>
RONE	15.7%	13.8%		
<i>Underlying RONE<sup>(1)</sup></i>	<i>17.4%</i>	<i>15.4%</i>		

(1) Adjusted for the linearisation of IFRIC 21

**International Retail Banking's** outstanding loans totalled EUR 86.5 billion in Q1 21. They rose +0.8%\* vs. Q1 20 when adjusted for changes in Group structure and at constant exchange rates. Outstanding deposits increased by +7.7%\* vs. Q1 20, to EUR 84.6 billion.

For the Europe scope, outstanding loans were up +2.0%\* vs. end-March 2020, driven by a healthy momentum in all regions: Western Europe (+1.6%\*), Romania (+1.7%\*) and the Czech Republic (+2.5%\*). Outstanding deposits were up +9.7%\* vs. Q1 20.

In Russia, commercial activity continued to be impacted by the lockdown measures. Outstanding loans fell by -4.6%\*, the healthy momentum in the individual customers segment being offset by a decline in the corporate customers segment due to substantial repayments of loans granted in the context of the crisis. Outstanding deposits increased by +1.9%\* vs. Q1 20.

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans remained stable. Outstanding deposits grew by +6.3%\* vs. end-March 2020.

**In the Insurance business**, the life insurance savings business enjoyed a healthy momentum, with outstandings increasing +6.8%\* vs. end-March 2020. The share of unit-linked products was very high in Q1, amounting to 40% of gross inflow and 34% of outstandings. Despite an increase in France (+1.3%\*), Protection insurance fell slightly (-1.0%\*). The increase in property/casualty premiums (+1.0%\*) was offset by a decline in personal protection with premiums down -2.4%\* vs. Q1 20.

**Financial Services to Corporates** enjoyed a healthy commercial momentum in Q1 21. The number of contracts for Operational Vehicle Leasing and Fleet Management (ALD) was stable at 1.8 million vehicles at end-March 2021. Equipment Finance's new leasing business was up +1.1%\* vs. Q1 20, while outstanding loans were down -4.0%\*, at EUR 14.2 billion (excluding factoring).

### Net banking income

Net banking income amounted to EUR 1,862 million in Q1 21, slightly higher (+0.1%\*) than in Q1 20.

**International Retail Banking's** net banking income totalled EUR 1,187 million, down -3.8%\* vs. Q1 20. Despite a good commercial momentum, revenues in Europe declined by -6.1%\*, impacted by the lockdown measures and an environment of lower interest rates than in Q1 20. In a still challenging environment in Q1, revenues were also lower (-3.4%\*) for the SG Russia scope. The Africa, Mediterranean Basin and French Overseas Territories scope remained resilient, with revenues up +0.1%\* vs. Q1 20 and still buoyant activity in Sub-Saharan Africa (revenues up +3.0%\* vs. Q1 20).

**The Insurance business** posted net banking income of EUR 236 million in Q1 21, an increase of +3.5%\* vs. Q1 20, which included a contribution of around EUR 6 million to the solidarity fund in France.

**Financial Services to Corporates'** net banking income was higher (+10.4%\*) and amounted to EUR 439 million, driven in particular by ALD which posted an increase in leasing margins (+2%\*) and the used car sale result (EUR 439 per unit).

### Operating expenses

Operating expenses remained stable when adjusted for changes in Group structure and at constant exchange rates vs. Q1 20 (and were slightly lower -0.2%\* on an underlying basis). The cost to income ratio stood at 58.5% in Q1 21.

In **International Retail Banking**, operating expenses were down -1.0%\* vs. Q1 20, with a notable effort on the SG Russia scope (-2.0%\* vs. Q1 20). Q1 20 included a EUR 11 million contribution to Covid funds in North Africa.

In the **Insurance business**, operating expenses were in line with the commercial expansion ambitions and rose +2.4%\* vs. Q1 20 to EUR 110 million.

In **Financial Services to Corporates**, operating expenses were 2.6%\* higher than in Q1 20, generating a positive jaws effect.

### Cost of risk

The cost of risk amounted to 44 basis points in Q1 21 vs. 67 basis points in Q1 20.

### Contribution to Group net income

The contribution to Group net income totalled EUR 392 million, up +15.8%\* (+7.4% at current exchange rates) vs. Q1 20.

Underlying RONE stood at 17.4% in Q1 21, vs. 15.4% in Q1 20 (with RONE of 14.6% in International Retail Banking and 21.1% in Financial Services and Insurance).

