**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).

**10,000,000 European Style Cash Settled Short Certificates**

**relating to the ordinary shares of Singapore Technologies Engineering Ltd**

**with a Daily Leverage of -5x**

**issued by**

**SG Issuer**

**(Incorporated in Luxembourg with limited liability)**

**unconditionally and irrevocably guaranteed by**

**Société Générale**

**Issue Price: S$0.40 per Certificate**

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 18 June 2021 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 an inverse 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[1] and Specified Investment Products (SIPs)[2], 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 (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 18 June 2021 (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 18 May 2022.

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.

17 May 2022

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] 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.

## Table of Contents

## 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 (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) 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 risen 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 Short 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 Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there are leveraged risks because the Certificates integrate an inverse 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;

(m) 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 inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(n) 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);

(o) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(p) 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 increase 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 increase 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;

(q) In the case of extreme market conditions or where the Air Bag Mechanisms are triggered simultaneously, trading in the Certificates may be suspended for an extended period, which may be up to an additional 15 minutes, to facilitate the intra-day adjustment under the Air Bag Mechanism;

(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 37 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 rise. 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 Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse 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 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 or an investor's broker or custodian may be subject to FATCA and, as a result, may be 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 the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent 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 or the relevant broker or custodian 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;

(cc) 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

(dd) 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 November 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. The 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 includes, 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 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: | 10,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Singapore Technologies Engineering Ltd (the "**Underlying Stock**") |
| ISIN: | LU2348854055 |
| Company: | Singapore Technologies Engineering Ltd (RIC: STEG.SI) |
| Underlying Price[3] and Source: | S$4.05 (Reuters) |
| Calculation Agent: | Société Générale |
| Strike Level: | Zero |
| Daily Leverage: | -5x (within the Leverage Inverse Strategy as described below) |
| Notional Amount per Certificate: | SGD 0.40 |
| Management Fee (p.a.)[4]: | 0.40% |
| Gap Premium (p.a.)[5]: | 5.50%, is a hedging cost against extreme market movements overnight. |
| Stock Borrowing Cost[6]: | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock. |
| Rebalancing Cost[6]: | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock. |
| Launch Date: | 10 May 2022 |
| Closing Date: | 17 May 2022 |

[3] These figures are calculated as at, and based on information available to the Issuer on or about 17 May 2022. 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 17 May 2022.
[4] 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.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

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| Expected Listing Date: | 18 May 2022 |
| Last Trading Date: | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 7 May 2025 |
| Expiry Date: | 15 May 2025 (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: | 14 May 2025 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day. |
| 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 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. |
| Cash Settlement Amount: | In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:<br><br>Closing Level multiplied by the Notional Amount per Certificate<br><br>Please refer to the "Information relating to the European Style Cash Settled Short 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. |
| Hedging Fee Factor: | In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: |

"**t**" refers to "**Observation Date**" which means each Exchange Business Day (subject to Market Disruption Event) from (and including) the Exchange Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Exchange 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 Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange 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 Exchange 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 Inverse Strategy and the value of the Certificate on that fifth Exchange 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.

Please refer to the "Information relating to the European Style Cash Settled Short 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 Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 19 to 24 below.

Initial Exchange Rate: 1

Final Exchange Rate: 1

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| Air Bag Mechanism: | The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses.<br><br>Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.<br><br>The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.<br><br>Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 23 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: | Singapore Dollar ("**SGD**") |
| Settlement Currency: | 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: | The SGX-ST |
| Business Day and Exchange Business Day: | A "**Business Day**" or an "**Exchange Business Day**" is 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. |
| Warrant Agent: | The Central Depository (Pte) Limited ("**CDP**") |

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| Clearing System: | CDP |
| Fees and Charges: | 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.<br><br>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 Inverse Strategy including the Stock Borrowing 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. |
| Further Information: | Please refer to the website at dlc.socgen.com 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 Inverse Strategy**

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

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

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse 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 Inverse 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 Inverse Strategy Formula***

| | |
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| $\mathbf{LSL_t}$ | means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t). |

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$$\mathrm{LSL}_1 = 1000$$

On each subsequent Observation Date(t):

$$\mathrm{LSL}_t = \mathrm{Max}\left[\mathrm{LSL}_{t-1} \times \left(1 + \mathrm{LR}_{t-1,t} - \mathrm{FC}_{t-1,t} - \mathrm{SB}_{t-1,t} - \mathrm{RC}_{t-1,t}\right), 0\right]$$

**$\mathbf{LR_{t-1,t}}$** means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{\mathrm{S}_t}{\mathrm{S}_{t-1} \times Rfactor_t} - 1\right)$$

**$\mathbf{FC_{t-1,t}}$** means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$\mathrm{FC}_{t-1,t} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate}_{t-1} \times \mathrm{ACT}(t-1,t)}{\mathrm{DayCountBasisRate}}$$

**$\mathbf{SB_{t-1,t}}$** means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows:

$$\mathrm{SB}_{t-1,t} = -\mathrm{Leverage} \times \frac{\mathrm{CB} \times \mathrm{ACT}(t-1,t)}{\mathrm{DayCountBasisRate}}$$

**CB** means the Cost of Borrowing applicable that is equal to: 3.00%

**$\mathbf{RC_{t-1,t}}$** means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows :

$$\mathrm{RC}_{t-1,t} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left|\frac{\mathrm{S}_t}{\mathrm{S}_{t-1} \times Rfactor_t} - 1\right|\right) \times \mathrm{TC}$$

**TC** means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to :

0.04%

“Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.

**Leverage** -5

**$\mathbf{S_t}$** 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.

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| $\mathbf{Rate_t}$ | means, in respect of each Observation Date(t), the daily Singapore Overnight Rate Average (SORA) provided by the Monetary Authority of Singapore as administrator of the benchmark (or a successor administrator), as published on BLOOMBERG/SIBCSORA Index or any successor page, being the rate as of day (t-2) at 09:00 Singapore time, provided that if such rate is not available, then such rate shall be determined by reference to the last available rate that was published on Refinitiv Screen (SORA=MAST) or any successor page. |
| $\mathbf{Rfactor_t}$ | 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 : $$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$ where<br>$Div_t$ is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes. |
| **ACT(t-1,t)** | ACT (t-1;t) means the number of calendar days between the Exchange Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded). |
| **DayCountBasisRate** | 365 |
| **Benchmark Fallback** | upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, 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. |
| **Reference Rate Event** | means, in respect of the Reference Rate any of the following has occurred or will occur:<br>(i) a Reference Rate Cessation;<br>(ii) an Administrator/Benchmark Event; or<br>(iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA), pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in |

order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

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| **Reference Rate Cessation** | means, for a Reference Rate, the occurrence of one or more of the following events:<br>(i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate;<br>(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or<br>(iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts; |
| **Administrator/Benchmark Event** | means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates. |
| **Reference Rate(s)** | means the rate(s) used in the Leverage Inverse Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate. |

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

**Extraordinary Strategy Adjustment for Performance Reasons**

If the Calculation Agent determines that an Intraday Restrike Event has 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 Inverse Strategy Closing Level on the Intraday Restrike Date ($\mathrm{LSL_{IRD}}$) should be computed as follows :

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

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

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

$\mathbf{ILSL_{IR(k)}}$

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

(1) for k = 1 :

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

(2) for k > 1 :

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

$\mathbf{ILR_{IR(k-1),IR(k)}}$

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

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

$\mathbf{IRC_{IR(k-1),IR(k)}}$

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

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

$\mathbf{IS_{IR(k)}}$

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

(1) for k=0

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

(2) for k=1 to n

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

(3) with respect to IR(C)

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

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 $k^{th}$ Intraday Restrike Event on the relevant Intraday Restrike Date.

**IR(C)**

means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

**n**

means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

**Intraday Restrike Event**

means in respect of an Observation Date(t) :

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(0)}}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(k)}}$ as of such Calculation Time.

**Calculation Time**

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 Inverse Strategy Level.

**TimeReferenceOpening**

means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**TimeReferenceClosing**

means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

**Intraday Restrike Event Observation Period**

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.

**Intraday Restrike Event Time**

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 18 June 2021, 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.

## 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. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the "**Substituted Obligor**"), it shall give at least 90 days' notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

## 15. 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.

## 16. 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.

## 17. 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: | Singapore Technologies Engineering Ltd |
| The Certificates: | European Style Cash Settled Short Certificates relating to the Underlying Stock |
| Number: | 10,000,000 Certificates |
| Form: | The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 18 June 2021 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") 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:<br>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 18 May 2022. |
| Governing Law: | The laws of Singapore |
| Warrant Agent: | The Central Depository (Pte) Limited<br>11 North Buona Vista Drive<br>#06-07 The Metropolis Tower 2<br>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 SHORT CERTIFICATES ON SINGLE EQUITIES

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

European style cash settled short 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 Inverse 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 decrease and are seeking short-term leveraged inverse 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 Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

### Illustration of the Calculation of Hedging Fee Factor

| | | |
|---|---|---|
| Hedging Fee Factor | = | Product of the Daily Fees |

| | | |
|---|---|---|
| Daily Fees | = | **Daily Management Fee Adjustment**<br>1 – Management Fee x ACT (t-1;t) / 360<br>x<br>**Daily Gap Premium Adjustment**<br>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)

| | | t[7]=0 | | t=1 | | t=2 | | t=i |
|---|---|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Inverse Strategy daily performance[8] x Daily Fees | x | Leverage Inverse Strategy daily performance x Daily Fees | x … | Leverage Inverse Strategy Daily performance x Daily Fees |

| | | t=0 | | **Product of the daily Leverage Inverse Strategy Performance** | | **Product of the Daily Fees (Hedging Fee Factor)** |
|---|---|---|---|---|---|---|
| Value of Certificates | = | Notional Amount | x | Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance | x | Daily Fees x Daily Fees |

| | | t=0 | | | | |
|---|---|---|---|---|---|---|
| Final Value of Certificates | = | Notional Amount | x | Final Reference Level x Final Exchange Rate<br>÷<br>Initial Reference Level x Initial Exchange Rate | x | Hedging Fee Factor |

### 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.

[7] "t" refers to "**Observation Date**" which means each Exchange Business Day (subject to Market Disruption Event) from (and including) the Exchange Business Day immediately preceding the Expected Listing Date to the Valuation Date.

[8] Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse 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 Singapore Technologies Engineering Ltd |
| Expected Listing Date: | **03/07/2018** |
| Expiry Date: | **18/07/2018** |
| Initial Reference Level: | **1,000** |
| Initial Exchange Rate: | **1** |
| Final Reference Level: | **1,200** |
| Final Exchange Rate: | **1** |
| Issue Price: | **0.40 SGD** |
| Notional Amount per Certificate: | **0.40 SGD** |
| Management Fee (p.a.): | **0.40%** |
| Gap Premium (p.a.): | **5.50%** |
| Strike Level: | Zero |

**Hedging Fee Factor**

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

HFF(0) = 100%

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

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

$$\text{HFF (1)} = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 5.50\% \times \frac{1}{360}\right)$$

$$\text{HFF (1)} = 100\% \times 99.9989\% \times 99.9847\% \approx 99.9836\%$$

Assuming $2^{\text{nd}}$ Exchange Business Day falls 3 Calendar Days after $1^{\text{st}}$ Exchange Business Day:

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

$$\mathrm{HFF}\ (2) = 99.9836\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 5.50\% \times \frac{3}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9836\% \times 99.9967\% \times 99.9542\% \approx 99.9345\%$$

The same principle applies to the following Exchange Business Days:

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

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7544% as illustrated below:

| Date | HFF |
|---|---|
| 3/7/2018 | 100.0000% |
| 4/7/2018 | 99.9836% |
| 5/7/2018 | 99.9672% |
| 6/7/2018 | 99.9508% |
| 9/7/2018 | 99.9017% |
| 10/7/2018 | 99.8853% |
| 11/7/2018 | 99.8690% |
| 12/7/2018 | 99.8526% |
| 13/7/2018 | 99.8362% |
| 16/7/2018 | 99.7871% |
| 17/7/2018 | 99.7708% |
| 18/7/2018 | 99.7544% |

**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 x 1) / (1000 x 1) – 0] x 99.7544%

= 119.71%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.71% x 0.40 SGD

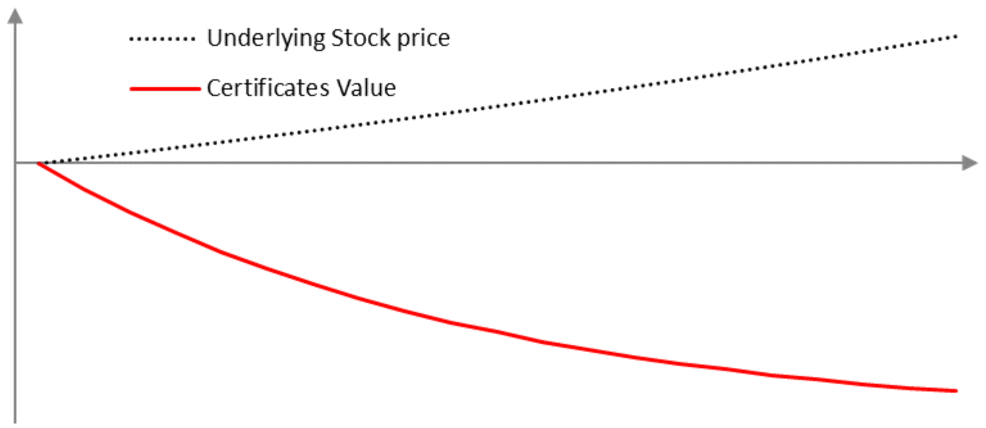
**= 0.479 SGD**

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

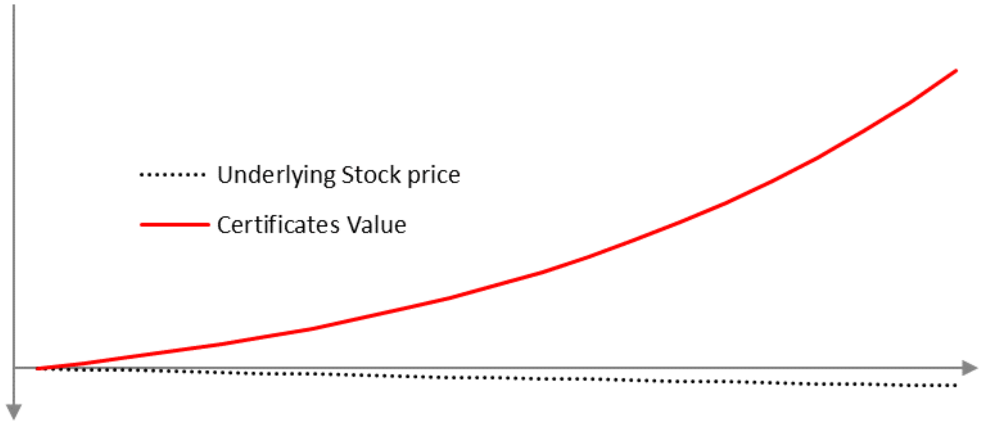
*The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

1. <u>Illustrative examples</u>

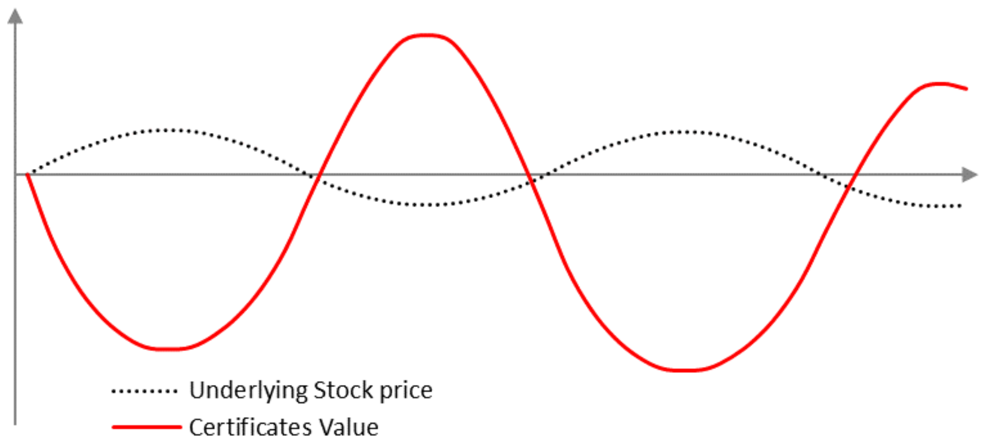
*<u>Scenario 1 – Upward Trend</u>*




*<u>Scenario 2 – Downward Trend</u>*




*<u>Scenario 3 – Volatile Market</u>*



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 | 0.4 | 0.36 | 0.32 | 0.29 | 0.26 | 0.24 |
| Accumulated Return | | -10.00% | -19.00% | -27.10% | -34.39% | -40.95% |

*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 | 0.4 | 0.44 | 0.48 | 0.53 | 0.59 | 0.64 |
| Accumulated Return | | 10.00% | 21.00% | 33.10% | 46.41% | 61.05% |

*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 | 0.4 | 0.36 | 0.40 | 0.36 | 0.39 | 0.35 |
| Accumulated Return | | -10.00% | -1.00% | -10.90% | -1.99% | -11.79% |

**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 maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum 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 Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered and does not take into account the mid-day break. Investors cannot sell or purchase any Certificates during this period.

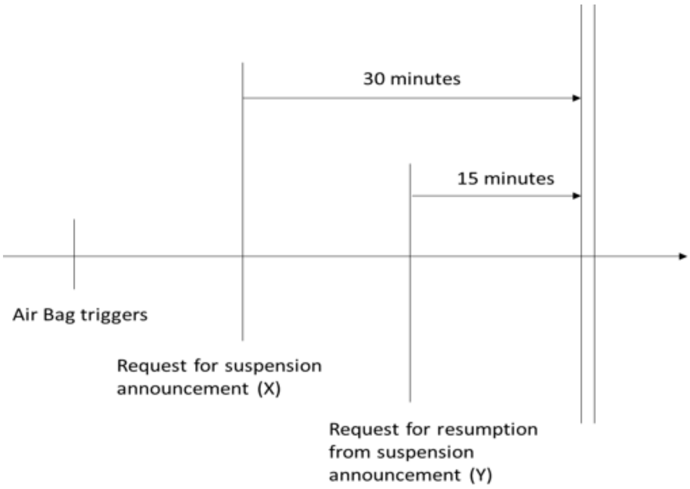
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="2">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>Less than 45 minutes before Market Close and more than 15 minutes before Market Close</td><td rowspan="2">Next trading day at Market Open</td></tr>
<tr><td>15 minutes or less than 15 minutes before Market Close</td><td>From Air Bag Trigger to Market Close</td></tr>
</table>

With **Market Close** defined as:

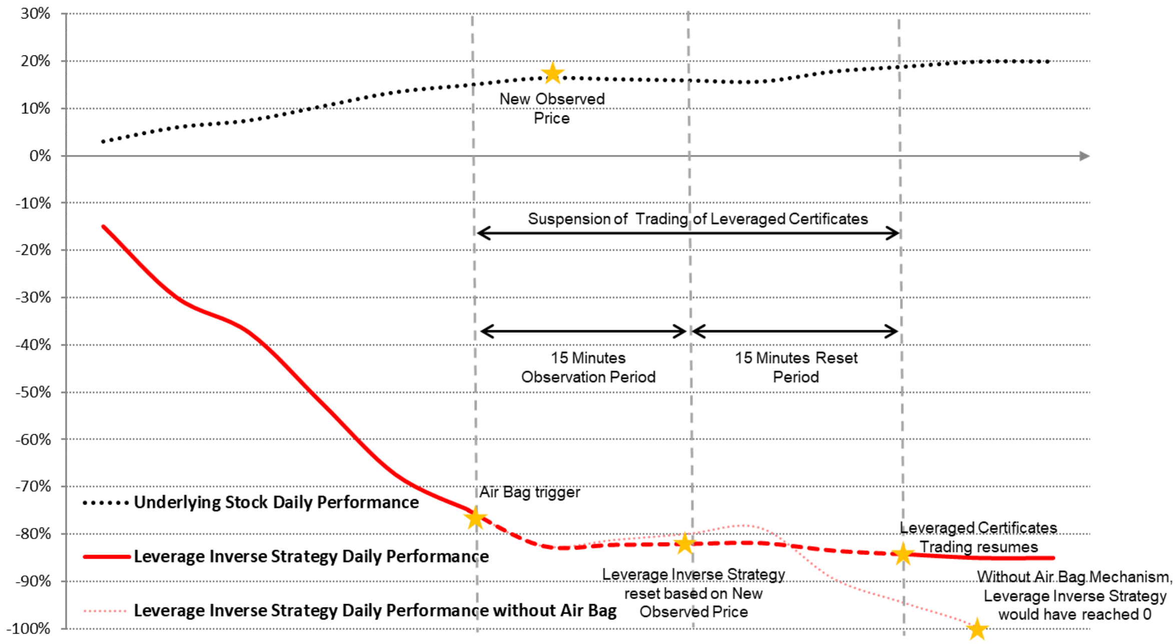
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



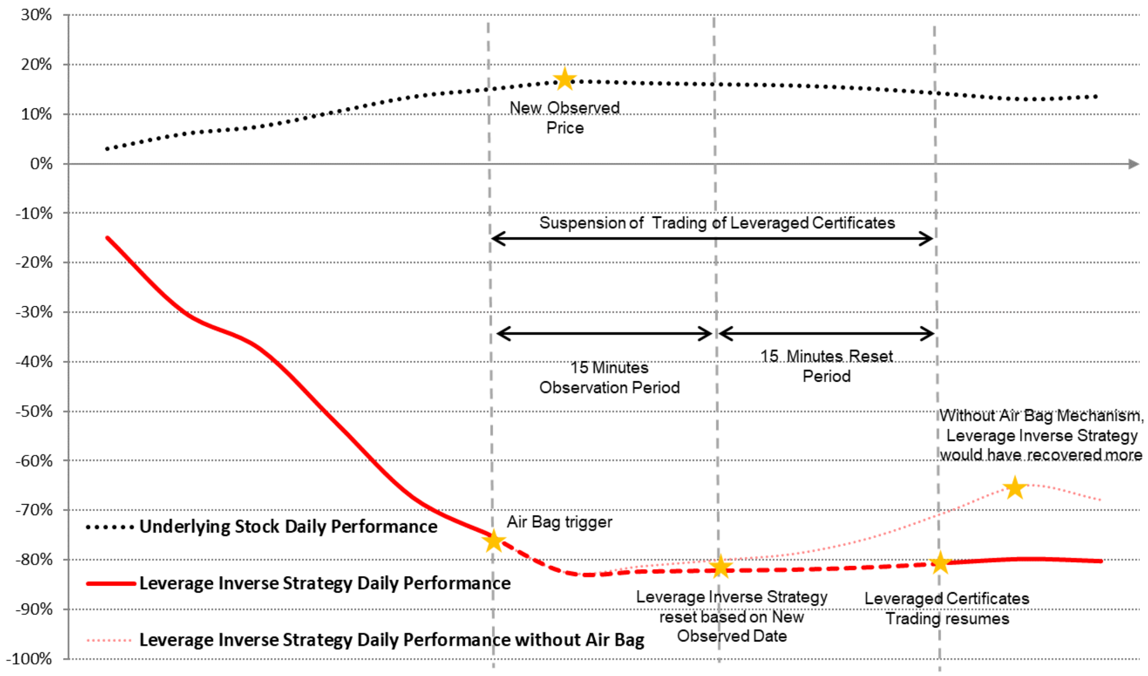

- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time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

<u>Illustrative examples of the Air Bag Mechanism[9]</u>

*<u>Scenario 1 – Upward Trend after Air Bag trigger</u>*




*<u>Scenario 2 – Downward Trend after Air Bag trigger</u>*



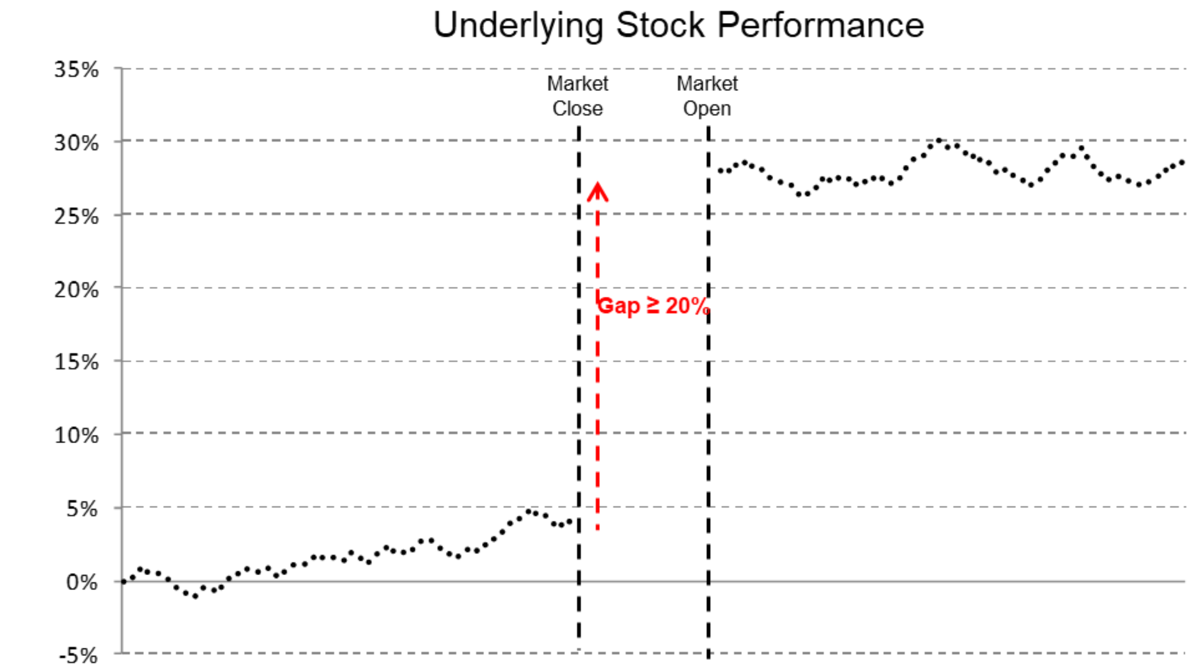

[9] The illustrative examples are not exhaustive.