## 5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q1 21	Q1 20	Change	
Net banking income	2,509	1,627	+54.2%	+60.4%*
Operating expenses	(2,051)	(1,977)	+3.7%	+5.9%*
Gross operating income	458	(350)	n/s	n/s
Net cost of risk	(9)	(342)	-97.4%	-97.2%*
Operating income	449	(692)	n/s	n/s
<b>Reported Group net income</b>	<b>356</b>	<b>(537)</b>	<b>n/s</b>	<b>n/s</b>
RONE	10.0%	-15.8%		
<i>Underlying RONE<sup>(1)</sup></i>	<i>18.1%</i>	<i>-9.0%</i>		

(1) Adjusted for the linearisation of IFRIC 21

Global Banking & Investor Solutions posted robust revenues of EUR 2,509 million in Q1 21, a substantial increase (+54.2%) vs. Q1 20 (+60.4%\* when adjusted for changes in Group structure and at constant exchange rates). The businesses benefited from a normalising environment and strong market momentum during Q1 21.

**In Global Markets & Investor Services**, net banking income totalled EUR 1,651 million, x2.3\* vs. Q1 20. Global Markets enjoyed a record quarter, with the highest level of activity since Q1 17.

The Equity businesses enjoyed their best quarter since 2015, with a remarkable performance in each of the regions, all activities having benefited from the good market conditions. There was a significant rebound in revenues (+44% vs. Q4 20) and an increase of +36% vs. the average level of 2019. Structured products enjoyed a good quarter, while completing the review of the product offering initiated in Q2 20. Listed products benefited from strong volumes, particularly in Asia and Germany, where our franchise received the award of “*Certificate House of the Year*” (source *Golden Bull*).

Fixed Income & Currency activities posted a strong performance, with revenues of EUR 625 million, up +51% vs. Q4 20 and +25% vs. the average level of 2019 (level not restated for the revenues of the commodities activity). The reflation theme contributed to strong commercial activity. All the activities performed well in all regions.

Securities Services’ revenues were also substantially higher (+16.7%) than in Q1 20, at EUR 175 million. Securities Services’ assets under custody amounted to EUR 4,341 billion at end-March 2021, an increase of +0.6% vs. end-December 2020. Over the same period, assets under administration were stable at EUR 639 billion.

**Financing & Advisory** revenues totalled EUR 633 million in Q1 21, up +2.9%\* vs. a good Q1 20 (+0.6% at current structure and exchange rates).

Financing activities turned in a good performance, particularly in aircraft financing and maritime financing. The Asset-Backed Products platform also enjoyed a good Q1. Investment Banking benefited from a strong momentum, particularly in equity capital markets and acquisition financing. The franchise posted solid revenues, with an increase in Q1.

Global Transaction and Payment Services continued to deliver strong growth, up +5.0%\* vs. Q1 20.

**Asset and Wealth Management’s** net banking income totalled EUR 225 million in Q1 21, down -1.7%\* vs. Q1 20 (-2.2% at current structure and exchange rates).

Private Banking posted a slightly lower performance (-1.1%\*) than in Q1 20 (at EUR 173 million), impacted by pressure on the interest margin and despite strong commercial activity. Net inflow, which totalled EUR +2.5 billion, was positive in all regions. Assets under management were up +4.1% vs. end-December 2020, at EUR 121 billion.

Lyxor's net banking income amounted to EUR 47 million, EUR 3 million lower than in Q1 20. Lyxor's assets under management were substantially higher (+9.9%) than at end-December 2020, at EUR 154 billion. Net inflow was EUR +6.2 billion in Q1 21.

### **Operating expenses**

Underlying operating expenses were down -0.8% vs. Q1 20, reflecting continued strict discipline against the backdrop of an increase in the IFRIC 21 charge and variable costs in conjunction with the growth in revenues. As a result, there was a substantial improvement in operating leverage, with an underlying cost to income ratio of 67%.

### **Net cost of risk**

The commercial cost of risk amounted to 2 basis points (or EUR 9 million), well below the level of 87 basis points in Q1 20, which was adversely affected by the start of the health crisis and some specific files.

### **Contribution to Group net income**

The underlying contribution to Group net income (after linearisation of IFRIC 21) came to EUR 646 million in Q1 21.

Global Banking & Investor Solutions posted a significant underlying RONE of 18.1%.