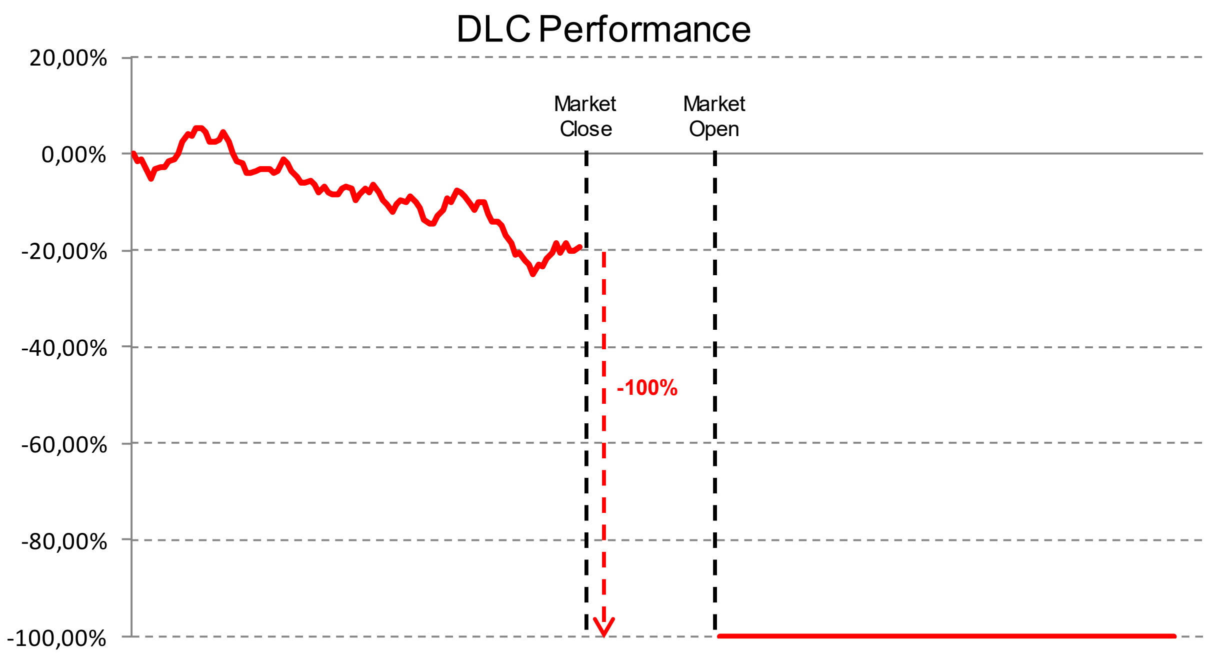
**Scenarios where the investor may lose the entire value of the investment**

*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*.

*<u>Scenario 1 – Overnight rise of the Underlying Stock</u>*

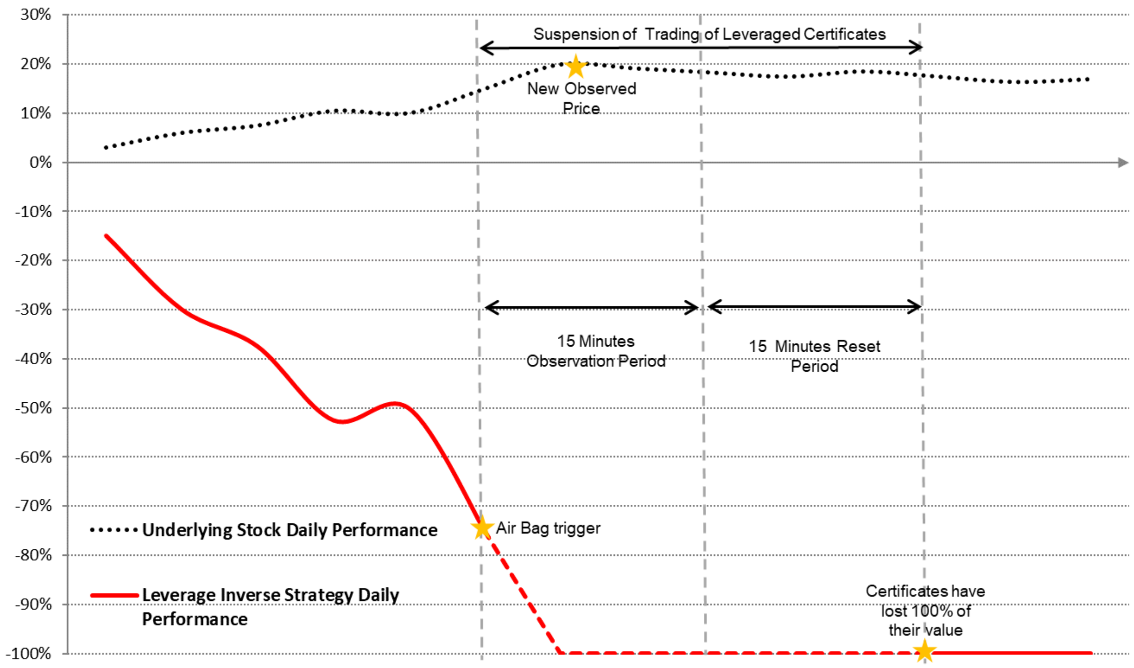
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above 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 rise 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 rises 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 :

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

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 rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ 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):

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

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

| $\mathrm{S_{t-1}}$ | $\mathrm{S_{t-1}} \times Rfactor_t$ | $\mathrm{S_t}$ | 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) |
|---|---|---|
| 0.4 | 0.36 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above $50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

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

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

$\mathrm{S_t}$ = $202

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

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:

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

| $S_{t-1}$ | $S_{t-1} \times Rfactor_t$ | $S_t$ | 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) |
|---|---|---|
| 0.4 | 0.38 | -5% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

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

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

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

R = $40 (i.e. subscription price of $40)

M = 0.5 (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:

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

| $S_{t-1}$ | $S_{t-1} \times Rfactor_t$ | $S_t$ | 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) |
|---|---|---|
| 0.4 | 0.3 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

4. <u>Bonus Issues</u>

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

$\mathrm{S}_{t-1}$ = \$100

$\mathrm{S}_{t}$ = \$85

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

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

R = \$0

M = 0.2 (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:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage}\ \times \left(\frac{\mathrm{S}_t}{\mathrm{S}_{t-1} \times Rfactor_t} - 1\right) = \ -5\ \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = -10\%$$

| $\mathrm{S}_{t-1}$ | $\mathrm{S}_{t-1}\ \times\ Rfactor_t$ | $\mathrm{S}_t$ | 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) |
|---|---|---|
| 0.4 | 0.36 | -10% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. <u>Extraordinary Dividend</u>

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

$\mathrm{S}_{t-1}$ = \$100

$\mathrm{S}_{t}$ = \$84

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

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

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:

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

| $S_{t-1}$ | $S_{t-1} \times Rfactor_t$ | $S_t$ | 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) |
|---|---|---|
| 0.4 | 0.3 | -25% |

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$92, which is 15% above \$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 the SGX-ST at http://www.sgx.com. The Issuer has not independently verified any of such information.*

Singapore Technologies Engineering Ltd ("**ST Engineering**", the "**Group**" or the "**Company**") is a global technology, defence and engineering group with offices across Asia, Europe, the Middle East and the U.S., serving customers in more than 100 countries. The Group uses technology and innovation to solve real-world problems and improve lives through its diverse portfolio of businesses across the aerospace, smart city, defence and public security segments. Headquartered in Singapore, ST Engineering reported revenue of $7.2b in FY2020 and ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, MSCI Singapore, iEdge SG ESG Transparency Index and iEdge SG ESG Leaders Index.

The information set out in Appendix I of this document relates to the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 and has been extracted and reproduced from an announcement by the Company released on 23 March 2022 in relation to the same. Further information relating to the Company may be located on the web-site of the SGX-ST at http://www.sgx.com.

## 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<br>(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 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) where the Certificates are suspended from trading for any reason;

(iv) 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;

(v) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(vi) 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;

(vii) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(viii) if the stock market experiences exceptional price movement and volatility;

(ix) when it is a public holiday in Singapore and/or the SGX-ST is not open for dealings; and

(x) 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 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 2021 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 5 May 2022 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2022.

## 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 2021 or the Guarantor since 31 March 2022, 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 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 ("**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; 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 the CWUMPO; 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 SFO and any rules made under the SFO.

### European Economic Area

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. 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 for the Certificates.

**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 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**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 for the Certificates.

Each dealer further represents and agrees, 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 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 OF SINGAPORE TECHNOLOGIES ENGINEERING LTD AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021 and has been extracted and reproduced from an announcement by the Company released on 23 March 2022 in relation to the same.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

## Report On The Audit Of The Financial Statements

### Our Opinion

In our opinion, the accompanying consolidated financial statements of Singapore Technologies Engineering Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

*What we have audited*

The financial statements of the Group and the Company comprise:

- the consolidated income statement of the Group for the year ended 31 December 2021;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of financial position of the Group as at 31 December 2021;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended;
- the notes to the consolidated financial statements, including a summary of significant accounting policies;
- the statement of financial position of the Company as at 31 December 2021; and
- the notes to the statement of financial position of the Company, including a summary of significant accounting policies.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

## Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

## Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of our 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

## Our Audit Approach (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Impairment assessment of non-financial assets – goodwill*** | |
| Refer to Note C3 to the financial statements.<br><br>As at 31 December 2021, the carrying value of the Group's goodwill amounted to $796,676,000.<br><br>Goodwill is allocated to the Group's cash generating units ("CGU") - Aerostructure & Systems, Aerospace MRO, Smart Utilities & Infrastructure, Satcom, Specialty Vehicles, Robotics & Autonomous Systems, Training & Simulation Systems, Advanced Networks & Sensors and others. There is a risk of impairment of certain CGUs in the United States which are operating in a challenging business environment.<br><br>In accordance with SFRS(I) 1-36, management is required to perform an impairment assessment of goodwill annually by comparing the recoverable amount of the CGU with its carrying amount to determine whether there is any impairment loss.<br><br>For the purpose of impairment testing, the recoverable amount of the CGU is determined based on the value-in-use calculations, using cash flow projections.<br><br>In the current year, impairment charge of $5,000,000 was recorded to reduce the carrying amount of the CGU to the estimated recoverable amount.<br><br>We focused on this area because of the uncertainty arising from the ongoing and evolving COVID-19 pandemic and significant judgements required in estimating the revenue growth rate, gross profit margins, discount rate and terminal growth rate applied in computing the recoverable amount of the CGU. | We have assessed the appropriateness of management's identification of CGU and critically assessed the key assumptions used in the goodwill impairment assessment.<br><br>Our audit procedures included the following:<br><br>• evaluated management's key assumptions relating to revenue growth rates, gross profit margins, discount rates and terminal growth rates and understood how management has considered the impact of the COVID-19 pandemic and market uncertainty in their estimates.<br><br>• reviewed the basis and methodology used to derive the recoverable amount of the CGU.<br><br>• assessed the appropriateness of management assumptions by comparing to past historical performance and considering the current developments arising from the COVID-19 pandemic.<br><br>• performed sensitivity analysis on management assumptions relating to revenue growth rates, gross profit margins, discount rates and terminal growth rates.<br><br>• involved our valuation experts to evaluate the appropriateness of management's assumptions, relating to terminal growth rates and discount rates, by developing an independent expectation using economic and industry forecasts and rates of comparable companies with consideration for specific jurisdiction factors.<br><br>• considered the adequacy of the disclosures in the financial statements.<br><br>Based on the audit procedures performed above, we found management's judgement and assumptions in relation to the determination of the recoverable amount to be appropriate, and the disclosure in this respect to be adequate. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

**Our Audit Approach** (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Revenue recognition based on stage of completion*** | |
| Refer to Note B2 to the financial statements.<br><br>During the year ended 31 December 2021, the Group recognised revenue of $7,692,865,000 relating to sale of goods, rendering of services and contract revenue. Some of these revenue are recognised based on the stage of completion of performance obligations of each individual contract, which are measured by reference to either assessment or surveys of work performed (output method) or the cost incurred relative to total estimated costs (input method).<br><br>We focused on this area because of the significant management judgement required in:<br><br>• determining each performance obligation within a contract;<br><br>• forecasting the costs to be incurred;<br><br>• forecasting the overall margins of these performance obligations; and<br><br>• assessing the stage of completion of each performance obligation. | Our audit procedures included the following:<br><br>• understood the end-to-end processes and validated key controls relating to revenue and receivables cycle.<br><br>• assessed the relevant internal control relating to customer contract acceptance and terms, change orders, monitoring of project development, cost incurred and estimating cost to complete.<br><br>• assessed the terms of the customer contracts and the appropriateness of the customer recognition policies.<br><br>• assessed the contractual terms and evaluated the work status of the customer contracts and to ascertain the appropriateness of revenue recognised based on the stage of completion of each performance obligation.<br><br>• selected sample of contracts and assessed management's assumptions for determining stage of completion including estimated profit and cost to complete through interviews with management and verification to the supporting documents.<br><br>• performed analysis and retrospective reviews of completed contracts to assess the appropriateness of management's assumptions applied.<br><br>Based on the audit procedures performed above, we found the basis of the identification of performance obligations and the revenue recognised based on the stage of completion of each performance obligation to be appropriate. |

## Other Information

Management is responsible for the other information. The other information comprises the Corporate Overview, Performance Review, Sustainability, Corporate Governance, Directors' Statement, SGX Listing Manual Requirement and Corporate Information (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

**Other Information** (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

## Responsibilities Of Management And Directors For The Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities For The Audit Of The Financial Statements

Our objectives 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism 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 Group's internal control.

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

**Auditor's Responsibilities For The Audit Of The Financial Statements** (continued)

- Conclude on the appropriateness of management's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report 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 auditor's report. However, future events or conditions may cause the Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with the directors, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report On Other Legal And Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lam Hock Choon.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Public Accountants and Chartered Accountants

Singapore
24 February 2022

# CONTENTS

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS)

| Group | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue** | B2 | **7,692,865** | 7,158,286 |
| Cost of sales | | **(6,157,797)** | (5,630,797) |
| **Gross profit** | | **1,535,068** | 1,527,489 |
| Distribution and selling expenses | | **(182,760)** | (225,048) |
| Administrative expenses | | **(607,974)** | (595,360) |
| Other operating expenses | | **(133,841)** | (146,218) |
| Other income, net* | | **35,420** | 9,141 |
| **Profit from operations** | B3 | **645,913** | 570,004 |
| Non-operating income/(expenses), net* | B4 | **11,742** | (4,043) |
| Share of results of associates and joint ventures, net of tax | | **15,991** | 30,389 |
| **Earnings before interest and tax** | | **673,646** | 596,350 |
| Finance income | | **11,686** | 9,274 |
| Finance costs | | **(47,725)** | (71,222) |
| Finance costs, net | E2 | **(36,039)** | (61,948) |
| **Profit before taxation** | | **637,607** | 534,402 |
| Taxation | B6 | **(70,636)** | (8,779) |
| **Profit after taxation** | | **566,971** | 525,623 |
| **Attributable to:** | | | |
| Shareholders of the Company | | **570,540** | 521,840 |
| Non-controlling interests | F3 | **(3,569)** | 3,783 |
| | | **566,971** | 525,623 |
| **Earnings per share (cents)** | B5 | | |
| Basic | | **18.30** | 16.74 |
| Diluted | | **18.20** | 16.64 |

* Change in definition of Other income and Non-operating income/(expenses) in conformance with current year classification.

*The accompanying notes are an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

| Group | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Profit after taxation** | | **566,971** | 525,623 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Defined benefit plan remeasurements | | **49,887** | (48,789) |
| Net fair value changes on equity investments at FVOCI | | **–** | 338 |
| | | **49,887** | (48,451) |
| | | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | | |
| Net fair value changes of cash flow hedges reclassified to income statement | | **(2,415)** | 22,495 |
| Effective portion of changes in fair value of cash flow hedges | | **(25,358)** | 18,905 |
| Share of net fair value changes on cash flow hedges of joint ventures | | **2,145** | 763 |
| Foreign currency translation differences | | **6,507** | 44,090 |
| Share of foreign currency translation differences of associates and joint ventures | | **9,123** | 1,819 |
| Reserves released on disposal of a subsidiary | | **(5,643)** | 121 |
| | | **(15,641)** | 88,193 |
| | | | |
| **Other comprehensive income for the year, net of tax** | | **34,246** | 39,742 |
| | | | |
| **Total comprehensive income for the year, net of tax** | | **601,217** | 565,365 |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Shareholders of the Company | | **615,183** | 547,678 |
| Non-controlling interests | F3 | **(13,966)** | 17,687 |
| | | **601,217** | 565,365 |

*The accompanying notes are an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

| Group | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | C1 | **1,793,811** | 1,756,944 |
| Right-of-use assets | C2 | **558,559** | 538,809 |
| Associates and joint ventures | F4 | **482,897** | 468,912 |
| Investments | E3 | **36,129** | 23,138 |
| Intangible assets | C3 | **1,992,738** | 1,946,138 |
| Long-term trade receivables | | **1,534** | 1,524 |
| Deferred tax assets | B6 | **207,548** | 149,387 |
| Amounts due from related parties | C4 | **11,609** | 8,547 |
| Advances and other receivables | C7 | **69,863** | 58,248 |
| Derivative financial instruments | C16 | **4,217** | 20,847 |
| Post-employment benefits | D3 | **257** | 319 |
| | | **5,159,162** | 4,972,813 |
| **Current assets** | | | |
| Contract assets^ | C13 | **1,726,505** | 1,555,781 |
| Inventories | C5 | **1,261,156** | 1,269,192 |
| Trade receivables | C6 | **1,066,756** | 1,047,844 |
| Amounts due from related parties | C4 | **113,843** | 46,305 |
| Advances and other receivables | C7 | **345,141** | 317,741 |
| Derivative financial instruments | C16 | **27,172** | 23,614 |
| Bank balances and other liquid funds | C8 | **815,924** | 730,624 |
| | | **5,356,497** | 4,991,101 |
| **Total assets** | | **10,515,659** | 9,963,914 |
| **EQUITY AND LIABILITIES** | | | |
| **Current liabilities** | | | |
| Contract liabilities^ | C13 | **919,524** | 983,887 |
| Deposits from customers | | **17,078** | 12,838 |
| Trade payables and accruals^ | C9 | **2,612,515** | 2,218,023 |
| Amounts due to related parties | C10 | **27,781** | 23,833 |
| Provisions | C11 | **331,837** | 306,758 |
| Provision for taxation | | **161,208** | 163,703 |
| Borrowings | E4 | **559,886** | 496,335 |
| Deferred income | C12 | **7,665** | 70,922 |
| Post-employment benefits | D3 | **7,640** | 7,996 |
| Derivative financial instruments | C16 | **34,508** | 4,554 |
| | | **4,679,642** | 4,288,849 |
| **Net current assets** | | **676,855** | 702,252 |

^ The comparative figures for contract assets, contract liabilities and trade payables and accruals have been reclassified in conformance with current year presentation.

*The accompanying notes are an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

| Group | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Contract liabilities^ | C13 | **832,754** | 802,348 |
| Trade payables and accruals | C9 | **63,482** | 19,338 |
| Provisions | C11 | **39,596** | 29,801 |
| Deferred tax liabilities | B6 | **174,661** | 166,520 |
| Borrowings | E4 | **1,555,334** | 1,550,560 |
| Deferred income | C12 | **73,882** | 50,475 |
| Post-employment benefits | D3 | **409,473** | 462,548 |
| Derivative financial instruments | C16 | **18,620** | 18,686 |
| | | **3,167,802** | 3,100,276 |
| **Total liabilities** | | **7,847,444** | 7,389,125 |
| **Net assets** | | **2,668,215** | 2,574,789 |
| **Share capital and reserves** | | | |
| Share capital | E6 | **895,926** | 895,926 |
| Treasury shares | E7 | **(33,475)** | (23,743) |
| Capital reserves | E8 | **103,940** | 107,034 |
| Other reserves | E9 | **(101,937)** | (89,017) |
| Retained earnings | | **1,548,308** | 1,402,414 |
| **Equity attributable to owners of the Company** | | **2,412,762** | 2,292,614 |
| Non-controlling interests | F3 | **255,453** | 282,175 |
| | | **2,668,215** | 2,574,789 |
| **Total equity and liabilities** | | **10,515,659** | 9,963,914 |

*The accompanying notes are an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

| Group | Note | Share capital $'000 | Treasury shares $'000 |
|---|---|---|---|
| At 1 January 2021 | | 895,926 | (23,743) |
| **Total comprehensive income for the year** | | | |
| Profit after taxation | | – | – |
| **Other comprehensive income** | | | |
| Net fair value changes of cash flow hedges reclassified to income statement | | – | – |
| Effective portion of changes in fair value of cash flow hedges | | – | – |
| Share of net fair value changes on cash flow hedges of joint ventures | | – | – |
| Foreign currency translation differences | | – | – |
| Share of foreign currency translation differences of associates and joint ventures | | – | – |
| Reserves released on disposal of a subsidiary | | – | – |
| Defined benefit plan remeasurements | | – | – |
| Other comprehensive income for the year, net of tax | | – | – |
| Total comprehensive income for the year, net of tax | | – | – |
| Hedging gains and losses and costs of hedging transferred to the cost of inventory | | – | – |
| **Transactions with owners of the Company, recognised directly in equity** | | | |
| **Contributions by and distributions to owners of the Company** | | | |
| Cost of share-based payment | | – | – |
| Purchase of treasury shares | E7 | – | (32,894) |
| Treasury shares reissued pursuant to share plans | | – | 23,162 |
| Dividends paid | E10 | – | – |
| Dividends paid to non-controlling interests | | – | – |
| Total contributions by and distributions to owners of the Company | | – | (9,732) |
| **Changes in ownership interests in subsidiaries** | | | |
| Acquisition of non-controlling interests in a subsidiary without a change in control | | – | – |
| Acquisition of subsidiaries with non-controlling interests | | – | – |
| **Total transactions with owners of the Company** | | – | (9,732) |
| Transfer from retained earnings to statutory reserve | | – | – |
| Balance at 31 December 2021 | | 895,926 | (33,475) |

*The accompanying notes are an integral part of the financial statements.*

| Capital reserves $'000 | Other reserves $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| 107,034 | (89,017) | 1,402,414 | 2,292,614 | 282,175 | 2,574,789 |
| – | – | 570,540 | 570,540 | (3,569) | 566,971 |
| – | (1,579) | – | (1,579) | (836) | (2,415) |
| – | (12,848) | – | (12,848) | (12,510) | (25,358) |
| – | 2,145 | – | 2,145 | – | 2,145 |
| – | 10,076 | – | 10,076 | (3,569) | 6,507 |
| – | 9,123 | – | 9,123 | – | 9,123 |
| – | (5,643) | – | (5,643) | – | (5,643) |
| – | – | 43,369 | 43,369 | 6,518 | 49,887 |
| – | 1,274 | 43,369 | 44,643 | (10,397) | 34,246 |
| – | 1,274 | 613,909 | 615,183 | (13,966) | 601,217 |
| – | (2,389) | – | (2,389) | 20 | (2,369) |
| – | 21,600 | – | 21,600 | 120 | 21,720 |
| – | – | – | (32,894) | – | (32,894) |
| (3,094) | (19,978) | – | 90 | (90) | – |
| – | – | (467,891) | (467,891) | – | (467,891) |
| – | – | – | – | (16,554) | (16,554) |
| (3,094) | 1,622 | (467,891) | (479,095) | (16,524) | (495,619) |
| – | (13,551) | – | (13,551) | (1,934) | (15,485) |
| – | – | – | – | 5,682 | 5,682 |
| (3,094) | (11,929) | (467,891) | (492,646) | (12,776) | (505,422) |
| – | 124 | (124) | – | – | – |
| 103,940 | (101,937) | 1,548,308 | 2,412,762 | 255,453 | 2,668,215 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS)

| Group | Note | Share capital $'000 | Treasury shares $'000 |
|---|---|---|---|
| At 1 January 2020 | | 895,926 | (26,731) |
| **Total comprehensive income for the year** | | | |
| Profit after taxation | | – | – |
| **Other comprehensive income** | | | |
| Net fair value changes on equity investments at FVOCI | E9 | – | – |
| Net fair value changes of cash flow hedges reclassified to income statement | | – | – |
| Effective portion of changes in fair value of cash flow hedges | | – | – |
| Share of net fair value changes on cash flow hedges of joint ventures | | – | – |
| Foreign currency translation differences | | – | – |
| Share of foreign currency translation differences of associates and joint ventures | | – | – |
| Reserves released on disposal of a subsidiary | | – | – |
| Defined benefit plan remeasurements | | – | – |
| Other comprehensive income for the year, net of tax | | – | – |
| Total comprehensive income for the year, net of tax | | – | – |
| Hedging gains and losses and costs of hedging transferred to the cost of inventory | | – | – |
| **Transactions with owners of the Company, recognised directly in equity** | | | |
| **Contributions by and distributions to owners of the Company** | | | |
| Capital contribution by non-controlling interests | | – | – |
| Cost of share-based payment | | – | – |
| Purchase of treasury shares | E7 | – | (29,154) |
| Treasury shares reissued pursuant to share plans | | – | 32,142 |
| Dividends paid | E10 | – | – |
| Dividends paid to non-controlling interests | | – | – |
| Total contributions by and distributions to owners of the Company | | – | 2,988 |
| Transfer from retained earnings to statutory reserve | | – | – |
| Balance at 31 December 2020 | | 895,926 | (23,743) |

*The accompanying notes are an integral part of the financial statements.*

| Capital reserves $'000 | Other reserves $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| 112,563 | (149,445) | 1,389,966 | 2,222,279 | 268,722 | 2,491,001 |
| – | – | 521,840 | 521,840 | 3,783 | 525,623 |
| – | (246) | 584 | 338 | – | 338 |
| – | 15,635 | – | 15,635 | 6,860 | 22,495 |
| – | 10,870 | – | 10,870 | 8,035 | 18,905 |
| – | 763 | – | 763 | – | 763 |
| – | 38,062 | – | 38,062 | 6,028 | 44,090 |
| – | 1,819 | – | 1,819 | – | 1,819 |
| – | 121 | – | 121 | – | 121 |
| – | – | (41,770) | (41,770) | (7,019) | (48,789) |
| – | 67,024 | (41,186) | 25,838 | 13,904 | 39,742 |
| – | 67,024 | 480,654 | 547,678 | 17,687 | 565,365 |
| – | (1,890) | – | (1,890) | – | (1,890) |
| – | – | – | – | 13,260 | 13,260 |
| – | 21,649 | – | 21,649 | 67 | 21,716 |
| – | – | – | (29,154) | – | (29,154) |
| (5,529) | (26,526) | – | 87 | (87) | – |
| – | – | (468,035) | (468,035) | – | (468,035) |
| – | – | – | – | (17,474) | (17,474) |
| (5,529) | (4,877) | (468,035) | (475,453) | (4,234) | (479,687) |
| – | 171 | (171) | – | – | – |
| 107,034 | (89,017) | 1,402,414 | 2,292,614 | 282,175 | 2,574,789 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Cash and cash equivalents comprise cash balances and fixed deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | **637,607** | 534,402 |
| Adjustments: | | |
| Share of results of associates and joint ventures, net of tax | **(15,991)** | (30,389) |
| Share-based payment expense | **21,720** | 21,716 |
| Depreciation charge | **314,197** | 297,620 |
| Property, plant and equipment written off | **2,249** | 874 |
| Amortisation of other intangible assets | **83,893** | 81,011 |
| Impairment of property, plant and equipment | **19,490** | 1,617 |
| Impairment of right-of-use assets | **–** | 2,397 |
| Impairment of goodwill and other intangible assets | **6,769** | 45,766 |
| Impairment of an associate | **–** | 4,000 |
| Gain on disposal of property, plant and equipment | **(2,527)** | (16) |
| Gain on disposal of subsidiaries | **(13,021)** | – |
| Loss on disposal of right-of-use assets | **275** | 77 |
| Loss on disposal of subsidiaries | **1,279** | 43 |
| Changes in fair value of associates | **(11,154)** | 5,285 |
| Changes in fair value of financial instruments and hedged items | **(685)** | (1,333) |
| Interest expense | **45,048** | 49,583 |
| Interest income | **(3,936)** | (5,743) |
| Amortisation of deferred income | **(5)** | (6) |
| **Operating profit before working capital changes** | **1,085,208** | 1,006,904 |
| Changes in: | | |
| Inventories | **9,455** | 52,955 |
| Contract assets | **(162,986)** | 78,613 |
| Trade receivables | **(13,511)** | 196,681 |
| Advance payments to suppliers | **(18,457)** | 20,137 |
| Other receivables, deposits and prepayments | **(14,099)** | (13,625) |
| Amounts due from related parties | **(18,620)** | 410 |
| Amounts due to related parties | **(7,640)** | (2,038) |
| Amounts due from associates | **8,109** | (4,671) |
| Amounts due from joint ventures | **(11,701)** | (35,438) |
| Contract liabilities | **(38,594)** | 434,497 |
| Trade payables | **221,215** | (166,540) |
| Deposits from customers | **5,434** | 5,367 |
| Other payables, accruals and provisions | **220,247** | (51,198) |
| Deferred income | **(40,183)** | 86,515 |
| Foreign currency translation of foreign operations | **(1,212)** | (4,139) |
| **Cash generated from operations** | **1,222,665** | 1,604,430 |
| Interest received | **4,048** | 6,393 |
| Income tax paid | **(112,441)** | (78,007) |
| **Net cash from operating activities** | **1,114,272** | 1,532,816 |

*The accompanying notes are an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

| Group | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **16,266** | 8,741 |
| Return of capital by joint venture | | **3,752** | – |
| Proceeds from disposal of joint venture | | **361** | – |
| Proceeds from sale of investments | | **1,836** | 984 |
| Purchase of property, plant and equipment | | **(312,039)** | (200,301) |
| Purchase of investments | | **(14,322)** | (7,272) |
| Additions to other intangible assets | | **(116,735)** | (86,832) |
| Dividends from associates and joint ventures | | **24,348** | 13,273 |
| Investments in associates and joint ventures | | **(9,884)** | (4,868) |
| Repayment of loans by joint ventures | | – | 569 |
| Loan to associates and joint ventures | | **(44,577)** | (19,461) |
| Acquisition of controlling interests in subsidiaries, net of cash acquired | | **7,333** | – |
| Disposal of subsidiaries, net of cash disposed | | **30,010** | – |
| **Net cash used in investing activities** | | **(413,651)** | (295,167) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from bank loans | | **132,027** | 370,131 |
| Proceeds from MTN issuance | | – | 1,058,400 |
| Proceeds from commercial papers | | **756,896** | 524,092 |
| Proceeds from other loans | | **10,933** | 19,565 |
| Proceeds from finance lease receivables | | **882** | 3,209 |
| Repayment of bank loans | | **(35,103)** | (743,080) |
| Repayment of commercial papers | | **(810,960)** | (1,570,209) |
| Repayment of other loans | | **(30,933)** | – |
| Repayment of lease liabilities | | **(73,456)** | (61,271) |
| Purchase of treasury shares | | **(32,894)** | (29,154) |
| Capital contribution from non-controlling interests of a subsidiary | | – | 13,260 |
| Acquisition of non-controlling interests in a subsidiary | | **(15,485)** | – |
| Dividends paid to shareholders of the Company | | **(467,891)** | (468,035) |
| Dividends paid to non-controlling interests | | **(16,554)** | (17,319) |
| Interest paid | | **(33,644)** | (58,338) |
| Deposits discharged/(pledged) | | **1,145** | (10) |
| **Net cash used in financing activities** | | **(615,037)** | (958,759) |
| | | | |
| **Net increase in cash and cash equivalents** | | **85,584** | 278,890 |
| Cash and cash equivalents at beginning of the year | | **729,479** | 452,095 |
| Effect of exchange rate changes on balances held in foreign currency | | **861** | (1,506) |
| **Cash and cash equivalents at end of the year** | C8 | **815,924** | 729,479 |

*The accompanying notes are an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## A. ABOUT THIS REPORT

### General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The principal activity of the Company is that of an investment holding company.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2021 and for the year then ended were authorised and approved by the Board of Directors for issuance on 24 February 2022.

### Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the financial statements are disclosed together with the related accounting balance or financial statement matters discussed.

Information is only being included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if:

- dollar amount is significant in value
- dollar amount is significant by nature
- financial results cannot be understood without specific disclosure
- critical to allow user to understand significant changes in group businesses

The financial statements are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand ($'000) unless otherwise indicated.

### Significant accounting policies

The accounting policies have been applied consistently by the Group entities to all periods presented in these financial statements unless otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

### Foreign currency

The major functional currencies of the Group entities are the Singapore dollar (SGD), the United States dollar (USD) and the Euro (EUR).

Transactions, assets and liabilities denominated in foreign currencies are translated into SGD at reporting date using the following applicable exchange rates:

| Foreign currency amount | Applicable exchange rate |
|---|---|
| Transactions | Date of transaction |
| Monetary assets and liabilities | Reporting date |
| Non-monetary assets and liabilities carried at fair value | Date fair value is determined |
| Non-monetary assets and liabilities carried at cost | Date of transaction |

Foreign exchange gains and losses resulting from translation of monetary assets and liabilities are recognised in the income statement, except for qualifying cash flow hedges, which are recognised in other comprehensive income (OCI).

On consolidation, the assets, liabilities, income and expenses of foreign operations are translated into SGD using the following applicable exchange rates:

| Foreign currency amount | Applicable exchange rate |
|---|---|
| Income and expenses | Average exchange rate |
| Assets and liabilities | Reporting date |
| Equity | Historical date |

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to profit or loss on disposal of the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B. BUSINESS PERFORMANCE

The highlights of the Group's financial performance during the financial year are:

- Revenue of $7.7 billion, up 7.5%
- Earnings before interest and tax of $673.6 million, up 13.0%
- Profit before taxation of $637.6 million, up 19.3%
- Profit attributable to shareholders of $570.5 million, up 9.3%
- Earnings per share of 18.30 cents per share, up 9.3%



### B1 Segment information

With effect from 1 January 2021, the Group is reorganised as Commercial and Defence & Public Security clusters, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

The Commercial cluster will drive the Group's international growth through areas in Commercial Aerospace, and Urban Solutions & Satcom domains, to be known as Global Business Areas (or GBAs), which are also reportable business segments.

The Defence & Public Security cluster will integrate capabilities to be organised as a single cluster which is a reportable business segment, comprising Defence Business Areas (or DBAs), namely Digital Systems and Cyber, Land Systems, Marine and Defence Aerospace.

Management reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The principal activities of the operating segments are outlined below:

| Segments | Principal activities |
|---|---|
| Commercial Aerospace | Airframe, engines and components maintenance, repair and overhaul, original equipment manufacturer for nacelles, composite floorboard and passenger-to-freighter conversions and aviation asset management. |
| Urban Solutions & Satcom | Smart mobility, smart utilities & infrastructure, urban environment solutions and satcom. |
| Defence & Public Security | Defence, public safety and security, critical information infrastructure solutions and others, including Group HQ functions. |

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table on the next page, is measured differently from operating profit or loss in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B1 Segment information (continued)

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

| 2021 | Commercial Aerospace $'000 | Urban Solutions & Satcom $'000 | Defence & Public Security $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 2,464,827 | 1,190,536 | 4,037,502 | – | 7,692,865 |
| Inter-segment sales | 60,126 | 63,266 | 41,381 | (164,773) | – |
| | 2,524,953 | 1,253,802 | 4,078,883 | (164,773) | 7,692,865 |
| Reportable segment profit from operations | 162,307 | 34,695 | 448,911 | – | 645,913 |
| Non-operating income/ (expenses), net | (582) | – | 12,324 | – | 11,742 |
| Share of results of associates and joint ventures, net of tax | 20,143 | (8,914) | 4,762 | – | 15,991 |
| Earnings before interest and tax | 181,868 | 25,781 | 465,997 | – | 673,646 |
| Finance income | | | | | 11,686 |
| Finance costs | | | | | (47,725) |
| Profit before taxation | | | | | 637,607 |
| Taxation | | | | | (70,636) |
| Non-controlling interests | | | | | 3,569 |
| Profit attributable to shareholders | | | | | 570,540 |
| Other assets | 3,746,315 | 2,342,589 | 5,792,972 | (2,872,586) | 9,009,290 |
| Associates and joint ventures | 303,443 | 53,388 | 126,066 | – | 482,897 |
| Segment assets | 4,049,758 | 2,395,977 | 5,919,038 | (2,872,586) | 9,492,187 |
| Deferred tax assets | | | | | 207,548 |
| Bank balances and other liquid funds | | | | | 815,924 |
| Total Assets | | | | | 10,515,659 |
| Segment liabilities | 1,634,740 | 943,732 | 4,616,915 | (1,799,032) | 5,396,355 |
| Provision for taxation | | | | | 161,208 |
| Deferred tax liabilities | | | | | 174,661 |
| Borrowings | | | | | 2,115,220 |
| Total Liabilities | | | | | 7,847,444 |
| Capital expenditure | 310,438 | 102,278 | 173,704 | (62,798) | 523,622 |
| Depreciation and amortisation | 176,665 | 80,680 | 143,016 | (2,271) | 398,090 |
| Impairment losses | 21,259 | – | 5,000 | – | 26,259 |
| Other non-cash expenses | 966 | 211 | 1,072 | – | 2,249 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B1 Segment information (continued)

### 2020 (restated)

| | Commercial Aerospace $'000 | Urban Solutions & Satcom $'000 | Defence & Public Security $'000 | Elimination $'000 | Group $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 2,332,453 | 1,101,128 | 3,724,705 | – | 7,158,286 |
| Inter-segment sales | 52,080 | 25,336 | 67,258 | (144,674) | – |
| | 2,384,533 | 1,126,464 | 3,791,963 | (144,674) | 7,158,286 |
| Reportable segment profit from operations | 47,406 | 38,844 | 483,754 | – | 570,004 |
| Non-operating income/(expenses), net | – | – | (4,043) | – | (4,043) |
| Share of results of associates and joint ventures, net of tax | 33,505 | (7,400) | 4,284 | – | 30,389 |
| Earnings before interest and tax | 80,911 | 31,444 | 483,995 | – | 596,350 |
| Finance income | | | | | 9,274 |
| Finance costs | | | | | (71,222) |
| Profit before taxation | | | | | 534,402 |
| Taxation | | | | | (8,779) |
| Non-controlling interests | | | | | (3,783) |
| Profit attributable to shareholders | | | | | 521,840 |
| Other assets | 3,455,508 | 2,220,670 | 5,676,487 | (2,737,674) | 8,614,991 |
| Associates and joint ventures | 283,864 | 62,024 | 123,024 | – | 468,912 |
| Segment assets | 3,739,372 | 2,282,694 | 5,799,511 | (2,737,674) | 9,083,903 |
| Deferred tax assets | | | | | 149,387 |
| Bank balances and other liquid funds | | | | | 730,624 |
| Total Assets | | | | | 9,963,914 |
| Segment liabilities | 1,365,902 | 905,482 | 4,472,085 | (1,731,462) | 5,012,007 |
| Provision for taxation | | | | | 163,703 |
| Deferred tax liabilities | | | | | 166,520 |
| Borrowings | | | | | 2,046,895 |
| Total Liabilities | | | | | 7,389,125 |
| Capital expenditure | 96,057 | 111,924 | 136,359 | (412) | 343,928 |
| Depreciation and amortisation | 164,968 | 79,417 | 141,094 | (6,848) | 378,631 |
| Impairment losses | 37,634 | 1,664 | 14,482 | – | 53,780 |
| Other non-cash expenses | 810 | 32 | 32 | – | 874 |

2020 business segment information have been restated following the re-organisation of the Group into Commercial and Defence & Public Security clusters with effect from 1 January 2021, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B1 Segment information (continued)

### Analysis by country of incorporation

Revenue is based on the country of incorporation regardless of where the goods are produced or services rendered. Non-current assets, excluding derivative financial instruments, post-employment benefits and deferred tax assets, are based on the location of those assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2021 $'000** | 2020 $'000 | **2021 $'000** | 2020 $'000 |
| Asia | **4,839,875** | 4,415,728 | **1,963,235** | 1,841,190 |
| U.S. | **2,126,761** | 2,088,678 | **1,620,948** | 1,629,426 |
| Europe | **684,778** | 587,031 | **1,263,520** | 1,239,616 |
| Others | **41,451** | 66,849 | **99,437** | 92,028 |
| | **7,692,865** | 7,158,286 | **4,947,140** | 4,802,260 |

For the year ended 31 December 2021:

- Within Europe, revenue of approximately $451,649,000 (2020: $371,184,000) were from subsidiaries located in Germany.
- Within Asia, most of the revenue was from subsidiaries located in Singapore.
- The remaining revenue from customers in Asia, Europe and Others was individually insignificant.

As at 31 December 2021:

- Within Europe, non-current assets of approximately $704,005,000 (2020: $736,042,000) were located in Germany.
- Within Asia, most of the non-current assets were from subsidiaries located in Singapore.
- The remaining non-current assets located in Asia, Europe and Others were individually insignificant.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B2 Revenue

### Disaggregation of revenue

In the following table, revenue is disaggregated by major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

| | Commercial Aerospace | | Urban Solutions & Satcom | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 (restated) | 2021 $'000 | 2020 $'000 (restated) |
| **Major products/services lines** | | | | |
| Sale of goods | **1,120,982** | 1,087,127 | **510,964** | 505,245 |
| Service income | **144,435** | 131,670 | **185,917** | 212,578 |
| Contract revenue | **1,259,536** | 1,165,736 | **556,921** | 408,641 |
| | **2,524,953** | 2,384,533 | **1,253,802** | 1,126,464 |
| **Timing of revenue recognition** | | | | |
| Transferred at a point in time | **1,429,910** | 1,255,690 | **771,518** | 742,708 |
| Transferred over time | **1,095,043** | 1,128,843 | **482,284** | 383,756 |
| | **2,524,953** | 2,384,533 | **1,253,802** | 1,126,464 |

| | Defence & Public Security | | Elimination | | Group | |
|---|---|---|---|---|---|---|
| | **2021 $'000** | 2020 $'000 (restated) | **2021 $'000** | 2020 $'000 (restated) | **2021 $'000** | 2020 $'000 |
| | **1,110,350** | 1,044,632 | **(52,778)** | (14,886) | **2,689,518** | 2,622,118 |
| | **1,422,140** | 1,288,551 | **(35,434)** | (32,723) | **1,717,058** | 1,600,076 |
| | **1,546,393** | 1,458,780 | **(76,561)** | (97,065) | **3,286,289** | 2,936,092 |
| | **4,078,883** | 3,791,963 | **(164,773)** | (144,674) | **7,692,865** | 7,158,286 |
| | **1,570,940** | 1,409,715 | **(107,126)** | (73,017) | **3,665,242** | 3,335,096 |
| | **2,507,943** | 2,382,248 | **(57,647)** | (71,657) | **4,027,623** | 3,823,190 |
| | **4,078,883** | 3,791,963 | **(164,773)** | (144,674) | **7,692,865** | 7,158,286 |

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Primary geographical markets** | | |
| Asia | **4,468,755** | 3,835,145 |
| U.S. | **1,532,475** | 1,704,798 |
| Europe | **1,215,704** | 1,202,009 |
| Others | **475,931** | 416,334 |
| | **7,692,865** | 7,158,286 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B2 **Revenue** (continued)

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in contracts with customers. The Group recognises revenue when it transfers control over a good or service to the customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

(a) Revenue from sale of goods

Revenue is recognised when goods are delivered to the customer and the criteria for acceptance have been satisfied. Where applicable, a portion of the contract consideration is received in advance from the customers and the remaining consideration is received after delivery.

(b) Revenue from services rendered

Revenue from services rendered are recognised as performance obligations are satisfied. Payments are due from customers based on the agreed billing milestones stipulated in the contracts or based on the amounts certified by the customers.

Where performance obligations are satisfied over time as work progresses, revenue is recognised progressively based on the percentage of completion method. The stage of completion is assessed by reference to assessment of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they relate to future performance obligations.

If the value of services rendered for the contract exceeds payments received from the customer, a contract asset is recognised and presented separately on the statement of financial position. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the statement of financial position.

(c) Revenue from long-term contracts

The Group builds specialised assets customised to customers' order for which the Group does not have an alternative use. These contracts can span several years.

(i) Contracts with enforceable right to payment

The Group has determined that for contracts where the Group has an enforceable right to payment, the customer controls all of the work-in-progress. This is because under those contracts, the assets are at the customer's specification and the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin when the contract is terminated by the customer. Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones.

## B2 Revenue (continued)

**Revenue from contracts with customers** (continued)

(c) Revenue from long-term contracts (continued)

(i) Contracts with enforceable right to payment (continued)

Revenue is recognised over time. The stage of completion is typically assessed by reference to either surveys of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer.

(ii) Contracts without enforceable right to payment

For contracts where the Group does not have an enforceable right to payment, customers do not take control of the specialised asset until they are completed. At the inception of the contract, the customers usually make an advance payment that is not refundable if the contract is cancelled. The advance payment is presented as a contract liability. The rest of the consideration is only billed upon acceptance by the customer.

Revenue is recognised at a point in time when the assets are completed and have been accepted by customers.

When the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would be reflected separately as a financing income from contract inception.

For contracts with variable consideration (i.e. liquidated damages, bonus and penalty adjustments), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur. Therefore, the amount of revenue recognised is adjusted for possibility of delays to the projects and ability to meet key performance indicators stipulated in the contract. The Group reviews the progress of the projects at each reporting date and updates the transaction price accordingly.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as a continuation of the original contract and recognises a cumulative adjustment to revenue at the date of modification.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B2 Revenue (continued)

**Key estimates and judgement: Revenue recognition**

Judgement is applied in determining:

- whether performance obligations are distinct.

  Requires an assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and if the promise is separately identifiable from other promises in the contract.

- the transaction price for contracts with variable consideration (e.g. bonus, liquidated damages, penalties, etc).

  Requires an evaluation of potential risk and factors which may affect completion or delivery of the contract, in accordance with contract obligations.

- estimated cost to complete.

  For revenue recognised over time, the percentage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated costs for each contract. In making the estimates, management relies on the expertise of its project team and past experience of completed projects. The estimated total costs are reviewed regularly and adjusted where necessary, with the corresponding effect of the change being recognised prospectively from the date of change.

## B3 Profit from operations

Profit from operations are arrived after charging the following items (excluding those disclosed in the other notes to the financial statements):

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **After charging/(crediting)** | | |
| Auditors' remuneration | | |
| - auditors of the Company | **2,418** | 2,322 |
| - other auditors # | **1,863** | 1,833 |
| Non-audit fees | | |
| - auditors of the Company | **75** | 143 |
| - other auditors # | **132** | 17 |
| Fees paid to a firm of which a director is a member | **1,119** | 1,890 |
| Research, design and development expenses * | **92,826** | 103,558 |
| Allowance for inventory obsolescence | **45,861** | 40,001 |
| Short-term lease expense | **10,712** | 14,618 |
| Low-value assets lease expense | **2,320** | 2,118 |
| Property, plant and equipment written off | **2,249** | 874 |
| Fair value changes of investment in associates | **(11,154)** | 5,285 |

# Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL)
* Amount before offset by government grants of $6,886,000 (2020: $27,644,000)

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B3 Profit from operations (continued)

### Recognition and measurement

Government grants are recognised as a receivable at fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Grants relating to expenses are deducted in reporting the related expenses.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

## B4 Non-operating income/(expenses), net

| Group | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| Gain on disposal of subsidiaries | | **13,021** | – |
| Loss on disposal of a subsidiary | | **(1,279)** | (43) |
| Impairment of an associate | F4 | **–** | (4,000) |
| | | **11,742** | (4,043) |

### Recognition and measurement

The assets and liabilities of the subsidiary, including any goodwill are derecognised when a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B5 Earnings per share

### Basic earnings per share

The weighted average number of ordinary shares used in the calculation of earnings per share is arrived at as follows:

| Company | 2021 '000 | 2020 '000 |
|---|---|---|
| Number of shares | | |
| Issued ordinary shares at beginning of the year | **3,115,531** | 3,115,741 |
| Effect of performance shares and restricted shares released | **4,916** | 5,981 |
| Effect of treasury shares held | **(3,495)** | (4,481) |
| Weighted average number of ordinary shares issued during the year | **3,116,952** | 3,117,241 |

### Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares from performance share plans and restricted share plans (2020: two categories of dilutive potential ordinary shares from performance share plans and restricted share plans).

The weighted average number of ordinary shares adjusted for the dilutive potential shares is as follows:

| Company | 2021 '000 | 2020 '000 |
|---|---|---|
| Number of shares | | |
| Weighted average number of ordinary shares (used in the calculation of basic earnings per share) | **3,116,952** | 3,117,241 |
| Adjustment for dilutive potential ordinary shares | **18,464** | 18,808 |
| Weighted average number of ordinary shares (diluted) during the year | **3,135,416** | 3,136,049 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B6 Taxation

### (i) Tax expenses

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Current income tax | | |
| Current year | **132,116** | 81,354 |
| Overprovision in respect of prior years | **(10,663)** | (24,061) |
| | **121,453** | 57,293 |
| Deferred income tax | | |
| Current year | **(50,927)** | (59,825) |
| Underprovision in respect of prior years | **1,368** | 14,501 |
| Effect of change in tax rates | **(1,258)** | (3,190) |
| | **(50,817)** | (48,514) |
| | **70,636** | 8,779 |

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Profit before taxation | **637,607** | 534,402 |
| Taxation at Singapore statutory tax rate of 17% (2020: 17%) | **108,393** | 90,848 |
| Adjustments: | | |
| Income not subject to tax | **(23,816)** | (48,302) |
| Expenses not deductible for tax purposes | **13,099** | 11,459 |
| Different tax rates of other countries | **(8,759)** | (239) |
| Overprovision in respect of prior years | **(9,295)** | (9,560) |
| Effect of change in tax rates | **(1,258)** | (3,190) |
| Effect of results of associates and joint ventures presented net of tax | **(2,718)** | (5,166) |
| Tax incentives | **(6,553)** | (776) |
| Deferred tax assets not recognised | **6,516** | 6,753 |
| Deferred tax assets previously not recognised now utilised | **(4,663)** | (33,334) |
| Others | **(310)** | 286 |
| | **70,636** | 8,779 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B6 Taxation (continued)

### (ii) Deferred tax assets and liabilities

#### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| Group | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2021 $'000** | 2020 $'000 | **2021 $'000** | 2020 $'000 |
| Property, plant and equipment | **(1,412)** | (1,741) | **145,981** | 129,803 |
| Intangible assets | **(4,967)** | (6,720) | **146,039** | 212,667 |
| Allowance for doubtful debts | **(1,640)** | (1,702) | **–** | – |
| Allowance for inventory obsolescence | **(36,193)** | (27,751) | **–** | – |
| Provisions and accruals | **(147,134)** | (173,179) | **8,935** | 2,701 |
| Lease liabilities | **(3,990)** | (3,089) | **4,583** | 4,201 |
| Unabsorbed capital allowances and unutilised tax losses | **(99,358)** | (118,445) | **1,115** | 22,821 |
| Fair value of derivative financial instruments designated as cash flow hedges | **(10,946)** | (6,946) | **2,493** | 11,384 |
| Fair value of defined benefit plans | **(58,779)** | (49,390) | **–** | – |
| Other items | **(819)** | (8,621) | **23,205** | 31,140 |
| Deferred tax (assets)/liabilities | **(365,238)** | (397,584) | **332,351** | 414,717 |
| Set off of tax | **157,690** | 248,197 | **(157,690)** | (248,197) |
| Net deferred tax (assets)/liabilities | **(207,548)** | (149,387) | **174,661** | 166,520 |

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers the asset and liability collectively and accounts for the deferred taxation on a net basis.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B6 Taxation (continued)

### (ii) Deferred tax assets and liabilities (continued)

#### (b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Tax losses | **410,716** | 505,322 |
| Deductible temporary differences | **4,110** | 37,537 |
| Unabsorbed wear and tear allowance and investment allowance | **92** | 5,286 |
| | **414,918** | 548,145 |

The Group has the above unrecognised deferred tax assets which have no expiry date except for the amount of $95,771,000 which will expire from 2022 to 2040. The unrecognised deferred tax assets can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

#### (c) Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2021, a deferred tax liability of $141,355,000 (2020: $126,397,000) for temporary difference of $506,111,000 (2020: $521,403,000) related to undistributed earnings of certain subsidiaries was not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but will be retained for organic growth and acquisitions.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B6 Taxation (continued)

### (ii) Deferred tax assets and liabilities (continued)

#### (d) Movement in deferred tax balances during the year

| Group | As at 1 January 2020 $'000 | Recognised in profit or loss $'000 | Recognised in other comprehensive income $'000 | Utilisation of tax losses $'000 | Exchange difference $'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | 93,515 | 35,563 | – | 787 | (1,803) |
| Intangible assets | 176,880 | 31,330 | – | 415 | (2,678) |
| Allowance for doubtful debts | (1,987) | 235 | – | 19 | 31 |
| Allowance for inventory obsolescence | (26,869) | (871) | – | (389) | 378 |
| Provisions and accruals | (127,338) | (44,057) | – | 1,824 | (907) |
| Lease liabilities | (751) | 2,041 | – | (79) | (99) |
| Unabsorbed capital allowances and unutilised tax losses | (36,813) | (65,811) | – | (1,865) | 8,867 |
| Fair value of derivative financial instruments designated as cash flow hedges | (9,953) | (107) | 14,901 | 8 | (411) |
| Fair value of defined benefit plans | (27,013) | (4,261) | (16,125) | – | (1,991) |
| Other items | 23,466 | (2,576) | – | 1,698 | (71) |
| | 63,137 | (48,514) | (1,224) | 2,418 | 1,316 |

| As at 31 December 2020 $'000 | Recognised in profit or loss $'000 | Recognised in other comprehensive income $'000 | Acquisition/ deconsolidation of subsidiaries $'000 | Utilisation of tax losses $'000 | Exchange difference $'000 | As at 31 December 2021 $'000 |
|---|---|---|---|---|---|---|
| 128,062 | 15,085 | – | (29) | – | 1,451 | 144,569 |
| 205,947 | (65,942) | – | (851) | – | 1,918 | 141,072 |
| (1,702) | 94 | – | 9 | – | (41) | (1,640) |
| (27,751) | (8,503) | – | 506 | – | (445) | (36,193) |
| (170,478) | 33,885 | – | 17 | – | (1,623) | (138,199) |
| 1,112 | (585) | – | – | – | 66 | 593 |
| (95,622) | (6,128) | – | (695) | 4,626 | (424) | (98,243) |
| 4,438 | 121 | (12,367) | – | – | (645) | (8,453) |
| (49,390) | (18,633) | 7,512 | – | – | 1,732 | (58,779) |
| 22,517 | (211) | – | – | – | 80 | 22,386 |
| 17,133 | (50,817) | (4,855) | (1,043) | 4,626 | 2,069 | (32,887) |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## B6 Taxation (continued)

### Recognition and measurement

#### Current tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities, using tax rates and tax laws that are enacted or substantively enacted by the reporting date.

#### Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither accounting nor taxable profit or loss; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists and they relate to taxes levied by the same tax authority on the same taxable entity.

Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

#### Estimates and judgement: Income taxes

The Group is subject to income taxes in Singapore and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the statement of financial position. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

#### Estimates and judgement: Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement and estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C. OPERATING ASSETS AND LIABILITIES

This section provides information relating to the operating assets and liabilities of the Group.

The Group maintains a strong financial position and credit rating to support the Group's strategy to maximise returns to the shareholders through efficient use of capital, taking into consideration the Group's expenditures, growth and investment requirements.

| | | | |
|---|---|---|---|
| **C1** | Property, plant and equipment | **C9** | Trade payables and accruals |
| **C2** | Right-of-use assets | **C10** | Amounts due to related parties |
| **C3** | Intangible assets | **C11** | Provisions |
| **C4** | Amounts due from related parties | **C12** | Deferred income |
| **C5** | Inventories | **C13** | Contract balances |
| **C6** | Trade receivables | **C14** | Financial risk management objectives and policies |
| **C7** | Advances and other receivables | **C15** | Classification and fair value of financial instruments |
| **C8** | Bank balances and other liquid funds | **C16** | Derivative financial instruments |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment

| Group | Freehold land, buildings and improvements $'000 | Wharves, floating docks and boats $'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2021 | 1,485,202 | 143,688 |
| Additions | 29,048 | 1,215 |
| Disposals/write-off | (3,751) | – |
| Acquisition of subsidiaries | 41 | – |
| Disposal of subsidiaries | (117) | – |
| Reclassifications | 6,412 | – |
| Translation difference | 1,144 | 873 |
| At 31 December 2021 | 1,517,979 | 145,776 |
| **Accumulated depreciation and impairment** | | |
| At 1 January 2021 | 784,755 | 120,146 |
| Depreciation charge/impairment losses | 62,277 | 3,036 |
| Disposals/write-off | (3,122) | – |
| Disposal of subsidiaries | (117) | – |
| Reclassifications | (179) | – |
| Translation difference | 2,882 | 445 |
| At 31 December 2021 | 846,496 | 123,627 |
| **Net book value** | | |
| At 31 December 2021 | 671,483 | 22,149 |

* Others comprise transportation equipment, vehicles and satellites

During the year, the Group performed an impairment assessment and recognised an impairment loss of $19,490,000 on certain plant and machinery due to a decline in recoverable amount of a subsidiary. The recoverable amounts of these plant and equipment were determined based on the fair market value of the plant and equipment, net of selling costs.

| Plant and machinery $'000 | Production tools and equipment $'000 | Furniture, fittings, office equipment and others* $'000 | Aircraft and aircraft engines $'000 | Construction -in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| 1,212,387 | 424,803 | 444,602 | 308,622 | 72,180 | 4,091,484 |
| 47,351 | 22,623 | 43,075 | 111,557 | 65,190 | 320,059 |
| (31,886) | (7,099) | (28,627) | – | (4,720) | (76,083) |
| 17 | – | 35 | 21,051 | – | 21,144 |
| (162) | (339) | (76) | (19,058) | (17) | (19,769) |
| 9,338 | (9,407) | 7,240 | (2,936) | (24,442) | (13,795) |
| 5,613 | (397) | 2,542 | 3,910 | 300 | 13,985 |
| 1,242,658 | 430,184 | 468,791 | 423,146 | 108,491 | 4,337,025 |
| | | | | | |
| 684,929 | 297,400 | 332,051 | 115,242 | 17 | 2,334,540 |
| 110,994 | 26,153 | 41,756 | 16,865 | – | 261,081 |
| (24,209) | (6,644) | (26,120) | – | – | (60,095) |
| (162) | (308) | (78) | (149) | (17) | (831) |
| 5,228 | (6,675) | (7) | (1,846) | – | (3,479) |
| 5,461 | 520 | 2,104 | 586 | – | 11,998 |
| 782,241 | 310,446 | 349,706 | 130,698 | – | 2,543,214 |
| | | | | | |
| 460,417 | 119,738 | 119,085 | 292,448 | 108,491 | 1,793,811 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment (continued)

| Group | Freehold land, buildings and improvements $'000 | Wharves, floating docks and boats $'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2020 | 1,401,852 | 144,321 |
| Additions | 29,307 | 198 |
| Disposals/write-off | (5,520) | (491) |
| Reclassifications | 53,881 | 428 |
| Translation difference | 5,682 | (768) |
| At 31 December 2020 | 1,485,202 | 143,688 |
| **Accumulated depreciation and impairment** | | |
| At 1 January 2020 | 734,560 | 118,088 |
| Depreciation charge/impairment losses | 57,603 | 2,978 |
| Disposals/write-off | (5,406) | (491) |
| Reclassifications | 1 | – |
| Translation difference | (2,003) | (429) |
| At 31 December 2020 | 784,755 | 120,146 |
| **Net book value** | | |
| At 31 December 2020 | 700,447 | 23,542 |

In the prior year, the Group recognised impairment losses of $1,617,000, which mainly relate to:

- impairment losses of $1,203,000 resulting from an assessment of the recoverable amount of a flight simulator, based on the fair value less cost to sell. The fair value is measured based on the amount to sell the flight simulator at market price.

- Due to continued losses of a subsidiary, the Group performed an impairment assessment and recognised an impairment loss of $414,000 on certain plant and equipment. The recoverable amounts of these plant and equipment were determined based on the fair market value of the plant and equipment, net of selling costs.

| Plant and machinery $'000 | Production tools and equipment $'000 | Furniture, fittings, office equipment and others $'000 | Aircraft and aircraft engines $'000 | Construction -in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| 1,159,924 | 413,085 | 413,490 | 332,800 | 124,513 | 3,989,985 |
| 34,290 | 21,972 | 40,793 | 12,509 | 57,018 | 196,087 |
| (24,236) | (15,306) | (18,413) | – | (1,142) | (65,108) |
| 43,125 | 2,741 | 9,434 | (33,109) | (109,420) | (32,920) |
| (716) | 2,311 | (702) | (3,578) | 1,211 | 3,440 |
| 1,212,387 | 424,803 | 444,602 | 308,622 | 72,180 | 4,091,484 |
| | | | | | |
| 622,516 | 284,802 | 311,732 | 113,253 | – | 2,184,951 |
| 82,905 | 26,226 | 39,997 | 17,784 | 17 | 227,510 |
| (16,132) | (15,338) | (18,142) | – | – | (55,509) |
| 31 | (182) | (288) | (14,835) | – | (15,273) |
| (4,391) | 1,892 | (1,248) | (960) | – | (7,139) |
| 684,929 | 297,400 | 332,051 | 115,242 | 17 | 2,334,540 |
| | | | | | |
| 527,458 | 127,403 | 112,551 | 193,380 | 72,163 | 1,756,944 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment (continued)

Reclassifications due to changes in the use of assets:

(a) Property, plant and equipment with net book value amounting to $17,843,000 (2020: $19,848,000) were reclassified to inventories;

(b) Property, plant and equipment with net book value amounting to $5,773,000 (2020: nil) were reclassified to finance lease receivables;

(c) Inventories of $13,300,000 (2020: $4,418,000) were reclassified to property, plant and equipment;

(d) In 2020, Asset under construction with net book value of $2,217,000 were reclassified to intangibles on completion.

### Operating lease

Included in the tables below are property, plant and equipment that the Group leases out, comprising aircraft and aircraft engines, furniture, fittings, office equipment and others. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Movements in these assets that are subject to operating leases are presented below.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment (continued)

| Group | Furniture, fittings, office equipment and others $'000 | Aircraft and aircraft engines $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 1,466 | 133,995 | 135,461 |
| Additions | – | 111,534 | 111,534 |
| Disposals/write-off | (46) | – | (46) |
| Acquisition of subsidiaries | – | 21,051 | 21,051 |
| Disposal of subsidiaries | – | (19,079) | (19,079) |
| Reclassifications | 116 | 26,161 | 26,277 |
| Translation difference | 33 | 3,383 | 3,416 |
| At 31 December 2021 | 1,569 | 277,045 | 278,614 |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | 653 | 13,087 | 13,740 |
| Depreciation charge for the year | 194 | 9,404 | 9,598 |
| Disposals/write-off | (27) | – | (27) |
| Disposal of subsidiaries | – | (170) | (170) |
| Reclassifications | – | 11,300 | 11,300 |
| Translation difference | 15 | 341 | 356 |
| At 31 December 2021 | 835 | 33,962 | 34,797 |
| **Net book value** | | | |
| At 31 December 2021 | 734 | 243,083 | 243,817 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment (continued)

| Group | Furniture, fittings, office equipment and others $'000 | Aircraft and aircraft engines $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 1,377 | 136,621 | 137,998 |
| Reclassifications | 115 | – | 115 |
| Translation difference | (26) | (2,626) | (2,652) |
| At 31 December 2020 | 1,466 | 133,995 | 135,461 |
| **Accumulated depreciation** | | | |
| At 1 January 2020 | 472 | 5,745 | 6,217 |
| Depreciation charge for the year | 213 | 7,763 | 7,976 |
| Reclassifications | (15) | – | (15) |
| Translation difference | (17) | (421) | (438) |
| At 31 December 2020 | 653 | 13,087 | 13,740 |
| **Net book value** | | | |
| At 31 December 2020 | 813 | 120,908 | 121,721 |

### (a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $56,290,000 (2020: $87,635,000) are pledged as security for bank loans.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment (continued)

### (b) Major properties

Major land and buildings and improvements to premises are:

| Location | Description | Tenure | Land area (sq. m.) | Net book value 2021 $'000 | Net book value 2020 $'000 |
|---|---|---|---|---|---|
| **Singapore** | | | | | |
| 1 Ang Mo Kio Electronics Park Road | Industrial and commercial buildings | 30 years from 1.11.2011 | 20,000 | **35,320** | 41,056 |
| 3 Ang Mo Kio Electronics Park Road | Industrial and commercial buildings | 30 years from 1.12.2015 | 30,000 | **36,366** | 37,976 |
| 100 Jurong East Street 21 | Industrial and commercial buildings | 30 years from 1.11.2018 | 11,232 | **49,096** | 49,760 |
| 249 Jalan Boon Lay | Industrial and commercial buildings | 27 years from 1.10.2001 to 31.12.2028 renewable to 10.10.2065 | 208,261 | **84,713** | 79,044 |
| **People's Republic of China** | | | | | |
| No 2, Huayu Road, Huli District, Xiamen 361006, Fujian | Factory building | 50 years from 20.11.2008 | 38,618 | **42,199** | 41,446 |
| **Germany** | | | | | |
| Grenzstr. 1, Dresden | Hangar and office building | Freehold | 160,193 | **86,530** | 94,298 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C1 Property, plant and equipment (continued)

For this purpose, freehold land, buildings and improvements to premises are considered major properties if the net book value of these assets represent 5% or more of the Group's aggregated net book value in these categories.

### Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises expenditure that is:

- directly attributable to the acquisition of the asset;
- subsequent costs incurred to replace parts that are eligible for capitalisation; and/or
- transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

### Disposals

Gains or losses on disposal of property, plant and equipment are included in profit or loss.

### Depreciation

Depreciation of property, plant and equipment is recognised in profit or loss on a straight-line basis over their useful lives, except for freehold land which are not depreciated. The estimated useful lives are as follows:

| Item# | | Useful life |
|---|---|---|
| Buildings and improvements | – | 2 to 50 years ^ |
| Wharves, floating docks and boats | – | 10 to 23 years |
| Plant and machinery | – | 2 to 20 years |
| Production tools and equipment | – | 2 to 20 years |
| Furniture, fittings, office equipment and others | – | 2 to 12 years |
| Aircraft and aircraft engines | – | 2 to 30 years |

# Property, plant and equipment purchased specifically for projects are depreciated over the useful life or the duration of the project, whichever is shorter.

^ Refer to Note C1(b) Major Properties for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

### Impairment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

### Estimates and judgement: Depreciation charge

Management estimates the useful lives based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C2 Right-of-use assets

The Group leases many assets including land, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

| Group | Leasehold land $'000 | Wharves, floating docks and boats $'000 | Plant and machinery $'000 | Production tools and equipment $'000 | Furniture, fittings, office equipment and others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | **524,395** | **1,248** | **1,300** | **429** | **11,437** | **538,809** |
| Additions | **80,342** | **–** | **60** | **218** | **6,208** | **86,828** |
| Disposal of subsidiaries | **(190)** | **–** | **–** | **–** | **–** | **(190)** |
| Modifications of lease | **12,614** | **–** | **–** | **–** | **79** | **12,693** |
| Lease termination | **(6,394)** | **–** | **(130)** | **(35)** | **(634)** | **(7,193)** |
| Depreciation charge/ impairment losses | **(64,155)** | **(651)** | **(381)** | **(288)** | **(7,131)** | **(72,606)** |
| Translation difference | **184** | **–** | **24** | **3** | **7** | **218** |
| At 31 December 2021 | **546,796** | **597** | **873** | **327** | **9,966** | **558,559** |

| Group | Leasehold land $'000 | Wharves, floating docks and boats $'000 | Plant and machinery $'000 | Production tools and equipment $'000 | Furniture, fittings, office equipment and others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| At 1 January 2020 | 469,596 | 595 | 917 | 274 | 12,593 | 483,975 |
| Additions | 52,584 | 1,302 | 813 | 504 | 5,806 | 61,009 |
| Modifications of lease | 67,161 | – | – | (57) | 100 | 67,204 |
| Lease termination | (32) | – | – | – | (46) | (78) |
| Depreciation charge/ impairment losses | (65,714) | (649) | (428) | (298) | (7,258) | (74,347) |
| Translation difference | 800 | – | (2) | 6 | 242 | 1,046 |
| At 31 December 2020 | 524,395 | 1,248 | 1,300 | 429 | 11,437 | 538,809 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C3 Intangible assets

**Group**

| | Goodwill $'000 | Dealer network $'000 | Development expenditure $'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 842,502 | 181,689 | 631,010 |
| Additions | – | – | 84,898 |
| Disposal of subsidiaries | (10,431) | (3,013) | (114) |
| Write-off | – | – | – |
| Reclassification | – | – | – |
| Translation difference | 15,584 | (9,231) | 2,793 |
| At 31 December 2021 | 847,655 | 169,445 | 718,587 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January 2021 | 56,123 | 53,335 | 159,698 |
| Amortisation for the year * | – | 6,989 | 38,607 |
| Impairment losses + | 5,000 | – | 1,769 |
| Disposal of subsidiaries | (10,431) | (2,962) | (104) |
| Write-off | – | – | – |
| Reclassification | – | – | – |
| Translation difference | 287 | (1,403) | 2,078 |
| At 31 December 2021 | 50,979 | 55,959 | 202,048 |
| **Net book value** | | | |
| At 31 December 2021 | 796,676 | 113,486 | 516,539 |

| Commercial and intellectual property rights $'000 | Brands $'000 | Licenses $'000 | Technology agreement $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|
| | | | | | |
| 595,677 | 79,335 | 64,407 | 33,370 | 34,412 | 2,462,402 |
| 1,440 | – | – | – | 30,397 | 116,735 |
| (164) | (523) | (4,972) | – | (742) | (19,959) |
| – | – | – | – | – | – |
| 10,193 | – | (9,673) | – | – | 520 |
| 12,714 | 1,585 | (3) | 742 | – | 24,184 |
| 619,860 | 80,397 | 49,759 | 34,112 | 64,067 | 2,583,882 |
| | | | | | |
| 125,752 | 17,909 | 49,253 | 19,853 | 34,341 | 516,264 |
| 33,829 | 1,183 | 334 | 2,576 | 375 | 83,893 |
| – | – | – | – | – | 6,769 |
| (155) | (523) | (4,778) | – | (742) | (19,695) |
| – | – | – | – | – | – |
| 2,159 | – | (1,639) | – | – | 520 |
| 1,669 | 268 | 36 | 456 | 2 | 3,393 |
| 163,254 | 18,837 | 43,206 | 22,885 | 33,976 | 591,144 |
| | | | | | |
| 456,606 | 61,560 | 6,553 | 11,227 | 30,091 | 1,992,738 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C3 Intangible assets (continued)

**Group**

| | Goodwill $'000 | Dealer network $'000 | Development expenditure $'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2020 | 856,897 | 170,693 | 547,192 |
| Additions | – | – | 83,704 |
| Disposal of subsidiaries | – | – | – |
| Write-off | – | – | (2,413) |
| Reclassification | – | – | (15,902) |
| Translation difference | (14,395) | 10,996 | 18,429 |
| At 31 December 2020 | 842,502 | 181,689 | 631,010 |
| **Accumulated amortisation and impairment losses** | | | |
| At 1 January 2020 | 42,886 | 43,390 | 137,617 |
| Amortisation for the year * | – | 7,617 | 30,125 |
| Impairment losses + | 14,431 | 556 | 11,021 |
| Disposal of subsidiaries | – | – | – |
| Write-off | – | – | (2,413) |
| Reclassification | – | – | (14,529) |
| Translation difference | (1,194) | 1,772 | (2,123) |
| At 31 December 2020 | 56,123 | 53,335 | 159,698 |
| **Net book value** | | | |
| At 31 December 2020 | 786,379 | 128,354 | 471,312 |

* Amortisation charge of $83,893,000 (2020: $81,011,000) is recognised in the income statement as part of:
- Other operating expenses of $40,624,000 (2020: $45,155,000); and
- Cost of sales of $43,269,000 (2020: $35,856,000)

\+ During the year, an impairment loss on goodwill of $5,000,000 (2020: $14,431,000) was recognised in other operating expenses in the income statement as the recoverable amount of a CGU (2020: two CGUs) was determined to be lower than the carrying amount. The recoverable amount was determined based on the value-in-use method.

During the year, impairment losses of $1,769,000 were recognised in cost of sales in the income statement on certain development expenditure assessed by the Group to be impaired as these intangible assets were not expected to be generating future economic benefits. In the prior year, the Group assessed that certain development expenditure, licenses and commercial and intellectual property rights associated with servicing of certain type of commercial airplane were impaired as these intangible assets were not expected to be generating future economic benefits and impairment losses of $29,374,000 were recognised in cost of sales and $1,961,000 were recognised in other operating expenses in the income statement.

| Commercial and intellectual property rights $'000 | Brands $'000 | Licenses $'000 | Technology agreement $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|
| | | | | | |
| 605,211 | 80,680 | 63,443 | 34,023 | 34,412 | 2,392,551 |
| 2,262 | – | 866 | – | – | 86,832 |
| (672) | – | – | – | – | (672) |
| – | – | – | – | – | (2,413) |
| 589 | – | 81 | – | – | (15,232) |
| (11,713) | (1,345) | 17 | (653) | – | 1,336 |
| 595,677 | 79,335 | 64,407 | 33,370 | 34,412 | 2,462,402 |
| | | | | | |
| 92,924 | 16,921 | 27,584 | 17,659 | 33,355 | 412,336 |
| 36,427 | 1,210 | 2,007 | 2,639 | 986 | 81,011 |
| 111 | – | 19,647 | – | – | 45,766 |
| (672) | – | – | – | – | (672) |
| – | – | – | – | – | (2,413) |
| – | – | – | – | – | (14,529) |
| (3,038) | (222) | 15 | (445) | – | (5,235) |
| 125,752 | 17,909 | 49,253 | 19,853 | 34,341 | 516,264 |
| | | | | | |
| 469,925 | 61,426 | 15,154 | 13,517 | 71 | 1,946,138 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C3 Intangible assets (continued)

### Recognition and measurement

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

| Class of intangible assets | Background | Valuation method | Useful lives |
|---|---|---|---|
| Dealer network | Includes customer relationships and networks acquired | **Initial recognition:**<br><br>Separately acquired intangible assets are recognised at cost.<br><br>Intangible assets arising from business combinations are recognised at fair value at the date of acquisition.<br><br>**Subsequent measurement:**<br><br>Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses following initial recognition.<br><br>Amortisation is calculated on a straight-line basis over the estimated useful lives. | 5 to 25 years |
| Commercial and intellectual property rights | Relates to intellectual property | | 2 to 20 years |
| Brands | Includes LeeBoy™ and Rosco brands of road construction equipment | | 20 to 70 years |
| Licenses | Relates to licenses to<br>- conduct commercial aviation activities<br>- purchase and lease Boeing parts<br>- develop MRO capabilities for specific aircraft types | | 7 to 30 years |
| Technology agreement | Relates to the intellectual property required to operate the EcoPower Engine Wash business | | 13 years |
| Authorised repair centre agreements | Relates to the sole appointed authorised service centre for repair and overhaul of landing gear | | 5 years |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C3 Intangible assets (continued)

**Recognition and measurement** (continued)

(ii) Other intangible assets (continued)

| Class of intangible assets | Background | Valuation method | Useful lives |
|---|---|---|---|
| Development expenditure | Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical and commercial feasibility of development. The capitalised costs are directly attributable to activities preparing the asset for its intended use, and capitalised borrowing costs. In any other circumstances, development costs are recognised in profit or loss as incurred.<br><br>Included in development cost are costs related to development and assembly of aircraft seats, A330-200 PTF and A330-300 PTF, A350 PTF and A320/A321 PTF. | (i) Initially recognised at cost<br><br>(ii) Subsequently, carried at cost less any accumulated amortisation and accumulated impairment losses | A330-200 PTF and A330-300 PTF: 41 years<br><br>A320/A321 PTF: 41 years<br><br>A350 PTF: 8 years<br><br>Others: 3 to 10 years |

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

**Impairment review**

The Group tests intangible assets for impairment to ensure they are not carried at above their recoverable amounts annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

The recoverable amount is the higher of an asset or a CGU's fair value less costs to sell and value-in-use. The value-in-use calculations are based on discounted cash flows expected to arise from the asset.

**Reversal of impairment**

Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C3 Intangible assets (continued)

**Key estimates and judgement: Recognition and measurement of intangible assets**

Key assumptions used in estimating the recoverable amount, useful life of an intangible asset (reassessed at each reporting date) requires management's judgement.

Aggregate carrying amounts of goodwill allocated to each CGU within the business segments and the key assumptions used in determining the recoverable amount of each CGU are as follows:

| Group | | | Pre-tax discount rate | | Terminal growth rate | |
|---|---|---|---|---|---|---|
| | **2021 $'000** | 2020 $'000 (Restated) | **2021 %** | 2020 % (Restated) | **2021 %** | 2020 % (Restated) |
| Commercial Aerospace | | | | | | . |
| Aerostructures & Systems | **61,395** | 62,050 | **7.0 – 8.8** | 9.0 – 9.4 | **1.0 – 1.6** | 1.6 |
| Aerospace MRO | **16,995** | 16,669 | **9.1** | 9.0 | **1.5** | 1.5 |
| Urban Solutions & Satcom | | | | | | |
| Smart Utilities & Infrastructure | **75,195** | 73,429 | **10.4** | 8.9 | **3.0** | 3.0 |
| Satcom | **434,355** | 424,908 | **8.9** | 8.7 | **3.0** | 3.0 |
| Defence & Public Security | | | | | | |
| Specialty Vehicles | **108,269** | 110,718 | **10.7 – 15.5** | 10.5 – 15.2 | **2.3** | 2.3 |
| Robotics & Autonomous Systems | **35,370** | 34,601 | **10.6 – 11.4** | 10.3 | **2.5** | 2.3 |
| Mission Software & Services | **12,320** | 12,320 | **7.5** | 7.0 | **2.0** | 2.0 |
| Training & Simulation Systems | **15,382** | 15,048 | **13.5** | 11.4 | **3.0** | 3.0 |
| Advanced Networks & Sensors | **36,619** | 35,860 | **9.7** | 9.5 | **3.0** | 3.0 |
| Defence Aerospace | **776** | 776 | **NA** | NA | **NA** | NA |
| | **796,676** | 786,379 | | | | |

* With effect from 1 January 2021, following the re-organisation of the Group into Commercial and Defence & Public Security clusters, the comparatives were restated in conformance with current year classification.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C3 Intangible assets (continued)

### Recognition and measurement

The recoverable amounts of the CGUs are determined based on value-in-use calculations, using cash flow projections derived from the financial budgets approved by management for the next five to ten years. The key assumptions used in the calculation of recoverable amounts are as follows:

- The discount rate used is estimated based on the industry weighted average cost of capital.
- The long-term terminal growth rate has been determined based on either the nominal GDP rates for the country in which the CGU is based or the long-term growth rate estimated by management by reference to forecasts included in industry reports and expected market development.
- The revenue growth rate and gross profit margins are determined based on the past performance and its expectations of market developments.