## 6. CORPORATE CENTRE

<i>In EURm</i>	Q1 21	Q1 20
Net banking income	27	(301)
Operating expenses	(155)	(105)
<i>Underlying operating expenses<sup>(1)</sup></i>	<i>(71)</i>	<i>(67)</i>
Gross operating income	(128)	(406)
<i>Underlying gross operating income<sup>(1)</sup></i>	<i>(44)</i>	<i>(368)</i>
Net cost of risk	(2)	-
Net profits or losses from other assets	1	(77)
Impairment losses on goodwill	-	-
Net income from companies accounted for by the equity method	1	1
<b>Reported Group net income</b>	<b>(137)</b>	<b>(373)</b>

(1) Adjusted for the linearisation of IFRIC 21 and transformation costs in Q1 21 (EUR 50m)

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to restructuring charges for the whole Group, cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR 27 million in Q1 21 vs. EUR -301 million in Q1 20. It includes notably the change in fair value of financial instruments corresponding to economic hedges of financial debt but that do not meet IFRS hedge accounting criteria.

Operating expenses totalled EUR -155 million in Q1 21 vs. EUR -105 million in Q1 20. They include the Group's transformation costs for a total amount of EUR -50 million relating to the activities of French Retail Banking (EUR -22 million), Global Banking & Investor Solutions (EUR -17 million) and the Corporate Centre (EUR -11 million). Underlying costs came to EUR 71 million, compared to EUR 67 million in Q1 20.

Gross operating income totalled EUR -128 million in Q1 21 vs. EUR -406 million in Q1 20. Underlying gross operating income was EUR -44 million.

Net profits or losses from other assets amounted to EUR -77 million in Q1 20 and included primarily, in respect of the application of IFRS 5 as part of the implementation of the Group's refocusing plan, a charge of EUR -69 million corresponding to the finalisation of the disposal of Societe Generale de Banque aux Antilles.

The Corporate Centre's contribution to Group net income was EUR -137 million in Q1 21 vs. EUR -373 million in Q1 20.

## **7. CONCLUSION**

The beginning of this year has seen the Group achieve a new milestone and confirm the rebound in activities expected this year in relation to 2020, which was significantly impacted by the crisis.

The Group will present the strategy for Global Banking & Investor Solutions on May 10<sup>th</sup>, 2021, and then on Corporate Social Responsibility in the second semester 2021.

## 8. 2021 FINANCIAL CALENDAR

### 2021 Financial communication calendar

May 18 <sup>th</sup> , 2021	General Meeting
May 25 <sup>th</sup> , 2021	Dividend detachment
May 27 <sup>th</sup> , 2021	Dividend payment
August 3 <sup>rd</sup> , 2021	Second quarter and first half 2021 results
November 4 <sup>th</sup> , 2021	Third quarter and nine-month 2021 results

**The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.**

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.

These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:

- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Registration Document filed with the French *Autorité des Marchés Financiers*.

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

## 9. APPENDIX 1: FINANCIAL DATA

### GROUP NET INCOME BY CORE BUSINESS

In EURm	Q1-21	Q1-20	Change
French Retail Banking	203	219	-7.3%
International Retail Banking and Financial Services	392	365	+7.4%
Global Banking and Investor Solutions	356	(537)	n/s
Core Businesses	951	47	x20.2
Corporate Centre	(137)	(373)	n/s
Group	814	(326)	n/s

## CONSOLIDATED BALANCE SHEET

	31.03.2021	31.12.2020
Cash, due from central banks	177,582	168,179
Financial assets at fair value through profit or loss	445,009	429,458
Hedging derivatives	16,220	20,667
Financial assets measured at fair value through other comprehensive income	50,250	52,060
Securities at amortised cost	16,525	15,635
Due from banks at amortised cost	63,243	53,380
Customer loans at amortised cost	456,474	448,761
Revaluation differences on portfolios hedged against interest rate risk	284	378
Investment of insurance activities	169,878	166,854
Tax assets	4,900	5,001
Other assets	67,651	67,341
Non-current assets held for sale	675	6
Investments accounted for using the equity method	103	100
Tangible and intangible assets	30,367	30,088
Goodwill	3,821	4,044
<b>Total</b>	<b>1,502,982</b>	<b>1,461,952</b>

	31.03.2021	31.12.2020
Central banks	3,095	1,489
Financial liabilities at fair value through profit or loss	404,263	390,247
Hedging derivatives	10,762	12,461
Debt securities issued	137,230	138,957
Due to banks	145,530	135,571
Customer deposits	467,711	456,059
Revaluation differences on portfolios hedged against interest rate risk	5,655	7,696
Tax liabilities	1,239	1,223
Other liabilities	89,727	84,937
Non-current liabilities held for sale	167	-
Liabilities related to insurance activities contracts	148,334	146,126
Provisions	4,743	4,775
Subordinated debts	16,215	15,432
<b>Total liabilities</b>	<b>1,434,671</b>	<b>1,394,973</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity, Group share</b>		
Issued common stocks and capital reserves	22,371	22,333
Other equity instruments	9,295	9,295
Retained earnings	31,646	32,076
Net income	814	(258)
<b>Sub-total</b>	<b>64,126</b>	<b>63,446</b>
Unrealised or deferred capital gains and losses	(1,206)	(1,762)
<b>Sub-total equity, Group share</b>	<b>62,920</b>	<b>61,684</b>
Non-controlling interests	5,391	5,295
<b>Total equity</b>	<b>68,311</b>	<b>66,979</b>
<b>Total</b>	<b>1,502,982</b>	<b>1,461,952</b>