### Sensitivity to changes in assumptions:

(a) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

| Business Segment | Assumption | Change required for carrying amount to equal the recoverable amount | |
|---|---|---|---|
| | | 2021<br>% | 2020<br>% |
| Defence & Public Security | Revenue growth rate (average of next 5 years) | **2.7** | 1.7 |

(b) No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is unlikely to result in any material impairment to the CGUs.

### Key estimates and judgement: Impairment of goodwill

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which goodwill are allocated. Key assumptions made to the projected cash flows requiring judgement include growth rate estimates and discount rates.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C4 Amounts due from related parties

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade: | | |
| Associates | **7,514** | 6,927 |
| Joint ventures | **22,293** | 16,109 |
| Related parties | **25,464** | 7,444 |
| | **55,271** | 30,480 |
| Non-trade*: | | |
| Associate | **7,318** | 4,256 |
| Joint ventures | **62,755** | 20,608 |
| Related parties | **108** | 116 |
| | **70,181** | 24,980 |
| Allowance for doubtful debts | **–** | (608) |
| | **125,452** | 54,852 |
| Receivable: | | |
| Within 1 year | **113,843** | 46,305 |
| After 1 year | **11,609** | 8,547 |
| | **125,452** | 54,852 |

Amounts due from related parties denominated in currencies other than the respective entities' functional currencies as at 31 December are $62,985,000 (2020: $15,205,000) denominated in USD.

* Included in non-trade are:

(a) a long term (2020: short term), unsecured, interest free loan of $4,256,000 (2020: $4,256,000) to an associate;

(b) a long term, unsecured, 6% (2020: nil) per annum interest bearing loan of $3,062,000 to an associate, repayable in 2025; and

(c) loans of $61,034,000 (2020: $19,519,000) to joint ventures, bearing interest ranging from 0.71% to 6.38% (2020: 0.85% to 6.38%) per annum, which are the effective interest rates. The loans are unsecured and repayable from 2022 to 2029 (2020: 2021 to 2029).

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C5 Inventories

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Inventories of equipment and spares | **1,261,156** | 1,269,192 |

In 2021, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $3,040,874,000 (2020: $3,808,935,000).

### Allowances for inventory obsolescence

As at 31 December 2021, the inventories are stated after allowance for inventory obsolescence of $359,381,000 (2020: $367,607,000).

### Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. Cost (comprising direct labour, material costs, direct expenses and an appropriate allocation of production overheads) is calculated on a first-in, first-out basis or weighted average cost basis depending on the nature and pattern of use of the inventories.

Cost may also include transfers from equity on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for deteriorated, damaged, obsolete and slow-moving inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs to sell.

### Estimates and judgement: Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C6 Trade receivables

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Gross receivables | **1,125,418** | 1,139,829 |
| Allowance for doubtful debts | **(58,662)** | (91,985) |
| **Trade receivables, net** | **1,066,756** | 1,047,844 |

Trade receivables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $213,370,000 (2020: $166,549,000) denominated in USD
- $29,248,000 (2020: $21,201,000) denominated in EUR

## C7 Advances and other receivables

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Deposits | **12,311** | 13,205 |
| Interest receivables | **22** | 135 |
| Finance lease receivables | **14,115** | 2,229 |
| Other recoverables | **81,826** | 51,051 |
| Non-trade receivables | **44,268** | 66,854 |
| Advance payments to suppliers | **167,941** | 142,750 |
| Prepayments | **82,919** | 86,839 |
| Housing and car loans and advances to staff | **11,602** | 12,176 |
| Loans to third parties | **–** | 750 |
| | **415,004** | 375,989 |
| Receivable: | | |
| Within 1 year | **345,141** | 317,741 |
| After 1 year | **69,863** | 58,248 |
| | **415,004** | 375,989 |

The Group entered into finance lease arrangements with customers with terms ranging from 1.0 to 7.1 years (2020: 0.6 to 7.1 years) and effective interest rates ranging from 0.56% to 2.74% (2020: 1.65% to 2.74%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C8 Bank balances and other liquid funds

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Fixed deposits with financial institutions | **123,293** | 86,622 |
| Cash and bank balances | **692,631** | 644,002 |
| Bank balances and other liquid funds | **815,924** | 730,624 |
| Deposits pledged | – | (1,145) |
| Cash and cash equivalents in the statement of cash flows | **815,924** | 729,479 |

Fixed deposits with financial institutions mature at varying periods within 7 months (2020: 11 months) from the financial year-end. Interest rates range from 0.1% to 1.9% (2020: 0.1% to 2.1%) per annum, which are also the effective interest rates.

Included in cash and cash equivalents are bank deposits amounting to $26,010,000 (2020: 19,699,000) which are not freely remissible for use by the Group because of currency exchange restrictions.

Cash and bank balances of nil (2020: $1,145,000) have been placed with banks as security for letters of credit issued to third parties. Cash and cash equivalents denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $132,843,000 (2020: $153,312,000) denominated in USD
- $34,251,000 (2020: $19,065,000) denominated in EUR

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C9 Trade payables and accruals

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade payables | **914,757** | 689,879 |
| Non-trade payables | **109,861** | 89,423 |
| Purchase of property, plant and equipment | **8,341** | 321 |
| Accrued operating expenses* | **1,638,504** | 1,453,250 |
| Accrued interest payable | **4,534** | 4,488 |
| | **2,675,997** | 2,237,361 |
| Payable: | | |
| Within 1 year | **2,612,515** | 2,218,023 |
| After 1 year | **63,482** | 19,338 |
| | **2,675,997** | 2,237,361 |

Trade payables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $130,687,000 (2020: $82,770,000) denominated in USD
- $44,592,000 (2020: $39,353,000) denominated in EUR

* Included in the accrued operating expenses is an amount of $288,424,000 (2020: $244,203,000) for the Group's obligations under its employee compensation schemes.

## C10 Amounts due to related parties

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade: | | |
| Associates | **18,621** | 9,925 |
| Joint ventures | **754** | 476 |
| Related parties | **1,242** | 1,110 |
| | **20,617** | 11,511 |
| Non-trade: | | |
| Joint ventures* | **7,151** | 12,314 |
| Related parties | **13** | 8 |
| | **7,164** | 12,322 |
| | **27,781** | 23,833 |
| Payable: | | |
| Within 1 year | **27,781** | 23,833 |

There were no significant amounts due to related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2021 and 31 December 2020.

* Included in the amounts due to joint ventures (non-trade) is an amount of $7,121,000 (2020: $12,300,000) placed by joint ventures with a subsidiary of the Group under a cash pooling arrangement, where an effective interest of 0% per annum (2020: 0%) is charged on the outstanding balance.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C11 Provisions

Movements in provisions are as follows:

| Group | Warranties $'000 | Onerous contracts $'000 | Closure costs $'000 | Restoration costs $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2021** | | | | | |
| At 1 January 2021 | **181,741** | **118,695** | **1,033** | **35,090** | **336,559** |
| Charged/(write-back) to profit or loss | **46,865** | **85,490** | **–** | **(109)** | **132,246** |
| Additions | **–** | **–** | **–** | **14,208** | **14,208** |
| Utilised | **(31,375)** | **(81,353)** | **(56)** | **(530)** | **(113,314)** |
| Disposal of subsidiaries | **(13)** | **–** | **–** | **–** | **(13)** |
| Translation difference | **9** | **1,705** | **–** | **33** | **1,747** |
| At 31 December 2021 | **197,227** | **124,537** | **977** | **48,692** | **371,433** |

| Group | Warranties $'000 | Onerous contracts $'000 | Closure costs $'000 | Restoration costs $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2020** | | | | | |
| At 1 January 2020 | 176,146 | 52,322 | 1,339 | 20,646 | 250,453 |
| Charged to profit or loss | 37,490 | 91,177 | – | 1,577 | 130,244 |
| Additions | – | – | – | 12,888 | 12,888 |
| Utilised | (31,126) | (22,696) | (232) | – | (54,054) |
| Translation difference | (769) | (2,108) | (74) | (21) | (2,972) |
| At 31 December 2020 | 181,741 | 118,695 | 1,033 | 35,090 | 336,559 |

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Provision | | |
| Within 1 year | **331,837** | 306,758 |
| After 1 year | **39,596** | 29,801 |
| | **371,433** | 336,559 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C11 Provisions (continued)

### Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(i) Warranties

The warranty provision represents the best estimate of the Group's contractual obligations at the reporting date.

Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from 90 days to 12 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers.

The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

The warranty provision made as at 31 December 2021 is expected to be incurred over the applicable warranty periods.

(ii) Onerous contracts

Provision for onerous contracts on uncompleted contracts is recognised immediately in profit or loss when it is determinable.

(iii) Closure costs

Provision for closure costs is made in respect of the expected costs that the Group will undertake between the cessation of certain operations of the Group to the completion of their liquidation.

(iv) Restoration costs

Provision for restoration costs is made for dismantlement, removal or restoration costs expected to be incurred on expiry of lease agreements.

### Estimates and judgement: Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

### Estimates and judgement: Provision for onerous contracts

The Group conducts a critical review of all its long-term contracts regularly. Allowance is made where necessary to account for onerous contracts and judgement is used to estimate the total cost to complete.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C12 Deferred income

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Government grants | **81,209** | 121,397 |
| Deferred rents | **338** | – |
| | **81,547** | 121,397 |
| Recognise: | | |
| Within 1 year | **7,665** | 70,922 |
| After 1 year | **73,882** | 50,475 |
| | **81,547** | 121,397 |

Government grants relate mainly to grants received to subsidise the cost of capital assets. In the prior year, the government grant included deferred grant recognised under the Jobs Support Scheme (JSS) and other government support for employee related expenses. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises to retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

## C13 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

| Group | 2021 $'000 | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Contract assets | **1,726,505** | 1,555,781 | 1,630,492 |
| Contract liabilities | **(1,752,278)** | (1,786,235) | (1,352,648) |

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (included in trade receivables), unbilled receivables (contract assets), and customer advances (contract liabilities) on the statement of financial position.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately. Costs to fulfil are recognised in profit and loss when the related revenue is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Contract assets include costs to fulfil of $693,698,000 (2020: $665,572,000). Costs to fulfil of $1,340,917,000 (2020: $1,145,418,000) were recognised in profit and loss during the year.

The contract liabilities primarily relate to advance consideration received from customers for contract revenue. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and presented separately.

These assets and liabilities are reported on the statement of financial position on a contract by contract basis at each reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C13 Contract balances (continued)

The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

The contract liabilities decreased due to lesser consideration received by the Group ahead of the provision of services and goods.

### Revenue recognised in relation to contract liabilities

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 556,473 | 518,900 |

### Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2021 is $19,330,917,000 and the Group expects to recognise $6,590,168,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2022 with the remaining $12,740,749,000 in 2023 and beyond.

As at 31 December 2020, the aggregate amount of transaction price allocated to the remaining performance obligations was $15,403,538,000 and the Group expected to recognise $5,344,283,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2021 with the remaining $10,059,255,000 in 2022 and beyond.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

### Estimates and judgement: Contract balances

Judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

## C14 Financial risk management objectives and policies

The Group has exposure to the following financial risks arising from its operations and the use of financial instruments:

- Interest rate
- Foreign exchange
- Market
- Liquidity
- Credit

The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bank guarantees, performance bonds and bank loans, finance leases and hire purchase contracts, investments, cash and short-term deposits.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option. These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors.

The policies for managing each of these risks are broadly summarised below:

### Interest rate risk

As at reporting date, the interest rate profile of the interest-bearing financial instruments is:

| Group | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | **205,760** | 112,626 |
| Financial liabilities | **(1,811,411)** | (1,816,348) |
| | **(1,605,651)** | (1,703,722) |
| **Variable rate instruments** | | |
| Financial liabilities | **(310,930)** | (242,847) |
| | **(310,930)** | (242,847) |

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

The Group's debts include bank loans, Medium Term Notes (MTN), commercial papers and lease liabilities (2020: bank loans, commercial papers and lease liabilities). The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps.

An increase/decrease of 50 basis points in interest rate, with all other variables being held constant, would lead to a reduction/increase of the Group's profit or loss by approximately $1.6 million (2020: $1.2 million).

The Group's policy is to maintain at least 50% of its borrowings at fixed rate, using floating-to-fixed interest rate swaps to achieve this when necessary. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in USD.

Except bank loans of $132,350,000 (2020: nil), other variable interest rates borrowings were not referenced to inter-bank offered rates (IBORs) that will be affected by the IBOR reforms.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

Included in the variable rate borrowings is a USCP of $350,869,000 (2020: $396,230,000) whose interest rate on each rollover correlates with 3-month LIBOR. To hedge the variability of the cash flows of the USCP, the Group has entered into a 5-year interest rate swap of notional amount of $179,087,000 as at 31 December 2021 (2020: $191,719,000) with key terms that match part of the outstanding USCP on which it pays a fixed rate and receives a variable rate.

The Group expects to issue 10-year bonds to refinance part of the short term debt that will be taken up to fund the acquisition of TransCore Partners, LLC and TLP Holdings, LLC (collectively, "TransCore"). From the date of announcement of the TransCore acquisition on 3 October 2021 until the expected bond issuance post-acquisition, the Group will be subjected to the volatility of the 10-year U.S. Treasury yield as this yield will form the basis of the Group's 10-year bond yield at the time of pricing of the bond. The Group entered into US$1 billion of 10-year treasury locks in 4Q 2021 to lock in the 10-year U.S. Treasury forward yield. Treasury lock is a hedging tool to lock the forward yield on a specific U.S. Treasury security. The locked forward yield will mitigate the volatility in the 10-year U.S. Treasury yield for the Group's expected bond issuance.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- differences in critical terms between the interest rate swaps and loans; and
- the effects of the forthcoming reforms to LIBOR, because these might take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

No ineffectiveness has been recognised in relation to the interest rate swaps in finance income or finance costs in profit or loss for 2021 (2020: nil).

Information relating to the Group's interest rate risk exposure is also disclosed in the notes on the Group's borrowings, investments and loans receivable, where applicable.

### Foreign exchange risk

The Group is exposed to foreign exchange risk from its global operations and revenues, costs and borrowings denominated in a currency other than the respective entities' functional currencies. The Group's foreign exchange exposures are primarily from USD and EUR, and manages its exposure through forward currency contracts and embedded derivatives.

The Group's centralised Treasury Unit monitors the current and projected foreign currency cash flows within the Group and aims to reduce the exposure of the net position by transacting with the banks where appropriate.

No foreign exchange sensitivity analysis was disclosed as a reasonable change in the exchange rates would not result in any significant impact on the Group's results.

### Market risk

The Group has strategic investments in unquoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

### Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the maturity profile of the Group's financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

| Group | Contractual cash flow $'000 | Within 1 year $'000 | Between 1 and 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|
| **2021** | | | | |
| Bank loans | **(214,359)** | **(144,451)** | **(42,039)** | **(27,869)** |
| Commercial papers | **(351,416)** | **(351,416)** | **–** | **–** |
| Medium term notes | **(1,064,274)** | **(15,206)** | **(1,049,068)** | **–** |
| Lease liabilities | **(702,271)** | **(69,088)** | **(205,184)** | **(427,999)** |
| Trade and other payables | **(2,703,778)** | **(2,640,296)** | **(26,248)** | **(37,234)** |
| Derivative financial instruments: | | | | |
| • Gross-settled forward currency contracts | | | | |
| - payments | **(1,646,898)** | **(1,120,991)** | **(525,907)** | **–** |
| - receipts | **1,637,833** | **1,127,732** | **510,101** | **–** |
| • Net-settled interest rate swaps | **(5,835)** | **(3,732)** | **(2,103)** | **–** |
| • Treasury Lock | **216** | **216** | **–** | **–** |
| **2020** | | | | |
| Bank loans | (122,057) | (15,511) | (66,504) | (40,042) |
| Commercial papers | (396,660) | (396,660) | – | – |
| Medium term notes | (1,055,999) | (14,875) | (1,041,124) | – |
| Lease liabilities | (696,277) | (71,307) | (208,666) | (416,304) |
| Other loans | (19,756) | (19,756) | – | – |
| Trade and other payables | (2,261,194) | (2,241,856) | (18,937) | (401) |
| Derivative financial instruments: | | | | |
| • Gross-settled forward currency contracts | | | | |
| - payments | (974,449) | (659,965) | (314,484) | – |
| - receipts | 1,011,791 | 680,517 | 331,274 | – |
| • Net-settled interest rate swaps | (24,432) | (12,216) | (4,607) | (7,609) |
| Financial guarantees | (15,332) | (1,147) | (7,320) | (6,865) |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

### Liquidity risk (continued)

Except for the cash flows arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At the reporting date, the Group does not consider it probable that a claim will be made against the Group under the financial guarantees.

### Recognition and measurement

Financial guarantees are financial instruments issued by the Group to joint ventures that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

### Credit risk

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collaterals from customers or arrange master netting agreements. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

The carrying amounts of financial assets and contract assets represent the Group's maximum exposures to credit risk, before taking into account any collateral held.

| Group | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Investments | **36,129** | 23,138 |
| Derivative financial instruments | **31,389** | 44,461 |
| Contract assets | **1,726,505** | 1,555,781 |
| Trade receivables | **1,068,290** | 1,049,368 |
| Amounts due from related parties | **125,452** | 54,852 |
| Advances and other receivables | **164,144** | 146,400 |
| Bank balances and other liquids funds | **815,924** | 730,624 |
| | **3,967,833** | 3,604,624 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

**Credit risk** (continued)

Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Trade receivables | **9,863** | 22,319 |
| Contract balances arising from contracts with customers | **19,965** | 4,367 |
| | **29,828** | 26,686 |

**Exposure to credit risk**

As at 31 December 2021, 20% (2020: 21%) of trade receivables and contract assets relate to three major customers of the Group.

The table below analyses the trade receivables and contract assets by the Group's main reportable segments:

| Group | Carrying amount | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 (restated) |
| Commercial Aerospace | **625,110** | 556,858 |
| Urban Solutions & Satcom | **853,762** | 873,968 |
| Defence & Public Security | **1,315,923** | 1,174,323 |
| | **2,794,795** | 2,605,149 |

## C14 Financial risk management objectives and policies (continued)

**Exposure to credit risk** (continued)

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

| Group | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | Not credit impaired $'000 | Credit impaired $'000 | Not credit impaired $'000 | Credit impaired $'000 | Not credit impaired $'000 | Credit impaired $'000 |
| Receivables measured at lifetime ECL: | | | | | | |
| Trade receivables and contract assets | **2,794,795** | **82,811** | 2,605,149 | 104,648 | 2,878,041 | 97,749 |
| Loss allowance | **–** | **(82,811)** | – | (104,648) | – | (97,749) |
| **Total** | **2,794,795** | **–** | 2,605,149 | – | 2,878,041 | – |

**Expected credit loss assessment**

Trade receivables and contract assets

For specific trade receivables and contract assets identified by the Group to be credit impaired, the Group recognised a loss allowance equal to lifetime expected credit loss. Hence, the recoverability of these balances are assessed separately from the allowance matrix.

For the remaining trade receivables and contract assets, the Group uses an allowance matrix to measure the expected credit loss (ECL) of trade receivables and contract assets from its customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Based on this assessment, the Group has concluded that the expected credit losses from these trade receivables and contract assets are immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

**Expected credit loss assessment** (continued)

Trade receivables and contract assets (continued)

The table below shows the aging and loss allowance analysis of the Group's trade receivables as at 31 December 2021 and 2020:

| **2021** | **Not past due $'000** | **1 – 90 days $'000** | **91 – 180 days $'000** | **181 – 360 days $'000** | **> 360 days $'000** | **Total $'000** |
|---|---|---|---|---|---|---|
| **Commercial Aerospace** | | | | | | |
| Trade receivables and contract assets | **586,345** | **49,879** | **9,341** | **9,863** | **16,600** | **672,028** |
| Loss allowance | **(19,377)** | **(370)** | **(4,906)** | **(7,190)** | **(15,075)** | **(46,918)** |
| **Urban Solutions & Satcom** | | | | | | |
| Trade receivables and contract assets | **810,782** | **37,700** | **5,312** | **7,737** | **9,406** | **870,937** |
| Loss allowance | **(3,104)** | **(1,273)** | **(878)** | **(2,791)** | **(9,129)** | **(17,175)** |
| **Defence & Public Security** | | | | | | |
| Trade receivables and contract assets | **1,227,112** | **76,222** | **8,659** | **11,083** | **11,565** | **1,334,641** |
| Loss allowance | **(11,588)** | **(122)** | **(694)** | **(215)** | **(6,099)** | **(18,718)** |

| **2020** (restated) | Not past due $'000 | 1 – 90 days $'000 | 91 – 180 days $'000 | 181 – 360 days $'000 | > 360 days $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Commercial Aerospace** | | | | | | |
| Trade receivables and contract assets | 484,470 | 60,696 | 14,815 | 22,535 | 48,072 | 630,588 |
| Loss allowance | (2,510) | (7,543) | (4,766) | (13,311) | (45,600) | (73,730) |
| **Urban Solutions & Satcom** | | | | | | |
| Trade receivables and contract assets | 806,567 | 54,380 | 9,695 | 7,389 | 8,311 | 886,342 |
| Loss allowance | (168) | (1,256) | (577) | (2,578) | (7,795) | (12,374) |
| **Defence & Public Security** | | | | | | |
| Trade receivables and contract assets | 1,068,059 | 83,572 | 12,454 | 11,834 | 16,948 | 1,192,867 |
| Loss allowance | (11,533) | (282) | (391) | (2,492) | (3,846) | (18,544) |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

Trade receivables and contract assets (continued)

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year were as follows:

| Group | Lifetime ECL | |
|---|---|---|
| | **2021 $'000** | 2020 $'000 |
| At 1 January | **104,648** | 97,749 |
| Impairment loss recognised | **29,828** | 26,686 |
| Amounts written off | **(52,777)** | (19,290) |
| Disposal of subsidiaries | **(13)** | – |
| Translation difference | **1,125** | (497) |
| At 31 December | **82,811** | 104,648 |

Bank balances and other liquid funds

Bank balances and other liquid funds are placed with financial institutions, which mainly have long-term rating of A3 by Moody's or A- by Standard & Poor's or the equivalent by a reputable credit rating agency. Impairment on bank balances and other liquid funds has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances and other liquid funds to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on bank balances and other liquid funds is insignificant.

Other financial assets

Other financial assets comprise amounts due from related parties and other receivables, which are mostly short-term in nature. Impairment on other financial assets has been measured on the 12-month expected loss basis and reflects the short maturities of exposures. The Group considers its other financial assets to have low credit risk and the amount of the allowance on other financial assets is insignificant.

### Recognition and measurement

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, contract assets (as defined in SFRS(I) 15), and debt investments at FVOCI, but not for equity investments.

Loss allowances of the Group are measured using either the simplified or general approach.

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C14 Financial risk management objectives and policies (continued)

**Recognition and measurement** (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or payment remains outstanding for more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**Estimates and judgement: Impairment of financial assets and contract assets**

Impairment of financial assets and contract assets are estimated based on historical loss experience for assets with similar credit risk characteristics. The estimated ECL is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments

| | Carrying amount | | |
|---|---|---|---|
| **Group** | **Amortised cost $'000** | **FVTPL $'000** | **Fair value – hedging instruments $'000** |
| **2021** | | | |
| **Financial assets measured at fair value** | | | |
| Investments | – | – | – |
| Associates | – | 34,215 | – |
| Derivative financial instruments | – | 20,240 | 11,149 |
| | – | 54,455 | 11,149 |
| **Financial assets at amortised cost** | | | |
| Trade receivables | 1,068,290 | – | – |
| Amounts due from related parties | 125,452 | – | – |
| Advances and other receivables | 164,144 | – | – |
| Bank balances and other liquid funds | 815,924 | – | – |
| | 2,173,810 | – | – |
| **Financial liabilities measured at fair value** | | | |
| Derivative financial instruments | – | (15,266) | (37,862) |
| **Financial liabilities at amortised cost** | | | |
| Trade payables and accruals | – | – | – |
| Amounts due to related parties | – | – | – |
| Borrowings | – | – | – |
| | – | – | – |

| | Carrying amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | FVOCI – equity instruments $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| | 36,129 | – | 36,129 | – | 36,129 | 36,129 |
| | – | – | 34,215 | – | 34,215 | 34,215 |
| | – | – | 31,389 | 31,389 | – | 31,389 |
| | 36,129 | – | 101,733 | 31,389 | 70,344 | 101,733 |
| | – | – | 1,068,290 | | | |
| | – | – | 125,452 | | | |
| | – | – | 164,144 | | | |
| | – | – | 815,924 | | | |
| | – | – | 2,173,810 | | | |
| | – | – | (53,128) | (53,128) | – | (53,128) |
| | – | (2,675,997) | (2,675,997) | | | |
| | – | (27,781) | (27,781) | | | |
| | – | (2,115,220) | (2,115,220) | | | |
| | – | (4,818,998) | (4,818,998) | | | |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

| Group | Carrying amount | | |
|---|---|---|---|
| | Amortised cost $'000 | FVTPL $'000 | Fair value – hedging instruments $'000 |
| **2020** | | | |
| **Financial assets measured at fair value** | | | |
| Investments | – | – | – |
| Associates | – | 20,858 | – |
| Derivative financial instruments | – | 9,639 | 34,822 |
| | – | 30,497 | 34,822 |
| **Financial assets at amortised cost** | | | |
| Trade receivables | 1,049,368 | – | – |
| Amounts due from related parties | 54,852 | – | – |
| Advances and other receivables | 146,400 | – | – |
| Bank balances and other liquid funds | 730,624 | – | – |
| | 1,981,244 | – | – |
| **Financial liabilities measured at fair value** | | | |
| Derivative financial instruments | – | (2,471) | (20,769) |
| **Financial liabilities at amortised cost** | | | |
| Trade payables and accruals | – | – | – |
| Amounts due to related parties | – | – | – |
| Borrowings | – | – | – |
| | – | – | – |

| | Carrying amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | FVOCI – equity instruments $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| | 23,138 | – | 23,138 | – | 23,138 | 23,138 |
| | – | – | 20,858 | – | 20,858 | 20,858 |
| | – | – | 44,461 | 44,461 | – | 44,461 |
| | 23,138 | – | 88,457 | 44,461 | 43,996 | 88,457 |
| | – | – | 1,049,368 | | | |
| | – | – | 54,852 | | | |
| | – | – | 146,400 | | | |
| | – | – | 730,624 | | | |
| | – | – | 1,981,244 | | | |
| | – | – | (23,240) | (23,240) | – | (23,240) |
| | – | (2,237,361) | (2,237,361) | | | |
| | – | (23,833) | (23,833) | | | |
| | – | (2,046,895) | (2,046,895) | | | |
| | – | (4,308,089) | (4,308,089) | | | |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3).

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Associate** | | |
| At 1 January | **20,858** | 5,847 |
| Addition during the year | **2,203** | – |
| Transfer from Level 2 | – | 20,296 |
| Total unrealised gains/(losses) recognised in profit or loss, other income/ (expenses) | **11,154** | (5,285) |
| At 31 December | **34,215** | 20,858 |
| **Equity instruments (unquoted)** | | |
| At 1 January | **23,138** | 9,437 |
| Addition during the year | **12,991** | – |
| Transfer from Level 2 | – | 13,701 |
| At 31 December | **36,129** | 23,138 |
| | **70,344** | 43,996 |

### Recognition and measurement

#### (a) Non-derivative financial assets and liabilities

**Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

### Recognition and measurement (continued)

**(a) Non-derivative financial assets and liabilities** (continued)

**Classification and subsequent measurement** (continued)

| Financial assets | Classification | Subsequent measurement |
|---|---|---|
| Amortised cost | • The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and<br>• The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. | Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | • The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and<br>• The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. | Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. | Measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

**Recognition and measurement** (continued)

**(a) Non-derivative financial assets and liabilities** (continued)

**Classification and subsequent measurement** (continued)

| Financial assets | Classification | Subsequent measurement |
|---|---|---|
| FVTPL* | All other financial assets are classified as measured at FVTPL. Financial assets that are held-for-trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL.<br><br>* On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. | Measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |

<u>Business model assessment</u>

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the portfolio are compensated; and
- The frequency, volume and timing of disposals in prior periods, the reasons for such disposals and its expectations about future activity.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

**Recognition and measurement** (continued)

**(a) Non-derivative financial assets and liabilities** (continued)

**Classification and subsequent measurement** (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For assessment purposes, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contingent events, leverage features, modifications of the time value of money and other limiting terms in the contractual terms of the instrument, which change the timing or amount of contractual cash flows such that the cash flows of the instrument would not be reflective of solely payments of principal and interest.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing those financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

**Derecognition**

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

**(b) Fair value**

The Group has an established approach with respect to the measurement of fair values.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

### Recognition and measurement (continued)

**(b) Fair value** (continued)

**Fair value hierarchy**

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

| | Types of financial instruments | Valuation method |
|---|---|---|
| **Level 1** | **FVOCI**<br>- Equity investments (quoted) | Determined by reference to their quoted bid prices for these investments as at reporting date. |
| **Level 2** | **FVOCI**<br>- Equity investments (unquoted) | Determined by reference to the most recent purchase price. |
| | **Derivatives**<br>- Forward currency contracts<br>- Interest rate swaps<br>- Embedded derivatives | Determined based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. |
| | **FVTPL**<br>- Investment in associates | Determined by reference to the most recent purchase price. |
| **Level 3** | **FVOCI**<br>- Equity investment (unquoted) | Determined based on latest funding round. |
| | **FVTPL**<br>- Investment in associates | Determined based on valuation performed using adjusted market multiples. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value. |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C15 Classification and fair value of financial instruments (continued)

**Recognition and measurement** (continued)

(b) **Fair value** (continued)

**Measurement of fair values**

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. In 2020, other than transfers from Level 2 to Level 3, there were no other transfers between the different levels of fair value hierarchy. In 2021, there were no transfers between the different levels of fair value hierarchy.

The following methods and assumptions are used to estimate the fair value of other classes of financial instruments:

| Types of financial instruments | Valuation method |
|---|---|
| Bank balances, other liquid funds and short-term receivables<br><br>Short-term borrowings and other current payables | Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments. |
| Long-term receivables | Estimated based on the expected cash flows discounted to present value. |
| Long-term payables | Estimated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C16 Derivative financial instruments

### Cash flow hedges

At 31 December 2021, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

| Group | Within 1 year | Between 1 to 5 years |
|---|---|---|
| **2021** | | |
| **Foreign currency risk** | | |
| Nominal amount of forward exchange contracts (in thousands of SGD) | **664,271** | **307,274** |
| - Average EUR:USD forward contract rate | **1.1663** | **1.1932** |
| - Average USD:SGD forward contract rate | **1.3626** | **1.3672** |
| - Average EUR:SGD forward contract rate | **1.5702** | **1.5851** |
| Nominal amount of embedded derivatives (in thousands of SGD) | **167,455** | **101,890** |
| - Average EUR:SGD | **1.5987** | **1.6080** |
| - Average USD:SGD | **1.3490** | **1.3923** |
| - Average GBP:SGD | **1.8394** | **1.8268** |
| **Interest rate risk** | | |
| Nominal amount of interest rate swaps | **–** | **179,087** |
| - Average fixed interest rate | **–** | **2.6722** |
| Nominal amount of treasury lock | **1,351,600** | **–** |
| - Average fixed interest rate | **1.6050** | **–** |
| **2020** | | |
| **Foreign currency risk** | | |
| Nominal amount of forward exchange contracts (in thousands of SGD) | 184,081 | 154,582 |
| - Average EUR:USD forward contract rate | 1.1736 | 1.1615 |
| - Average EUR:SGD forward contract rate | 1.6083 | 1.6785 |
| - Average THB:SGD forward contract rate | 22.99 | 23.04 |
| Nominal amount of embedded derivatives (in thousands of SGD) | 138,189 | 92,928 |
| - Average EUR:SGD | 1.6191 | 1.6602 |
| - Average USD:SGD | 1.3717 | 1.3891 |
| - Average GBP:SGD | 1.8169 | 1.8289 |
| **Interest rate risk** | | |
| Nominal amount of interest rate swaps | – | 191,719 |
| - Average fixed interest rate | – | 2.6731 |

## C16 Derivative financial instruments (continued)

### Cash flow hedges (continued)

The amounts at the reporting date relating to items designated as hedged items are as follows:

| Group | Change in value used for calculating hedge ineffectiveness $'000 | Cash flow hedge reserve $'000 |
|---|---|---|
| **2021** | | |
| **Foreign currency risk** | | |
| Sales | **(23,398)** | **(4,155)** |
| Receivables | **–** | **(323)** |
| Purchases | **1,252** | **(1,327)** |
| Payables | **(237)** | **228** |
| Embedded derivatives | **(3,677)** | **(5,313)** |
| **Interest rate risk** | | |
| Variable rate borrowings | **6,860** | **(14,675)** |
| **2020** | | |
| **Foreign currency risk** | | |
| Sales | 16,834 | 21,088 |
| Receivables | (5) | (335) |
| Purchases | 9,797 | 2,417 |
| Payables | (89) | 385 |
| Embedded derivatives | 11,520 | (1,636) |
| **Interest rate risk** | | |
| Variable rate borrowings | (19,136) | (24,316) |

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C16 Derivative financial instruments (continued)

### Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

| Group | 2021 | | | |
|---|---|---|---|---|
| | Nominal amount $'000 | Assets $'000 | Liabilities $'000 | Line item in the statement of financial position where the hedging instrument is included |
| **Foreign currency risk** | | | | |
| Forward exchange contracts | **971,545** | **4,951** | **(17,839)** | **Derivative financial instruments, advances and other receivables and trade payables and accruals** |
| Embedded derivatives | **269,334** | **–** | **(5,186)** | |
| **Interest rate risk** | | | | |
| Interest rate swaps [a] | **179,087** | **–** | **(5,385)** | **Derivative financial instruments** |
| Treasury lock | **1,351,600** | **4,774** | **(4,558)** | |

[a] The contractual notional amount of interest rate swaps held for hedging which is based on LIBOR is $179,087,000 (2020: $191,719,000).

| | During the year 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Changes in the value of the hedging instrument recognised in OCI $'000 | Hedge ineffectiveness recognised in profit or loss $'000 | Line item in profit or loss that includes hedge ineffectiveness | Amount from hedging reserve transferred to cost of inventory $'000 | Amount reclassified from hedging reserve to profit or loss $'000 | Line item in profit or loss affected by the reclassification |
| | (22,383) | 2 | Finance costs, net | (2,389) | (4,360) | Revenue / Cost of sales / Operating expenses / Finance costs, net |
| | (3,677) | – | – | – | – | – |
| | 6,644 | – | – | – | – | – |
| | 216 | – | – | – | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C16 Derivative financial instruments (continued)

### Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows: (continued)

| Group | 2020 | | | |
|---|---|---|---|---|
| | Nominal amount $'000 | Assets $'000 | Liabilities $'000 | Line item in the statement of financial position where the hedging instrument is included |
| **Foreign currency risk** | | | | |
| Forward exchange contracts | 338,664 | 29,915 | (492) | Derivative financial instruments, advances and other receivables and trade payables and accruals |
| Embedded derivatives | 231,117 | 851 | (3,645) | |
| **Interest rate risk** | | | | |
| Interest rate swaps | 191,719 | – | (12,222) | Derivative financial instruments |

| During the year 2020 | | | | | |
|---|---|---|---|---|---|
| Changes in the value of the hedging instrument recognised in OCI $'000 | Hedge ineffectiveness recognised in profit or loss $'000 | Line item in profit or loss that includes hedge ineffectiveness | Amount from hedging reserve transferred to cost of inventory $'000 | Amount reclassified from hedging reserve to profit or loss $'000 | Line item in profit or loss affected by the reclassification |
| 26,537 | 3 | Cost of sales / Finance costs, net | (1,890) | 13,814 | Revenue / Cost of sales / Operating expenses / Finance costs, net |
| 11,520 | – | – | – | – | – |
| (4,808) | – | – | – | (20) | – |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C16 Derivative financial instruments (continued)

### Cash flow hedges (continued)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

| Group | Hedging reserve | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Balance at 1 January** | **(7,572)** | (32,950) |
| Change in fair value: | | |
| Foreign currency risk | **(26,060)** | 38,057 |
| Interest rate risk | **6,860** | (19,136) |
| Equity accounted joint ventures | **2,145** | 763 |
| Amount reclassified to profit or loss: | | |
| Foreign currency risk | **(4,360)** | 15,635 |
| Interest rate risk | **2,781** | – |
| Amount included in the cost of non-financial items: | | |
| Foreign currency risk – inventory purchases | **(2,389)** | (1,890) |
| Tax movements on reserves during the year | **6,353** | (8,051) |
| **Balance at 31 December** | **(22,242)** | (7,572) |

**Derivative financial instruments and hedge accounting**

The derivative financial instruments are initially recognised at fair value on the date of which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C16 Derivative financial instruments (continued)

### Derivative financial instruments and hedge accounting (continued)

| | Category | Subsequent measurement |
|---|---|---|
| **(1)** | **Cash flow hedges** | When a derivative is designated in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income limited to the cumulative change in the fair value of the hedged item and presented in the fair value reserve. Any ineffective portion of changes in the fair value of the derivative (i.e. the extent to which changes in the fair value of the hedge instrument do not match the changes in fair value of the hedged item) is recognised immediately in profit or loss.<br><br>The amount accumulated in equity is retained in other comprehensive income, and depending on the nature of the hedged item, will either be transferred to the profit or loss in the same period that the underlying transaction affects profit or loss or be capitalised in the initial carrying amount of the non-financial item.<br><br>If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the fair value reserve remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss. |
| **(2)** | **Fair value hedges** | Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. |
| **(3)** | **Net investment hedges** | The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.<br><br>When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation. |

### Estimates and judgement: Interest rate benchmark reform

Following the global financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other inter-bank offered rates (IBORs) has become a priority for global regulators.

To transition existing contracts and agreements that reference LIBOR to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## C16 Derivative financial instruments (continued)

**Derivative financial instruments and hedge accounting** (continued)

**Estimates and judgement: Interest rate benchmark reform** (continued)

The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced interest rate swap and the corresponding update of the hedge designation.

Relief applied

The Group has applied the following Phase 1 reliefs that were introduced by the amendments made to SFRS(I) 9 Financial Instruments:

- When considering the 'highly probable' requirement, the Group has assumed that the variable interest rate on which the Group's hedged debt is based does not change as a result of IBOR reform;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has assumed that the variable interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the IBOR reform; and
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that no changes to the terms of the floating rate debt are anticipated to reflect its current expectations.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D. EMPLOYEE BENEFITS

The Group uses the following programs to reward and recognise employees and key executives, including key management personnel.

- Economic Value Added (EVA)-based Incentive Scheme
- Defined contribution plans
- Post-employment benefits
- Share plans

The Group believes that these programs reinforce the value of ownership and incentivise and drive performance both individually and collectively to maximise returns to the shareholders.

| | | | |
|---|---|---|---|
| **D1** | Economic Value Added (EVA)-based Incentive Scheme | **D3** | Post-employment benefits |
| **D2** | Personnel expenses | **D4** | Share-based payment arrangements |

### D1 Economic Value Added (EVA)-based Incentive Scheme

The Group adopts an incentive compensation plan, which is tied to the creation of EVA, as well as attainment of individual and Group performance goals for its key executives. An EVA bank is used to hold incentive compensation credited in any year.

Typically a portion of EVA-based bonus declared in the financial year is paid out in cash each year, with the balance being deferred for payment in the following years.

**Estimates and judgement: EVA-based Incentive Scheme (EBIS)**

Estimates of the Group's obligations arising from the EBIS at the reporting date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D2 Personnel expenses

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Wages and salaries* | **1,670,620** | 1,464,167 |
| Contributions to defined contribution plans | **178,287** | 169,561 |
| Defined benefit plan expenses | **34,836** | 37,791 |
| Share-based payments | **21,122** | 21,226 |
| Other personnel expenses | **231,700** | 261,563 |
| | **2,136,565** | 1,954,308 |

* $204,698,000 (2020: $353,233,000) of COVID-19 related government grants were recognised during the year, including amount received under the Jobs Support Scheme and various government grants received by the Group's subsidiaries in the countries they operate in. These amounts were deducted in wages and salaries.

### Recognition and measurement

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and will have no legal or constructive obligation to pay further amounts. The Group's contributions to the defined contribution plans are recognised in the income statement as expenses in the financial year to which they relate.

## D3 Post-employment benefits

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Net defined benefit asset | **257** | 319 |
| Total post-employment benefit asset | **257** | 319 |
| | | |
| Net defined benefit liabilities | **407,320** | 460,724 |
| Liability for staff benefits | **9,793** | 9,820 |
| Total post-employment benefit liabilities | **417,113** | 470,544 |
| | | |
| Non-current | **409,473** | 462,548 |
| Current | **7,640** | 7,996 |
| | **417,113** | 470,544 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D3 Post-employment benefits (continued)

### Movement in net defined benefit liability/(asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability/(asset) and its components.

| Group | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit liability/(asset) | |
|---|---|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Balance at 1 January | **822,428** | 714,844 | **(362,023)** | (336,857) | **460,405** | 377,987 |
| **Included in profit or loss** | | | | | | |
| Current service cost | **25,555** | 21,321 | **–** | – | **25,555** | 21,321 |
| Past service credit | **–** | 5,241 | **–** | – | **–** | 5,241 |
| Interest cost/(income) | **17,014** | 19,906 | **(8,978)** | (10,639) | **8,036** | 9,267 |
| Administrative expenses | **293** | 634 | **952** | 1,328 | **1,245** | 1,962 |
| | **42,862** | 47,102 | **(8,026)** | (9,311) | **34,836** | 37,791 |
| **Included in OCI** | | | | | | |
| Remeasurement loss/(gain): | | | | | | |
| • Actuarial loss/(gain) arising from: | | | | | | |
| - demographic assumptions | **1,952** | (2,022) | **–** | – | **1,952** | (2,022) |
| - financial assumptions | **(37,795)** | 75,028 | **(68)** | 478 | **(37,863)** | 75,506 |
| - experience assumptions | **11,925** | 1,565 | **(241)** | 72 | **11,684** | 1,637 |
| • Return on plan assets excluding interest income | **–** | – | **(33,641)** | (10,210) | **(33,641)** | (10,210) |
| Effect of movements in exchange rates | **51** | – | **–** | – | **51** | – |
| | **(23,867)** | 74,571 | **(33,950)** | (9,660) | **(57,817)** | 64,911 |
| **Others** | | | | | | |
| Contributions paid by the employer | **(16,810)** | (570) | **(14,900)** | (26,954) | **(31,710)** | (27,524) |
| Benefits paid | **(8,772)** | (21,322) | **16,973** | 20,651 | **8,201** | (671) |
| Translation difference | **(861)** | 7,803 | **(5,991)** | 108 | **(6,852)** | 7,911 |
| Balance at 31 December | **814,980** | 822,428 | **(407,917)** | (362,023) | **407,063** | 460,405 |

The expenses are recognised in the following line items in profit or loss:

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Cost of sales | **24,185** | 25,865 |
| Administrative expenses | **3,987** | 4,571 |
| Other operating expenses | **77** | 83 |
| Finance cost, net | **6,587** | 7,272 |
| Defined benefit obligation expenses | **34,836** | 37,791 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D3 Post-employment benefits (continued)

The fair value of plan assets in each category are as follows:

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Equity securities | **133,996** | 140,777 |
| Government bonds | **27,266** | 31,268 |
| Corporate bonds | **167,614** | 122,547 |
| Derivatives | **355** | 778 |
| Cash/money markets | **4,979** | 6,873 |
| Property occupied by the Group | **48,516** | 34,991 |
| Funds managed by a trustee | **2,514** | 2,216 |
| Funds with insurance companies | **22,677** | 22,573 |
| Fair value of plan assets | **407,917** | 362,023 |

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

In the case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

### Defined benefit obligation

#### (a) Actuarial assumptions

The following relates to the actuarial assumptions of significant post-employment defined benefit plans for subsidiaries in Germany and United States of America. The remaining defined benefit plans are not material to the Group and additional disclosures are not shown at the reporting date.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

| Group | 2021 % | 2020 % |
|---|---|---|
| Discount rate | **2.0** | 1.7 |
| Future salary growth | **3.2** | 3.2 |
| Future pension growth | **2.0** | 2.0 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D3 Post-employment benefits (continued)

**Defined benefit obligation** (continued)

**(a) Actuarial assumptions** (continued)

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

| Group | 2021 | | 2020 | |
|---|---|---|---|---|
| | Germany | U.S. | Germany | U.S. |
| *Longevity at age 65 for current pensioners:* | | | | |
| Males | **20.5** | **20.0** | 20.3 | 19.4 |
| Females | **23.9** | **22.1** | 23.8 | 21.4 |
| *Longevity at age 65 for current members aged 45:* | | | | |
| Males | **23.2** | **21.5** | 23.1 | 19.9 |
| Females | **26.1** | **23.5** | 26.0 | 22.1 |

At 31 December 2021, the weighted average duration of the defined benefit obligation was 24.4 years (2020: 25.4 years) for the subsidiaries in Germany and 13.9 years (2020: 14.6 years) for the subsidiary in United States of America.

**(b) Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| Group | 2021 | | 2020 | |
|---|---|---|---|---|
| | Increase $'000 | Decrease $'000 | Increase $'000 | Decrease $'000 |
| Discount rate (0.5% movement) | **(57,121)** | **70,520** | (64,249) | 72,501 |
| Future salary growth (0.25% movement) | **1,851** | **(1,621)** | 2,328 | (2,111) |
| Future pension growth (0.25% movement) | **2,283** | **(2,184)** | 2,632 | (2,512) |
| Future mortality (10% movement) | **(19,921)** | **24,401** | (19,040) | 26,264 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D3 Post-employment benefits (continued)

### (b) Sensitivity analysis (continued)

**Recognition and measurement**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

## D4 Share-based payment arrangements

### PSP2010 and PSP2020 (PSP)

The PSP is established with the objective of motivating Senior Management Executive to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries (ST Engineering Group or the Group). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) taking reference to the Group's Cost of Equity and Earnings Per Share (EPS) Growth against pre-determined targets. In addition to the PSP performance targets being met, final award for PSP is conditional upon satisfactory performance of the recipient.

### RSP2010 and RSP2020 (RSP)

The RSP is established with the objective of motivating managers and above to strive for sustained long-term growth of ST Engineering Group. It also aims to foster a share ownership culture among employees within the ST Engineering Group and to better align employees' incentive scheme with shareholders' interest.

A minimum threshold performance is required for any shares to be released to the recipients at the end of the performance period. The shares will vest equally over a four-year performance period, subject to continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

Movement in the number of shares under the PSP and RSP are as follows:

| Group | 2021 | | 2020 | |
|---|---|---|---|---|
| | PSP | RSP | PSP | RSP |
| **Outstanding awards** | | | | |
| Balance at 1 January | **5,546,244** | **13,262,039** | 4,896,009 | 13,308,887 |
| Granted | **935,496** | **6,918,603** | 3,458,270 | 6,705,899 |
| Lapsed | **(645,280)** | **(915,380)** | (430,932) | (790,203) |
| Released | **(697,113)** | **(5,940,548)** | (2,377,103) | (5,962,544) |
| Balance at 31 December | **5,139,347** | **13,324,714** | 5,546,244 | 13,262,039 |

These shares were awarded by reissuance of treasury shares.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## D4 Share-based payment arrangements (continued)

### Singapore Technologies Engineering Performance Share Plan (PSP) and Singapore Technologies Engineering Restricted Share Plan (RSP)

| Group | PSP | | RSP | |
|---|---|---|---|---|
| | Year of grant | | Year of grant | |
| | **2021** | 2020 | **2021** | 2020 |
| Volatility of the Company's shares (%) | **22.78** | 26.87 | **15.14 – 26.67** | 26.87 |
| Risk-free rate (%) | **0.72** | 1.13 | **0.47 – 0.83** | 0.99 – 1.21 |
| Share price ($) | **3.86** | 2.80 | **3.86** | 2.80 |
| Cost of equity (%) | **7.7** | 7.2 | **N.A.** | N.A. |
| Dividend yield | (—Management's forecast in line with dividend policy—) | | (—Management's forecast in line with dividend policy—) | |

The fair value of the performance and restricted shares is determined on grant date using the Monte Carlo simulation model.

During the current year, the Group met partially the pre-determined target performance level and hence, 697,113 performance shares were awarded in respect of the grant made in 2018 under PSP2010. In the prior year, 2,377,103 performance shares were awarded in respect of the grant made in 2017 under PSP2010.

**Recognition and measurement**

The Group operates a number of share-based payment plans. A description of each type of share-based payment arrangement that existed at any time during the period is described in the Directors' Statement.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E. CAPITAL STRUCTURE AND FINANCING

This section provides information relating to the Group's capital structure and how they affect the Group's financial position and performance, and how the risks are managed.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.



### E1 Capital management

The Group is currently in a net debt position and will continue to be guided by prudent financial policies of which gearing is an important aspect. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

| **Group** | **2021 $'000** | 2020 $'000 |
|---|---|---|
| Gross debt | | |
| Bank loans | **206,766** | 115,525 |
| Commercial papers | **350,869** | 396,230 |
| Medium term notes | **1,010,704** | 987,841 |
| Lease liabilities | **546,881** | 527,734 |
| Other loans | **–** | 19,565 |
| | **2,115,220** | 2,046,895 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E1 Capital management (continued)

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Shareholders' funds | | |
| Share capital | **895,926** | 895,926 |
| Treasury shares | **(33,475)** | (23,743) |
| Capital and other reserves | **2,003** | 18,017 |
| Retained earnings | **1,548,308** | 1,402,414 |
| | **2,412,762** | 2,292,614 |
| Non-controlling interests | **255,453** | 282,175 |
| | **2,668,215** | 2,574,789 |
| Gross debt/equity ratio | **0.8** | 0.8 |
| Gross debt | **2,115,220** | 2,046,895 |
| Less: Cash and cash equivalents | **(815,924)** | (729,479) |
| Net debt* | **1,299,296** | 1,317,416 |

* Net debt refers to gross debt less cash and cash equivalents

## E2 Finance costs, net

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Finance income** | | |
| Interest income | | |
| - bank deposits | **1,024** | 3,003 |
| - staff loans | **4** | 6 |
| - finance lease | **451** | 617 |
| - others | **2,457** | 2,117 |
| Exchange gain, net | **4,388** | – |
| Fair value changes of financial instruments | | |
| - gain on forward currency contract designated as hedging instrument | **2,861** | 103 |
| - gain on fair value changes of forward currency contract not designated as hedging instrument | **501** | 863 |
| - gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges | **–** | 45 |
| Fair value changes of hedged items | **–** | 2,520 |
| | **11,686** | 9,274 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E2 Finance costs, net (continued)

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Finance costs** | | |
| Interest expense | | |
| - bank loans and overdrafts | **(6,584)** | (7,974) |
| - medium term notes and commercial papers | **(18,669)** | (21,549) |
| - lease liabilities | **(15,752)** | (16,458) |
| - contracts with customers | **(1,190)** | (1,480) |
| - others | **(2,853)** | (2,122) |
| Exchange loss, net | **–** | (19,441) |
| Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions | **–** | (1,306) |
| Fair value changes of financial instruments | | |
| - loss on forward currency contract designated as hedging instrument | **–** | (892) |
| - loss on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges | **(2)** | – |
| Fair value changes of hedged items | **(2,675)** | – |
| | **(47,725)** | (71,222) |
| Finance costs, net, recognised in profit or loss | **(36,039)** | (61,948) |

### Recognition and measurement

Finance income comprises interest income, dividend income, gains on disposal and fair valuation of financial assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Finance costs comprise interest expense, losses on disposal and fair valuation of financial assets, and losses on hedging instruments that are recognised in profit or loss. Interest expense that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E3 Investments

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Equity shares, at FVOCI | | |
| - unquoted | **36,129** | 23,138 |
| **Total investments, net of impairment losses** | **36,129** | 23,138 |
| | | |
| Represented by: | | |
| Long-term investments | **36,129** | 23,138 |
| | **36,129** | 23,138 |

## E4 Borrowings

| Group | Note | Non-current $'000 | Current $'000 | Total $'000 |
|---|---|---|---|---|
| **31 December 2021** | | | | |
| Bank loans | (a) | **64,165** | **142,601** | **206,766** |
| Commercial papers | (b) | **–** | **350,869** | **350,869** |
| Medium term notes | (c) | **1,010,704** | **–** | **1,010,704** |
| Lease liabilities | (d) | **480,465** | **66,416** | **546,881** |
| | | **1,555,334** | **559,886** | **2,115,220** |
| **31 December 2020** | | | | |
| Bank loans | (a) | 101,865 | 13,660 | 115,525 |
| Commercial papers | (b) | – | 396,230 | 396,230 |
| Medium term notes | (c) | 987,841 | – | 987,841 |
| Lease liabilities | (d) | 460,854 | 66,880 | 527,734 |
| Other loans | (e) | – | 19,565 | 19,565 |
| | | 1,550,560 | 496,335 | 2,046,895 |

### (a) Bank loans

| | Currency | Effective interest rate | | Maturity | | Group | |
|---|---|---|---|---|---|---|---|
| | | 2021 % | 2020 % | 2021 | 2020 | 2021 $'000 | 2020 $'000 |
| Bank loans | USD | **1.0 – 5.0** | 1.0 – 5.0 | **2022 – 2023** | 2023 | **143,422** | 12,897 |
| | EUR | **1.4 – 1.6** | 0.5 – 1.6 | **2026 – 2029** | 2026 – 2029 | **63,344** | 102,628 |
| | | | | | | **206,766** | 115,525 |
| - Unsecured | | | | | | **162,643** | 62,811 |
| - Secured | | | | | | **44,123** | 52,714 |
| At the end of the year | | | | | | **206,766** | 115,525 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E4 Borrowings (continued)

### (a) Bank loans (continued)

There are bank loans which are secured by assets as follows:

| Secured by | | Loan amount ($) |
|---|---|---|
| Certain property, plant and equipment of subsidiaries | - | $28,738,000 (2020: $35,043,000) |
| Subsidiary's land use right | - | $15,385,000 (2020: $17,671,000) |

All bank loans are denominated in the respective entities' functional currency.