## **10. APPENDIX 2: METHODOLOGY**

**1 - The financial information presented for the quarter ending 31 March 2021 was reviewed by the Board of Directors on 5 May 2021** and has been prepared in accordance with IFRS as adopted in the European Union and applicable at this date, and has not been audited.

### **2 – Net banking income**

The pillars' net banking income is defined on page 41 of Societe Generale's 2021 Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

### **3 – Operating expenses**

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31<sup>st</sup>, 2020 (pages 466 et seq. of Societe Generale's 2021 Registration Document). The term "costs" is also used to refer to Operating Expenses.

The Cost/Income Ratio is defined on page 41 of Societe Generale's 2021 Registration Document.

### **4 – IFRIC 21 adjustment**

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

## 5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q1 21 (in EURm)	Operating Expenses	Net profit or losses from other assets	Income tax	Group net income	Business
<b>Reported</b>	<b>(4,748)</b>	<b>6</b>	<b>(283)</b>	<b>814</b>	
<i>IFRIC 21 linearisation</i>	<i>601</i>		<i>(141)</i>	<i>448</i>	
<i>Transformation charges*</i>	<i>50</i>		<i>(14)</i>	<i>36</i>	<i>Corporate Center<sup>(1)</sup></i>
<b>Underlying</b>	<b>(4,097)</b>	<b>6</b>	<b>(438)</b>	<b>1,298</b>	

Q1 20 (in EURm)	Operating Expenses	Net profit or losses from other assets	Income tax	Group net income	Business
<b>Reported</b>	<b>(4,678)</b>	<b>80</b>	<b>46</b>	<b>(326)</b>	
<i>IFRIC 21 linearisation</i>	<i>490</i>		<i>(131)</i>	<i>347</i>	
<i>Group refocusing plan*</i>		<i>77</i>	<i>0</i>	<i>77</i>	<i>Corporate center</i>
<b>Underlying</b>	<b>(4,188)</b>	<b>157</b>	<b>(85)</b>	<b>(56)</b>	

\* Exceptional item

<sup>(1)</sup> Transformation and/or restructuring charges related to RBDF (EUR 22m), GBIS (EUR 17m) and Corporate Center (EUR 11m)

## 6 – Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 43 and 635 of Societe Generale's 2021 Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q1 21	Q1 20
French Retail Banking	Net Cost Of Risk	123	249
	Gross loan Outstandings	217,606	201,139
	<b>Cost of Risk in bp</b>	<b>23</b>	<b>49</b>
International Retail Banking and Financial Services	Net Cost Of Risk	142	229
	Gross loan Outstandings	130,196	136,407
	<b>Cost of Risk in bp</b>	<b>44</b>	<b>67</b>
Global Banking and Investor Solutions	Net Cost Of Risk	9	342
	Gross loan Outstandings	154,651	158,064
	<b>Cost of Risk in bp</b>	<b>2</b>	<b>87</b>
Corporate Centre	Net Cost Of Risk	2	0
	Gross loan Outstandings	12,963	9,710
	<b>Cost of Risk in bp</b>	<b>4</b>	<b>2</b>
Societe Generale Group	Net Cost Of Risk	276	820
	Gross loan Outstandings	515,416	505,319
	<b>Cost of Risk in bp</b>	<b>21</b>	<b>65</b>

The gross coverage ratio for doubtful outstandings is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

## 7 – ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 43 and 44 of Societe Generale's 2021 Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity. RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 44 of Societe Generale's 2021 Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 10). For ROTE, income is also restated for goodwill impairment.



Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

### ROTE calculation: calculation methodology

End of period	Q1 21	Q1 20
Shareholders' equity Group share	62,920	62,581
Deeply subordinated notes	(9,179)	(8,258)
Undated subordinated notes	(273)	(288)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(51)	1
OCI excluding conversion reserves	(723)	(648)
Dividend provision <sup>(1)</sup>	(353)	
<b>ROE equity end-of-period</b>	<b>52,340</b>	<b>53,387</b>
<b>Average ROE equity</b>	<b>51,771</b>	<b>53,279</b>
Average Goodwill	(3,928)	(4,561)
Average Intangible Assets	(2,506)	(2,369)
<b>Average ROTE equity</b>	<b>45,337</b>	<b>46,349</b>
<b>Group net Income (a)</b>	<b>814</b>	<b>(326)</b>
<b>Underlying Group net income (b)</b>	<b>1,298</b>	<b>98</b>
Interest on deeply subordinated notes and undated subordinated notes (c)	(144)	(159)
Cancellation of goodwill impairment (d)		
<b>Adjusted Group net Income (e) = (a)+ (c)+(d)</b>	<b>670</b>	<b>(485)</b>
<b>Adjusted Underlying Group net Income (f)=(b)+(c)</b>	<b>1,154</b>	<b>(61)</b>
<b>Average ROTE equity (g)</b>	<b>45,337</b>	<b>46,349</b>
ROTE [quarter: (4*e/g)]	5.9%	-4.2%
<b>Underlying ROTE</b>	<b>45,821</b>	<b>46,773</b>
Underlying ROTE [quarter: (4*f/h)]	10.1%	-0.5%

### RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	Q1 21	Q1 20	Change
French Retail Banking	11,342	11,182	1.4%
International Retail Banking and Financial Services	9,963	10,563	-5.7%
Global Banking and Investor Solutions	14,271	13,615	4.8%
<b>Core Businesses</b>	<b>35,576</b>	<b>35,360</b>	<b>0.6%</b>
Corporate Center	16,195	17,919	-9.6%
<b>Group</b>	<b>51,771</b>	<b>53,279</b>	<b>-2.8%</b>

<sup>(1)</sup>The dividend to be paid is calculated based on a pay-out ratio of 50% of the underlying Group net income, excluding IFRIC 21, after deduction of deeply subordinated notes and on undated subordinated notes

## 8 – Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 46 of the Group's 2021 Registration Document. The items used to calculate them are presented below.

End of period	Q1 21	2020	2019
Shareholders' equity Group share	62,920	61,684	63,527
Deeply subordinated notes	(9,179)	(8,830)	(9,501)
Undated subordinated notes	(273)	(264)	(283)
Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(51)	19	4
Bookvalue of own shares in trading portfolio	(25)	301	375
<b>Net Asset Value</b>	<b>53,391</b>	<b>52,910</b>	<b>54,122</b>
Goodwill	(3,927)	(3,928)	(4,510)
Intangible Assets	(2,527)	(2,484)	(2,362)
<b>Net Tangible Asset Value</b>	<b>46,937</b>	<b>46,498</b>	<b>47,250</b>
Number of shares used to calculate NAPS**	850,427	848,859	849,665
Net Asset Value per Share	62.8	62.3	63.7
Net Tangible Asset Value per Share	55.2	54.8	55.6

**\*\* The number of shares considered is the number of ordinary shares outstanding as at March 31<sup>st</sup>, 2021, excluding treasury shares and buybacks, but including the trading shares held by the Group.**  
**In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.**

## 9 – Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 45 of Societe Generale's 2021 Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 45 of Societe Generale's 2021 Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).

The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	Q1 21	2020	2019
Existing shares	853,371	853,371	834,062
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	3,728	2,987	4,011
Other own shares and treasury shares			149
Number of shares used to calculate EPS**	849,643	850,385	829,902
Group net Income	814	(258)	3,248
Interest on deeply subordinated notes and undated subordinated notes	(144)	(611)	(715)
Capital gain net of tax on partial buybacks			
Adjusted Group net income	670	(869)	2,533
EPS (in EUR)	0.79	(1.02)	3.05
Underlying EPS* (in EUR)	0.83	0.97	4.03

\* Based on underlying Group net income excluding linearisation of the IFRIC 21 effect. EUR 1.36 including IFRIC 21 linearization.

\*\* The number of shares considered is the number of ordinary shares outstanding as at March 31<sup>st</sup>, 2021, excluding treasury shares and buybacks, but including the trading shares held by the Group.

**10 – The Societe Generale Group's Common Equity Tier 1 capital** is calculated in accordance with applicable CRR/CRD4 rules. The phased-in ratios include the earnings for the current financial year and the related provision for dividends. The difference between phased-in ratio and fully-loaded ratio is related to the IFRS 9 impacts. The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014 and the phased-in follows the same rationale as solvency ratios.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website [www.societegenerale.com](http://www.societegenerale.com) in the "Investor" section.

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## Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking**, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

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