### (b) Commercial papers

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Principal | **351,416** | 396,660 |
| Unamortised interest | **(463)** | (233) |
| Unamortised costs | **(84)** | (197) |
| | **350,869** | 396,230 |

### (c) Medium term notes

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Principal | **1,013,700** | 991,650 |
| Unamortised discount | **(2,996)** | (3,809) |
| | **1,010,704** | 987,841 |
| | | |
| Unamortised discount: | | |
| At beginning of the year | **3,809** | – |
| Additions | **–** | 4,406 |
| Amortisation for the year | **(892)** | (621) |
| Translation difference | **79** | 24 |
| At the end of the year | **2,996** | 3,809 |

On 29 April 2020, the Group issued US$750 million 1.50% Notes due 2025 under its S$5.0 billion Multicurrency Medium Term Note Programme. The bonds bore interest at a fixed rate of 1.50% per annum and interest was payable every six months from the date of issue. The bonds were unconditionally and irrevocably guaranteed by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E4 Borrowings (continued)

### (d) Lease liabilities

The Group leases various assets including real estate leases, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Maturity analysis – contractual undiscounted cash flows | | |
| Within 1 year | **69,088** | 71,307 |
| Between 1 and 5 years | **205,184** | 208,666 |
| After 5 years | **427,999** | 416,304 |
| Total undiscounted lease liabilities at 31 December | **702,271** | 696,277 |
| | | |
| Lease liabilities included in the statement of financial position at 31 December | **546,881** | 527,734 |
| | | |
| Repayable: | | |
| Within 1 year | **66,416** | 66,880 |
| After 1 year | **480,465** | 460,854 |
| | **546,881** | 527,734 |

The total cash outflow for leases recognised in the statement of cash flows is $89,141,000 (2020: $77,592,000).

(i) Real estate leases

The Group leases land and buildings for its office space, hangar and production facilities. The leases run for a period of 5 to 30 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

The Group sub-leases some of its properties under operating and finance leases.

## E4 Borrowings (continued)

### (d) Lease liabilities (continued)

(i) Real estate leases (continued)

**Extension options**

Some leases of office buildings contain extension options exercisable by the Group up to the day before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

**Estimates and judgement: Extension options – Lease terms**

Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option. The leases for office buildings contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

| 2021 Group | Lease liabilities recognised (discounted) $'000 | Potential future lease payments not included in lease liabilities (discounted) $'000 |
|---|---|---|
| Office buildings | **18,414** | **23,069** |

| 2020 Group | Lease liabilities recognised (discounted) $'000 | Potential future lease payments not included in lease liabilities (discounted) $'000 |
|---|---|---|
| Office buildings | 40,092 | 102,713 |

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group monitors the use of these vehicles and equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

The Group also leases IT equipment and machinery. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E4 Borrowings (continued)

### (e) Other loans

In the prior year, included in the other loans was a USD denominated promissory note of $19,565,000 favouring the U.S. Department of the Treasury issued by a U.S. entity of the Group related to a Payroll Support Program agreement under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act. The promissory note had a 10 years' maturity with no prepayment penalties, was unsecured and bears an effective interest at 4% per annum. The other loan was repaid during the year.

**Reconciliation of movements of liabilities and assets to cash flows arising from financing activities**

| Group | Liabilities | | | Assets | |
|---|---|---|---|---|---|
| | Borrowings $'000 | Trade payables and accruals $'000 | Amounts due to related parties $'000 | Deposits pledged $'000 | Total $'000 |
| **Balance at 1 January 2021** | 2,046,895 | 2,237,361 | 23,833 | (1,145) | 4,306,944 |
| **Changes from financing cash flows** | | | | | |
| Proceeds from bank loans | 132,027 | – | – | – | 132,027 |
| Proceeds from commercial papers | 756,896 | – | – | – | 756,896 |
| Proceeds from other loans | 10,933 | – | – | – | 10,933 |
| Repayment of bank loans | (35,103) | – | – | – | (35,103) |
| Repayment of commercial papers | (810,960) | – | – | – | (810,960) |
| Repayment of other loans | (30,933) | – | – | – | (30,933) |
| Repayment of lease liabilities | (73,456) | – | – | – | (73,456) |
| Interest paid | (16,212) | (17,432) | – | – | (33,644) |
| Deposit discharged | – | – | – | 1,145 | 1,145 |
| **Total changes from financing cash flows** | (66,808) | (17,432) | – | 1,145 | (83,095) |
| Changes arising from obtaining or losing control of subsidiaries | – | 369 | – | – | 369 |
| The effect of changes in foreign exchange rates | 25,419 | 14,254 | – | – | 39,673 |
| Change in fair value | (9,425) | – | – | – | (9,425) |
| **Liability-related other changes** | | | | | |
| Working capital changes | (728) | 423,936 | 3,948 | – | 427,156 |
| New leases | 92,328 | – | – | – | 92,328 |
| Interest expense | 27,539 | 17,509 | – | – | 45,048 |
| **Total liability-related other changes** | 119,139 | 441,445 | 3,948 | – | 564,532 |
| **Balance at 31 December 2021** | 2,115,220 | 2,675,997 | 27,781 | – | 4,818,998 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E4 Borrowings (continued)

| Group | Liabilities | | | Assets | |
|---|---|---|---|---|---|
| | Borrowings $'000 | Trade payables and accruals $'000 | Amounts due to related parties $'000 | Deposits pledged $'000 | Total $'000 |
| **Balance at 1 January 2020** | 2,337,707 | 2,541,348 | 70,007 | (1,135) | 4,947,927 |
| **Changes from financing cash flows** | | | | | |
| Proceeds from bank loans | 370,131 | – | – | – | 370,131 |
| Proceeds from MTN issuance | 1,058,400 | – | – | – | 1,058,400 |
| Proceeds from commercial papers | 524,092 | – | – | – | 524,092 |
| Proceeds from other loans | 19,565 | – | – | – | 19,565 |
| Repayment of commercial papers | (1,570,209) | – | – | – | (1,570,209) |
| Repayment of bank loans | (743,080) | – | – | – | (743,080) |
| Repayment of lease liabilities | (61,271) | – | – | – | (61,271) |
| Interest paid | (45,401) | (10,499) | – | – | (55,900) |
| Deposits pledged | – | – | – | (10) | (10) |
| **Total changes from financing cash flows** | (447,773) | (10,499) | – | (10) | (458,282) |
| The effect of changes in foreign exchange rates | (51,621) | (1,989) | – | – | (53,610) |
| Change in fair value | 14,328 | – | – | – | 14,328 |
| **Liability-related other changes** | | | | | |
| Working capital changes | – | (302,946) | (46,314) | – | (349,260) |
| Other movements | 28,045 | – | – | – | 28,045 |
| New leases | 128,213 | – | – | – | 128,213 |
| Interest expense | 37,996 | 11,447 | 140 | – | 49,583 |
| **Total liability-related other changes** | 194,254 | (291,499) | (46,174) | – | (143,419) |
| **Balance at 31 December 2020** | 2,046,895 | 2,237,361 | 23,833 | (1,145) | 4,306,944 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E5 Commitments and contingent liabilities

### (i) Capital commitments

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Capital expenditure contracted but not provided in the financial statements | **95,336** | 54,455 |

### (ii) Leases – As lessee

As at 31 December 2021, the Group had certain non-cancellable future minimum lease payments for short-term leases or leases for low-value assets amounting to $5,817,000 (31 December 2020: $2,618,000).

### (iii) Leases – As lessor

The Group has entered into non-cancellable operating leases on its aircraft, aircraft engines and certain property, plant and equipment. The lease terms range from 1 to 12 years.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Less than 1 year | **8,530** | 9,012 |
| 1 to 2 years | **7,459** | 4,651 |
| 2 to 3 years | **4,971** | 3,589 |
| 3 to 4 years | **4,661** | 3,565 |
| 4 to 5 years | **3,586** | 1,147 |
| More than 5 years | **3,021** | 848 |
| Total undiscounted lease payments | **32,228** | 22,812 |

### (iv) Contingent liabilities (unsecured)

The Group is a party to various claims that arise in the normal course of the Group's business. The total liability on these matters cannot be determined with certainty. However, in the opinion of management, the ultimate liability, to the extent not otherwise provided for, will not materially impact the consolidated financial statements of the Group.

## E5 Commitments and contingent liabilities (continued)

### Recognition and measurement

**As a lessee**

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meet the definition of an investment property) are presented in Note C2.

The lease liability is initially measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

## E5 Commitments and contingent liabilities (continued)

**Recognition and measurement** (continued)

**As a lessee** (continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Short term and low value leases**

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

**As a lessor**

The Group leases equipment under finance leases and office spaces under operating leases to non-related parties.

Finance leases are leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the statement of financial position and included in "Trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

Operating leases are leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E5 Commitments and contingent liabilities (continued)

**Recognition and measurement** (continued)

**As a lessor** (continued)

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the net investment in the sublease within "Trade and other receivables". Any difference between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statement of financial position, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognises lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

## E6 Share capital

| Company | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Issued and fully paid, with no par value | | |
| At beginning and end of the year 3,122,495,197 ordinary shares | **895,926** | 895,926 |

Included in share capital is a special share issued to the Minister for Finance. The special share enjoys all the rights attached to the ordinary shares. In addition, the special share carries the right to approve any resolution to be passed by the Company, either in general meeting or by its Board of Directors, on certain matters specified in the Company's Constitution. The special share may be converted at any time into an ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

**Recognition and measurement**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E7 Treasury shares

| Company | 2021 $'000 | 2020 $'000 |
|---|---|---|
| At beginning of the year | **(23,743)** | (26,731) |
| Purchased during the year | **(32,894)** | (29,154) |
| Reissue of treasury shares pursuant to share plans | **23,162** | 32,142 |
| At end of the year | **(33,475)** | (23,743) |

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, the Company purchased 8,500,000 (2020: 8,550,000) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity. 6,637,661 (2020: 8,339,647) treasury shares, at a cost of $23,162,000 (2020: $32,142,000), were reissued pursuant to its RSP and PSP.

### Recognition and measurement

When ordinary shares are reacquired by the Company, the consideration paid is recognised as a deduction from equity. Reacquired shares are classified as treasury shares. When treasury shares are sold, or re-issued subsequently, the cost of treasury shares is reversed from treasury shares account and the realised gain or loss on transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Treasury shares have no voting rights and no dividends are allocated to them.

## E8 Capital reserves

Included in capital reserves are:

(a) an amount of $115,948,000 (2020: $115,948,000) relating to share premium of the respective pooled enterprises, namely ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd. and ST Engineering Marine Ltd. classified as capital reserve upon the pooling of interests during the year ended 31 December 1997; and

(b) an amount of $12,008,000 (2020: $8,914,000) relating to realised loss (2020: realised loss) on reissuance of treasury shares under share-based payment arrangements as at 31 December 2021.

Capital reserves are non-distributable.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E9 Other reserves

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Foreign currency translation reserve | **(140,483)** | (154,074) |
| Statutory reserve | **1,618** | 1,494 |
| Fair value reserve | **(22,242)** | (7,571) |
| Share-based payment reserve | **75,920** | 74,298 |
| Premium paid on acquisition of non-controlling interests | **(16,750)** | (3,164) |
| | **(101,937)** | (89,017) |
| Fair value reserve movement arising from other comprehensive income comprises: | | |
| Net fair value changes on financial assets: | | |
| - Net fair value changes during the year for FVOCI equity instruments | **–** | (246) |
| - Reclassification to retained earnings on realisation | **–** | 584 |
| | **–** | 338 |
| Foreign currency translation reserve movement arising from other comprehensive income comprises: | | |
| Foreign currency translation differences arising from: | | |
| - Translation of loans forming part of net investments in foreign entities | **(6,500)** | 10,245 |
| - Share of translation difference of associates and joint ventures | **9,123** | 1,819 |
| - Reserves released on disposal of a subsidiary | **(5,643)** | 121 |
| - Translation of foreign entities | **16,611** | 27,817 |
| | **13,591** | 40,002 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## E9 Other reserves (continued)

Other reserves are non-distributable.

| Type of reserve | Nature |
|---|---|
| **Foreign currency translation reserve** | Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities. |
| **Statutory reserve** | Statutory reserve comprises transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries and joint ventures operate, principally in the People's Republic of China where the subsidiaries and joint ventures are required to make appropriation to a Statutory Reserve Fund and Enterprise Expansion Fund. The laws of the countries restrict the distribution and use of these statutory reserves. |
| **Fair value reserve** | Fair value reserve comprises the cumulative fair value changes of financial instruments at FVOCI and the effective portion of hedging instruments, until they are disposed or impaired. |
| **Share-based payment reserve** | Represents the cumulative value of services received for the issuance of the options and shares under the share plans of the Company issued to employees and non-executive directors. |
| **Premium paid on acquisition of non-controlling interests** | Difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the net assets acquired. |

## E10 Dividends

| Company | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Final dividend paid in respect of the previous financial year of 10.0 cents (2020: 10.0 cents) per share | **311,922** | 312,147 |
| Interim dividend paid in respect of the current financial year of 5.0 cents (2020: 5.0 cents) per share | **155,969** | 155,888 |
| | **467,891** | 468,035 |

The Directors propose a final dividend of 10.0 cents (2020: 10.0 cents) per share amounting to $312.2 million (2020: $312.2 million) in respect of the financial year ended 31 December 2021. These dividends have not been recognised as a liability as at year end as they are subject to the approval by shareholders at the Annual General Meeting of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F. GROUP STRUCTURE

This section explains significant aspects of ST Engineering's group structure, including joint arrangements that the Group has interest in, its controlled entities and how changes have affected the Group structure. It also provides information on business acquisitions and disposals made during the financial year as well as information relating to ST Engineering's related parties, the extent of related party transactions and the impact they had on the Group's financial performance and position.

| | | | |
|---|---|---|---|
| **F1** | Subsidiaries | **F4** | Associates and joint ventures |
| **F2** | Acquisition and disposal of controlling interests in subsidiaries in 2021/2020 | **F5** | Related party information |
| **F3** | Non-controlling interests in subsidiaries | | |

### F1 Subsidiaries

Details of the significant subsidiaries of the Group are as follows:

| | Country of incorporation | Effective equity interest held by the Group | |
|---|---|---|---|
| | | 2021 % | 2020 % |
| Elbe Flugzeugwerke GmbH[1] | Germany | 55 | 55 |
| MRA Systems, LLC[2] | U.S. | 100 | 100 |
| ST Engineering Advanced Networks & Sensors Pte. Ltd. | Singapore | 100 | 100 |
| ST Engineering Aerospace Ltd. | Singapore | 100 | 100 |
| ST Engineering Aerospace Services Company Pte. Ltd. | Singapore | 80 | 80 |
| ST Engineering Defence Aviation Services Pte. Ltd. (formerly known as ST Engineering Aerospace Aircraft Maintenance Pte. Ltd.) | Singapore | 100 | 100 |
| ST Engineering Electronics Ltd. | Singapore | 100 | 100 |
| ST Engineering iDirect (Europe) NV[3] | Belgium | 100 | 100 |
| ST Engineering Land Systems Ltd. | Singapore | 100 | 100 |
| ST Engineering Marine Ltd. | Singapore | 100 | 100 |
| ST Engineering Mission Software & Services Pte. Ltd. | Singapore | 100 | 100 |
| ST Engineering Unmanned & Integrated Systems Pte. Ltd. | Singapore | 100 | 100 |
| ST Engineering North America, Inc.[2] | U.S. | 100 | 100 |
| ST Engineering RHQ Ltd.[4] | United Kingdom | 100 | 100 |
| ST Engineering IHQ Pte. Ltd. | Singapore | 100 | 100 |
| ST Engineering Treasury Pte. Ltd. | Singapore | 100 | 100 |

[1] Audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for consolidation purposes.
[2] Not required to be audited under the law in the country of incorporation.
[3] Audited by PricewaterhouseCoopers Antwerp for consolidation purposes.
[4] Audited by Critchleys LLP.

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and network of member firms of PricewaterhouseCoopers International Limited (PwCIL), except as indicated above.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F2 Acquisition and disposal of controlling interests in subsidiaries in 2021/2020

### Acquisition of controlling interest in subsidiaries in 2021

(i) Acquisition of controlling interests in Keystone 1 Limited (Keystone)

On 7 April 2021, the Group acquired 100% of Keystone for a net cash consideration of $11,735,000. Keystone's main principal activity is aircraft leasing. Keystone was subsequently divested on 28 December 2021.

Keystone contributed revenue of $576,000 and net profit of $673,000 to the Group for the period from 7 April 2021 to 28 December 2021.

(ii) Acquisition of controlling interests in ST Engineering Satellite Systems Pte. Ltd. (Satellite Systems)

On 9 August 2021, the Group has reclassified its investments in Satellite Systems from a joint venture to a 51% owned subsidiary following the changes made to the constitution. Satellite Systems provides design and development, system integration, manufacturing and sale of satellite equipment.

Satellite Systems contributed revenue of $8,664,000 and net profit of $717,000 to the Group for the period from 9 August 2021 to 31 December 2021.

Had the above businesses been consolidated from 1 January 2021, consolidated revenue and net profit for the year ended 31 December 2021 would have been $7,700,723,000 and $573,938,000 respectively

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F2 Acquisition and disposal of controlling interests in subsidiaries in 2021/2020 (continued)

### Identifiable assets acquired and liabilities assumed

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

| | Fair values recognised on acquisition 2021 $'000 |
|---|---|
| Property, plant and equipment | 21,144 |
| Deferred tax assets | 84 |
| Contract assets | 565 |
| Trade receivables | 16 |
| Advances and other receivables | 1,323 |
| Bank balances and other liquid funds | 19,515 |
| Contract liabilities | (5,182) |
| Deposits from customers | (138) |
| Trade payables and accruals | (3,372) |
| Amount due to related parties | (8,123) |
| Provision for taxation | (106) |
| Non-current contract liabilities | (974) |
| Deferred tax liabilities | (973) |
| Total identifiable net assets | 23,779 |
| Non-controlling interests | (5,682) |
| Fair value of pre-existing interest in the acquiree | (5,915) |
| Total purchase consideration | 12,182 |
| | |
| **Cash outflow on acquisition:** | |
| Cash consideration paid | 12,182 |
| Less: cash acquired | (19,515) |
| Net cash inflow on acquisition | (7,333) |

The Group incurred acquisition-related cost of $64,000 on legal fees and have been included in administrative expenses.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F2 Acquisition and disposal of controlling interests in subsidiaries in 2021/2020 (continued)

### De-consolidation and disposal of controlling interests in subsidiaries in 2021

In January 2021, the Group divested its 100% equity interest in VT Volant Aerospace, LLC (Volant) and in December 2021, the Group divested the 100% equity interest in Keystone 1 Limited (Keystone).

Volant contributed revenue of $113,000 and loss before tax of $569,000 for the period from 1 January 2021 to the date of disposal. Keystone contributed revenue of $230,000 and net profit of $2,893,000 to the Group for the period from 7 April 2021 to 28 December 2021.

During the year, the Group received proceeds from its de-consolidated subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively known as "JHK") that were under voluntary liquidation process since December 2016.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

| | Total $'000 |
|---|---|
| Property, plant and equipment | 18,938 |
| Right-of-use assets | 190 |
| Intangible assets | 264 |
| Deferred tax assets | 21 |
| Inventories | 8,374 |
| Trade receivables | 601 |
| Advances and other receivables | 2,022 |
| Bank balances and other liquid funds | 2,613 |
| Trade payables and accruals | (4,124) |
| Amounts due to related parties | (346) |
| Provision for taxation | (76) |
| Deferred tax liabilities | (1,953) |
| Net assets disposed | 26,524 |
| Realisation of reserves | (5,643) |
| Gain on disposal | 11,742 |
| Sales consideration | 32,623 |
| Less: bank balances and other liquid funds in subsidiaries disposed | (2,613) |
| Net cash inflow on disposal | 30,010 |

### De-consolidation of controlling interests in a subsidiary in 2020

In the prior year, the Group completed the liquidation of Silvatech Global Systems Limited as part of an effort to streamline its organisation structure. The subsidiary was dormant prior to disposal.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F3 Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries with material non-controlling interests (NCI), based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences from the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

| **Name of subsidiary**<br>**2021** | **ST Engineering Aerospace Services Company Pte. Ltd.**<br>**$'000** |
|---|---|
| **NCI percentage** | **20%** |
| **Principal place of business/Country of incorporation** | **Singapore** |
| Revenue | **320,082** |
| Profit/(loss) after taxation | **54,419** |
| Other comprehensive (loss)/income | **(1,443)** |
| **Total comprehensive income/(loss)** | **52,976** |
| Attributable to NCI: | |
| - Profit/(loss) | **10,884** |
| - Other comprehensive (loss)/income | **(289)** |
| - **Total comprehensive income/(loss)** | **10,595** |
| Non-current assets | **232,603** |
| Current assets | **242,622** |
| Non-current liabilities | **(162,285)** |
| Current liabilities | **(139,934)** |
| **Net assets** | **173,006** |
| **Net assets attributable to NCI** | **34,601** |
| Cash flows from operating activities | **7,679** |
| Cash flows used in investing activities | **(55,520)** |
| Cash flows used in financing activities* | **(22,472)** |
| **Net (decrease)/increase in cash and cash equivalents** | **(70,313)** |
| * including dividends to NCI | **(8,000)** |

| Eco-Services, LLC $'000 | ST Aerospace Technologies (Xiamen) Company Ltd $'000 | Elbe Flugzeuwerke GmbH $'000 | Other individually immaterial subsidiaries $'000 | Intra-group elimination $'000 | Total $'000 |
|---|---|---|---|---|---|
| 49.9% | 20% | 45% | | | |
| U.S. | China | Germany | | | |
| 21,271 | 123,642 | 455,591 | | | |
| 3,154 | 794 | (33,907) | | | |
| 893 | 3,097 | (24,557) | | | |
| 4,047 | 3,891 | (58,464) | | | |
| 1,574 | 159 | (15,258) | 1,287 | (2,215) | (3,569) |
| 446 | 619 | (11,056) | (143) | 26 | (10,397) |
| 2,020 | 778 | (26,314) | 1,144 | (2,189) | (13,966) |
| 15,515 | 53,034 | 663,048 | | | |
| 35,108 | 79,311 | 305,431 | | | |
| (945) | – | (425,626) | | | |
| (6,431) | (61,190) | (191,210) | | | |
| 43,247 | 71,155 | 351,643 | | | |
| 21,580 | 14,231 | 158,239 | 23,008 | 3,794 | 255,453 |
| 10,356 | 4,307 | 61,263 | | | |
| (1,035) | (1,385) | (11,134) | | | |
| – | – | (38,225) | | | |
| 9,321 | 2,922 | 11,904 | | | |
| – | – | – | | | |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F3 Non-controlling interests in subsidiaries (continued)

| **Name of subsidiary**<br>**2020** | ST Engineering Aerospace Services Company Pte. Ltd.<br>$'000 |
|---|---|
| **NCI percentage** | **20%** |
| **Principal place of business/Country of incorporation** | **Singapore** |
| Revenue | 239,538 |
| Profit/(loss) after taxation | 47,243 |
| Other comprehensive income/(loss) | 606 |
| **Total comprehensive income** | 47,849 |
| Attributable to NCI: | |
| - Profit/(loss) | 9,449 |
| - Other comprehensive income/(loss) | 121 |
| - **Total comprehensive income/(loss)** | 9,570 |
| Non-current assets | 93,570 |
| Current assets | 257,319 |
| Non-current liabilities | (43,315) |
| Current liabilities | (97,402) |
| **Net assets** | 210,172 |
| **Net assets attributable to NCI** | 42,034 |
| Cash flows from operating activities | 149,791 |
| Cash flows from/(used in) investing activities | 37,887 |
| Cash flows used in financing activities* | (64,611) |
| **Net increase in cash and cash equivalents** | 123,067 |
| * including dividends to NCI | (16,760) |

| Eco-Services, LLC $'000 | ST Aerospace Technologies (Xiamen) Company Ltd $'000 | Elbe Flugzeuwerke GmbH $'000 | Other individually immaterial subsidiaries $'000 | Intra-group elimination $'000 | Total $'000 |
|---|---|---|---|---|---|
| **49.9%** | **20%** | **45%** | | | |
| **U.S.** | **China** | **Germany** | | | |
| 23,032 | 121,727 | 375,095 | | | |
| 3,850 | 5,387 | (23,908) | | | |
| (852) | 3,104 | 30,243 | | | |
| 2,998 | 8,491 | 6,335 | | | |
| 1,921 | 1,077 | (10,759) | 2,735 | (640) | 3,783 |
| (425) | 621 | 13,608 | (20) | (1) | 13,904 |
| 1,496 | 1,698 | 2,849 | 2,715 | (641) | 17,687 |
| 16,893 | 51,544 | 692,816 | | | |
| 27,528 | 72,577 | 260,683 | | | |
| (471) | – | (441,795) | | | |
| (3,457) | (56,842) | (111,530) | | | |
| 40,493 | 67,279 | 400,174 | | | |
| 20,206 | 13,456 | 180,078 | 26,574 | (173) | 282,175 |
| 7,785 | 20,550 | 43,569 | | | |
| (279) | (559) | (29,762) | | | |
| (432) | (18,639) | (5,307) | | | |
| 7,074 | 1,352 | 8,500 | | | |
| – | – | – | | | |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Unquoted shares, at fair value | **34,215** | 20,858 |
| | | |
| Unquoted shares, at cost | **360,580** | 357,705 |
| Goodwill on acquisition | **38** | 38 |
| Share of net assets acquired | **360,618** | 357,743 |
| Impairment in associates | **(8,000)** | (8,000) |
| Share of post-acquisition reserves | **96,064** | 98,311 |
| | **448,682** | 448,054 |
| | **482,897** | 468,912 |
| | | |
| Represented by: | | |
| Interest in associates | **347,561** | 319,005 |
| Interest in joint ventures | **135,336** | 149,907 |
| | **482,897** | 468,912 |

In the prior year, an impairment loss of $4,000,000 was recognised for an investment in associate and mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of an investment in associate. The recoverable amount was determined based on the value-in-use method.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

Details of significant associates and joint ventures are as follows:

| Name | Principal activities | Country of incorporation/ place of business | Effective equity interest held by the Group 2021 % | 2020 % |
|---|---|---|---|---|
| **Associates** | | | | |
| Shanghai Technologies Aerospace Company Limited [1] | Aircraft and component maintenance, repair, overhaul and other related maintenance business | People's Republic of China | **49** | 49 |
| ST Aerospace (Guangzhou) Aviation Services Company Limited [1] | Aircraft and component maintenance, repair, overhaul and other related maintenance business | People's Republic of China | **44** | 44 |
| Turbine Coating Services Pte. Ltd. | Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes | Singapore | **24.5** | 24.5 |
| Turbine Overhaul Services Pte. Ltd. | Repair and service of gas and steam turbine components | Singapore | **49** | 49 |
| CityCab Pte. Ltd. [1] | Rental of taxis and the provision of charge card facilities | Singapore | **46.5** | 46.5 |
| Experia Events Pte. Ltd.[1] | Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event | Singapore | **33** | 33 |
| **Joint ventures** | | | | |
| Total Engine Asset Management Pte. Ltd.[1] | Leasing of engines | Singapore | **50** | 50 |
| Keystone Holdings (Global) Pte. Ltd.[1] | Investment holding | Singapore | **50** | 50 |
| SPTel Pte. Ltd. | Running, operation, management and supply of telecommunications services | Singapore | **51** | 51 |

[1] Not audited by PricewaterhouseCoopers LLP Singapore.

All significant associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and network of member firms of PricewaterhouseCoopers International Limited (PwCIL), except as indicated above.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

### Associates

The following table summarises the information of each of the Group's material associates, which are equity-accounted, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

| Name of associate 2021 | Shanghai Technologies Aerospace Company Limited $'000 | ST Aerospace (Guangzhou) Aviation Services Company Limited $'000 |
|---|---|---|
| **Percentage of interest** | 49% | 44% |
| Revenue | 47,454 | 68,760 |
| Profit/(loss) after taxation | (6,120) | 7,795 |
| Other comprehensive income | 5,392 | 5,009 |
| **Total comprehensive (loss)/income** | (728) | 12,804 |
| Attributable to NCI | – | – |
| Attributable to investee's shareholders | (728) | 12,804 |
| Non-current assets | 83,937 | 115,641 |
| Current assets | 58,500 | 45,730 |
| Non-current liabilities | (1,337) | (19,321) |
| Current liabilities | (18,794) | (23,019) |
| **Net assets** | 122,306 | 119,031 |
| Attributable to NCI | – | – |
| Attributable to investee's shareholders | 122,306 | 119,031 |
| **Group's interest in net assets of investee at beginning of the year** | 61,988 | 46,739 |
| Group's share of: | | |
| - Profit/(loss) for the year | (2,999) | 3,430 |
| - Total other comprehensive income/(loss) | 2,642 | 2,205 |
| Total comprehensive income/(loss) | (357) | 5,635 |
| Group's contribution during the year | – | – |
| Dividends received during the year | (1,701) | – |
| Carrying amount of interest in investee at end of the year | 59,930 | 52,374 |

Fair value changes of unquoted investments held by the Group's Corporate Venture Capital Unit is recognised in Other income/(expenses) in the income statement.

| Turbine Coating Services Pte. Ltd. $'000 | Turbine Overhaul Services Pte. Ltd. $'000 | CityCab Pte. Ltd. $'000 | Experia Events Pte. Ltd. $'000 | Immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|---|
| 24.5% | 49% | 46.5% | 33% | | |
| 17,956 | 266,115 | 69,984 | 8,203 | | |
| 5,563 | 40,081 | 3,836 | (7,976) | | |
| 1,310 | 2,882 | – | – | | |
| 6,873 | 42,963 | 3,836 | (7,976) | | |
| – | – | (257) | – | | |
| 6,873 | 42,963 | 4,093 | (7,976) | | |
| 21,973 | 46,011 | 89,249 | 44,062 | | |
| 41,864 | 213,412 | 82,330 | 50,265 | | |
| (3,199) | (5,967) | (18,030) | (4,634) | | |
| – | (102,568) | (21,070) | (30,582) | | |
| 60,638 | 150,888 | 132,479 | 59,111 | | |
| – | – | 638 | – | | |
| 60,638 | 150,888 | 131,841 | 59,111 | | |
| 14,488 | 60,777 | 64,301 | 22,141 | 48,571 | 319,005 |
| 1,363 | 19,640 | 1,904 | (2,631) | 14,177 | 34,884 |
| 320 | 1,413 | – | – | 425 | 7,005 |
| 1,683 | 21,053 | 1,904 | (2,631) | 14,602 | 41,889 |
| – | | – | – | 4,883 | 4,883 |
| (1,315) | (7,894) | (4,896) | – | (2,410) | (18,216) |
| 14,856 | 73,936 | 61,309 | 19,510 | 65,646 | 347,561 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

### Associates (continued)

| Name of associate 2020 | Shanghai Technologies Aerospace Company Limited $'000 | ST Aerospace (Guangzhou) Aviation Services Company Limited $'000 |
|---|---|---|
| **Percentage of interest** | 49% | 44% |
| Revenue | 63,827 | 46,502 |
| Profit/(loss) after taxation | 3,761 | (8,391) |
| Other comprehensive income/(loss) | 6,267 | 5,461 |
| **Total comprehensive income/(loss)** | 10,028 | (2,930) |
| Attributable to NCI | – | – |
| Attributable to investee's shareholders | 10,028 | (2,930) |
| Non-current assets | 80,491 | 113,547 |
| Current assets | 64,415 | 25,698 |
| Non-current liabilities | – | (20,333) |
| Current liabilities | (18,400) | (12,688) |
| **Net assets** | 126,506 | 106,224 |
| Attributable to NCI | – | – |
| Attributable to investee's shareholders | 126,506 | 106,224 |
| **Group's interest in net assets of investee at beginning of the year** | 60,377 | 48,027 |
| Group's share of: | | |
| - Profit/(loss) for the year | 1,843 | (3,692) |
| - Total other comprehensive income/(loss) | 3,071 | 2,404 |
| Total comprehensive income/(loss) | 4,914 | (1,288) |
| Group's contribution during the year | – | – |
| Dividends received during the year | (3,303) | – |
| Impairment of an associate during the year | – | – |
| Carrying amount of interest in investee at end of the year | 61,988 | 46,739 |

| Turbine Coating Services Pte. Ltd. $'000 | Turbine Overhaul Services Pte. Ltd. $'000 | CityCab Pte. Ltd. $'000 | Experia Events Pte. Ltd. $'000 | Immaterial associates $'000 | Total $'000 |
|---|---|---|---|---|---|
| 24.5% | 49% | 46.5% | 33% | | |
| 20,030 | 240,797 | 67,099 | 48,123 | | |
| 8,286 | 21,096 | (7,110) | 14,241 | | |
| (1,335) | (2,880) | – | – | | |
| 6,951 | 18,216 | (7,110) | 14,241 | | |
| – | – | 320 | – | | |
| 6,951 | 18,216 | (7,430) | 14,241 | | |
| 22,747 | 34,105 | 112,981 | 47,064 | | |
| 38,485 | 179,414 | 73,045 | 35,442 | | |
| (2,096) | – | (27,438) | (4,373) | | |
| – | (89,485) | (19,415) | (11,045) | | |
| 59,136 | 124,034 | 139,173 | 67,088 | | |
| – | – | 895 | – | | |
| 59,136 | 124,034 | 138,278 | 67,088 | | |
| 12,785 | 51,850 | 74,164 | 17,441 | 53,771 | 318,415 |
| 2,030 | 10,337 | (3,306) | 4,700 | (366) | 11,546 |
| (327) | (1,410) | – | – | (4,659) | (921) |
| 1,703 | 8,927 | (3,306) | 4,700 | (5,025) | 10,625 |
| – | – | – | – | 4,868 | 4,868 |
| – | – | (6,557) | – | (1,043) | (10,903) |
| – | – | – | – | (4,000) | (4,000) |
| 14,488 | 60,777 | 64,301 | 22,141 | 48,571 | 319,005 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

### Joint ventures

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences with the Group's accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

| **Name of joint venture 2021** | **Keystone Holdings (Global) Pte. Ltd. $'000** | **Total Engine Asset Management Pte. Ltd. $'000** | **SPTel Pte. Ltd. $'000** | **Immaterial joint ventures $'000** | **Total $'000** |
|---|---|---|---|---|---|
| **Percentage of interest** | 50% | 50% | 51% | | |
| Revenue | 22,982 | 22,865 | 34,358 | | |
| Profit/(loss) after taxation [a] | 7,694 | (6,936) | (15,847) | | |
| Other comprehensive income | 944 | 5,586 | – | | |
| **Total comprehensive income/(loss)** | 8,638 | (1,350) | (15,847) | | |
| [a] Includes: | | | | | |
| – Depreciation and amortisation of: | (13,555) | (10,268) | 11,536 | | |
| – Interest expense of: | (3,784) | (4,980) | 945 | | |
| – Income tax expense of: | 869 | 3,706 | (449) | | |
| Non-current assets | 181,512 | 361,038 | 97,492 | | |
| Current assets [b] | 32,113 | 22,265 | 26,305 | | |
| Non-current liabilities [c] | (71,927) | (145,348) | (26,855) | | |
| Current liabilities [d] | (71,623) | (123,485) | (43,902) | | |
| **Net assets excluding goodwill** | 70,075 | 114,470 | 53,040 | | |
| [b] Includes cash and cash equivalents of: | 29,687 | 11,872 | 8,464 | | |
| [c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of: | (71,927) | (145,348) | 27,544 | | |
| [d] Includes current financial liabilities (excluding trade and other payables and provisions) of: | (71,097) | (117,293) | 11,580 | | |
| **Group's interest in net assets of investee at beginning of the year** | 36,376 | 60,464 | 37,876 | 15,191 | 149,907 |
| Share of total comprehensive income/(loss) | 4,319 | (675) | (8,112) | 1,056 | (3,412) |
| Group's (return of capital)/ contribution during the year | (3,752) | – | – | 5,001 | 1,249 |
| Carrying amount of interest in a joint venture reclassified to a subsidiary | – | – | – | (5,915) | (5,915) |
| Disposal of joint venture | – | – | – | (361) | (361) |
| Dividends received during the year | (1,906) | (2,554) | – | (1,672) | (6,132) |
| **Carrying amount of interest in investee at end of the year** | 35,037 | 57,235 | 29,764 | 13,300 | 135,336 |

# NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

### Joint ventures (continued)

| **Name of joint venture 2020** | Keystone Holdings (Global) Pte. Ltd. $'000 | Total Engine Asset Management Pte. Ltd. $'000 | SPTel Pte. Ltd. $'000 | Immaterial joint ventures $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Percentage of interest** | 50% | 50% | 51% | | |
| Revenue | 26,520 | 103,257 | 23,738 | | |
| Profit/(loss) after taxation [a] | 3,924 | 42,660 | (13,134) | | |
| Other comprehensive loss | (3,440) | (400) | – | | |
| **Total comprehensive income/(loss)** | 484 | 42,260 | (13,134) | | |
| [a] Includes: | | | | | |
| – Depreciation and amortisation of: | 14,282 | 16,049 | 8,571 | | |
| – Interest expense of: | 5,435 | 12,965 | 636 | | |
| – Income tax expense of: | 975 | 3,224 | (1,537) | | |
| Non-current assets | 204,150 | 266,273 | 91,955 | | |
| Current assets [b] | 26,796 | 58,615 | 27,872 | | |
| Non-current liabilities [c] | (95,316) | (161,733) | (13,173) | | |
| Current liabilities [d] | (62,879) | (42,226) | (37,767) | | |
| **Net assets excluding goodwill** | 72,751 | 120,929 | 68,887 | | |
| [b] Includes cash and cash equivalents of: | 21,610 | 36,977 | 17,732 | | |
| [c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of: | 95,316 | 161,733 | 13,173 | | |
| [d] Includes current financial liabilities (excluding trade and other payables and provisions) of: | 62,065 | 42,226 | 7,253 | | |
| **Group's interest in net assets of investee at beginning of the year** | 36,821 | 40,117 | 44,617 | 13,449 | 135,004 |
| Share of total comprehensive income/(loss) | 242 | 21,130 | (6,741) | 2,642 | 17,273 |
| Dividends received during the year | (687) | (783) | – | (900) | (2,370) |
| **Carrying amount of interest in investee at end of the year** | 36,376 | 60,464 | 37,876 | 15,191 | 149,907 |

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

### Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note C3.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, any subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustment is made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Consistent accounting policies are applied to like transactions and events in similar circumstances. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

**Basis of consolidation** (continued)

(iii) Acquisitions of entities under amalgamation

The Company's interests in ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd., and ST Engineering Marine Ltd. (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act 1967 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at FVOCI, depending on the level of influence retained.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group's Corporate Venture Capital Unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F4 Associates and joint ventures (continued)

**Basis of consolidation** (continued)

(v) Investments in associates and joint ventures (continued)

For investments in associates acquired by the Group's Corporate Venture Capital Unit, the Group has elected to measure its investments in associates at FVTPL in accordance with SFRS(I) 9 *Financial Instruments*.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) Transactions eliminated on consolidation

All significant inter-company balances and transactions are eliminated on consolidation.

**Recognition and measurement**

Goodwill that forms part of the carrying amount of an investment in an associate and/or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and/or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate and/or joint venture may be impaired.

**Estimates and judgements: Judgements made in applying accounting policies**

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relates to assessing whether the Group has control over its investee companies.

During the year, the Group assessed the terms and conditions of the shareholders' agreement of subsidiaries that are not wholly-owned by the Group. The Group made critical judgements over:

(a) its ability to exercise power over its investees;
(b) its exposure or rights to variable returns for its investments with those investees; and
(c) its ability to use its power to affect those returns.

The Group's judgement included considerations of its power exercised at the board of the respective investees and rights and obligations arising from matters reserved for the board as agreed with the other shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## F5 Related party information

### Key management personnel compensation

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Short-term employee benefits | **41,861** | 36,599 |
| Contributions to defined contribution plans | **680** | 688 |
| Share-based payments | **8,780** | 12,106 |
| | **51,321** | 49,393 |

In addition to related party information disclosed elsewhere in the financial statements, the Group has significant transactions with the following related parties on terms agreed between the parties:

| Group | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Associates of the Group** | | |
| Sales and services rendered | **7,888** | 8,074 |
| Purchases and services received | **(3,384)** | (22,398) |
| Dividend income | **18,216** | 10,903 |
| **Joint ventures of the Group** | | |
| Sales and services rendered | **54,999** | 41,481 |
| Purchases and services received | **(1,595)** | (22,300) |
| Dividend income | **6,132** | 2,370 |
| **Other related parties*** | | |
| Sales and services rendered | **76,164** | 45,066 |
| Purchases and services received | **(9,882)** | (19,378) |
| Rental expense | **(5,368)** | (4,633) |
| Rental income | **–** | 538 |

* Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## G. OTHERS



### G1 Comparatives

The following prior year comparatives have been reclassified to conform to changes in the presentation on the current year. The reclassifications have been made to better reflect the nature of the balances.

| | 2020 (As previously Reported) $'000 | Reclassification $'000 | 2020 (As restated) $'000 |
|---|---|---|---|
| Presented in Consolidated Statement of Financial Position | | | |
| Current assets | | | |
| Contract assets | 1,153,192 | 402,589 | 1,555,781 |
| Current liabilities | | | |
| Contract liabilities | 1,141,484 | (157,597) | 983,887 |
| Trade payables and accruals | 1,667,568 | 550,455 | 2,218,023 |
| Non-current liabilities | | | |
| Contract liabilities | 792,617 | 9,731 | 802,348 |

### G2 Adoption of new standards and interpretations

On 1 January 2021, the Group has adopted the new or amended SFRS(I)s and Interpretations of SFRS(I)s ("INT SFRS(I)s") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s and INT SFRS(I)s.

The adoption of these new or amended SFRS(I)s and INT SFRS(I)s did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## G2 Adoption of new standards and interpretations (continued)

### Applicable to 2021 financial statements

- *Amendments to SFRS(I) 16 Leases (Covid-19-Related Rent Concessions)*
- *Amendments to SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments:Disclosures* and *SFRS(I) 16 Leases (Interest Rate Benchmark Reform – Phase 2)*

## G3 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

### Applicable to 2022 financial statements

- *Amendments to SFRS(I) 16 Leases:* Covid-19-Related Rent Concessions beyond 30 June 2021
- *Amendments to SFRS(I) 3 Business Combinations:* Reference to the Conceptual Framework
- *Amendments to SFRS(I) 1-16 Property, Plant and Equipment:* Proceeds before Intended Use
- *Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets:* Onerous Contracts – Cost of Fulfilling a Contract

### Applicable to 2023 financial statements

- *Amendments to SFRS(I) 1-1 Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current
- *Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2:* Disclosure of Accounting Policies
- *Amendments to SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates
- *Amendments to SFRS(I) 1-12 Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction

### Mandatory effective date deferred

- *Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

## G4 Impact of COVID-19

The COVID-19 pandemic continues to impact economies and businesses around the world, albeit there was partial business recovery in 2021. The Group has considered the market conditions and outlook including the impact of COVID-19 as at the balance sheet date, in making estimates and judgements on the recoverability of assets and provisions for onerous contracts as at 31 December 2021. As the impact of the pandemic is ongoing and evolving as at the date these financial statements were authorised for issuance, future developments in relation to the pandemic and their impact on the operating and financial performance of the Group cannot be ascertained at the present moment.

# STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

| | Note | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 2 | **145** | 2,137 |
| Right-of-use assets | | **317** | 3,558 |
| Subsidiaries | 3 | **1,479,070** | 1,363,251 |
| Associates | 4 | **–** | 17,657 |
| Deferred tax assets | | **–** | 2,500 |
| | | **1,479,532** | 1,389,103 |
| **Current assets** | | | |
| Amounts due from related parties | 5 | **14,833** | 70,030 |
| Advances and other receivables | | **236** | 1,653 |
| Bank balances and other liquid funds | 6 | **82,255** | 7,372 |
| | | **97,324** | 79,055 |
| **Total assets** | | **1,576,856** | 1,468,158 |
| **EQUITY AND LIABILITIES** | | | |
| **Current liabilities** | | | |
| Other payables and accruals | 7 | **3,526** | 21,542 |
| Amounts due to related parties | 5 | **11,878** | 16,868 |
| Provision for taxation | | **701** | 3,267 |
| Lease liabilities | | **110** | 2,014 |
| | | **16,215** | 43,691 |
| **Net current assets** | | **81,109** | 35,364 |
| **Non-current liabilities** | | | |
| Other payables and accruals | 7 | **–** | 7,390 |
| Lease liabilities | | **113** | 1,504 |
| | | **113** | 8,894 |
| **Total liabilities** | | **16,328** | 52,585 |
| **Net Assets** | | **1,560,528** | 1,415,573 |
| **Share capital and reserves** | | | |
| Share capital | 8 | **895,926** | 895,926 |
| Treasury shares | 8 | **(33,475)** | (23,743) |
| Capital reserves | 8 | **(12,044)** | (8,940) |
| Other reserves | 8 | **65,716** | 64,054 |
| Retained earnings | | **644,405** | 488,276 |
| | | **1,560,528** | 1,415,573 |
| **Total equity and liabilities** | | **1,576,856** | 1,468,158 |

*The accompanying notes are an integral part of the financial statements.*

# NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## 1. Basis of Preparation and Significant Accounting Policies

The Statement of Financial Position of the Company is prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The Statement of Financial Position of the Company has been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

The Statement of Financial Position of the Company are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand ($'000) unless otherwise indicated.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the Statement of Financial Position of the Company is consistent with the disclosures in the consolidated financial statements.

The Statement of Financial Position and Notes to the Statement of Financial Position of the Company as at 31 December 2021 were authorised and approved by the Board of Directors for issuance on 24 February 2022.

## 2. Property, plant and equipment

| | Buildings and improvements $'000 | Furniture, fittings, office equipment and others $'000 | Construction-in progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2021 | 6 | 2,124 | 1,191 | 3,321 |
| Additions | – | 80 | – | 80 |
| Disposals | (6) | (1,748) | (1,155) | (2,909) |
| Transfer | – | 36 | (36) | – |
| At 31 December 2021 | – | 492 | – | 492 |
| **Accumulated depreciation** | | | | |
| At 1 January 2021 | 3 | 1,181 | – | 1,184 |
| Depreciation charge | – | 279 | – | 279 |
| Disposals | (3) | (1,113) | – | (1,116) |
| At 31 December 2021 | – | 347 | – | 347 |
| **Net book value** | | | | |
| At 31 December 2021 | – | 145 | – | 145 |

# NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## 2. Property, plant and equipment (continued)

| | Buildings and improvements $'000 | Furniture, fittings, office equipment and others $'000 | Construction-in progress $'000 | Total $'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2020 | 2,847 | 34,713 | 2,651 | 40,211 |
| Additions | – | 7,123 | – | 7,123 |
| Disposals | (2,841) | (39,712) | (1,460) | (44,013) |
| At 31 December 2020 | 6 | 2,124 | 1,191 | 3,321 |
| **Accumulated depreciation** | | | | |
| At 1 January 2020 | 1,576 | 9,947 | – | 11,523 |
| Depreciation charge | 190 | 3,634 | – | 3,824 |
| Disposals | (1,763) | (12,400) | – | (14,163) |
| At 31 December 2020 | 3 | 1,181 | – | 1,184 |
| **Net book value** | | | | |
| At 31 December 2020 | 3 | 943 | 1,191 | 2,137 |

## 3. Subsidiaries

| | **2021 $'000** | 2020 $'000 |
|---|---|---|
| Equity investments at cost | | |
| At beginning of the year | **1,363,251** | 1,327,608 |
| Additions | **1,415,530** | 35,643 |
| Transfers to subsidiaries | **(1,291,123)** | – |
| Impairment | **(8,588)** | – |
| At end of the year | **1,479,070** | 1,363,251 |

During the year, the Company transferred its investments in certain subsidiaries to ST Engineering IHQ Pte. Ltd. and ST Engineering Holdings GmbH, which are the regional investment holding companies of the Group, of $761,276,000 and $511,494,000 respectively.

# NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## 4. Associates

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Equity investments at cost | | |
| At beginning of the year | **17,657** | 17,657 |
| Transfer to a subsidiary | **(17,657)** | – |
| At end of the year | – | 17,657 |

## 5. Amounts due from/to related parties

Amounts due from/to related parties were non-trade related, unsecured, interest-free and repayable on demand.

## 6. Bank balances and other liquid funds

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Amounts placed with a related corporation | **82,255** | 7,372 |

At the balance sheet date, the amounts placed with a related corporation, ST Engineering Treasury Pte. Ltd., under a cash pooling arrangement bears interest of 0% (2020: 0%) per annum. The cash pooling arrangement administered by ST Engineering Treasury Pte. Ltd. is operated at the instructions of the Company. These amounts placed with a related corporation are subjected to an arrangement with a bank where bank balances are transferred from/to a bank account of the related corporation on a daily basis.

## 7. Other payables and accruals

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Other payables | – | 6,913 |
| Accrued operating expenses | **3,526** | 22,019 |
| | **3,526** | 28,932 |
| Payable: | | |
| Within 1 year | **3,526** | 21,542 |
| After 1 year | – | 7,390 |
| | **3,526** | 28,932 |

The Company has issued corporate guarantees to banks and other lenders for the borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the lenders if the related parties fails to make principal or interest payments when due in accordance with the terms of their borrowings.

# NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## 8. Share capital, treasury shares, capital reserves and other reserves

- Share capital and treasury shares have been explained and disclosed in E6 and E7.
- Capital reserve is relating to realised gain or loss on re-issuance of treasury shares under share-based payment arrangements as explained and disclosed in E8.
- Other reserve is relating to share-based payment reserve as explained and disclosed in E9.

## 9. Financial risk management

- **Interest rate risk**: No interest rate risk exposure was disclosed as the Company had assessed that a reasonable change in the interest rates would not result in any significant impact on the Company's results.
- **Foreign exchange risk**: No foreign exchange sensitivity analysis was disclosed as the Company had assessed that a reasonable change in exchange rates would not result in any significant impact on the Company's results.
- **Liquidity risk**: It is not expected that the cash flows associated with the liabilities of the Company could occur at significantly different amounts.
- **Credit risk**: The Company limits its exposure to credit risk on amounts due from related parties which are mostly short-term in nature and bank balances and other liquid funds placed with reputable financial institutions.

  Management actively monitors the credit ratings of its debtors and does not expect any counterparty to fail to meet its obligations.

  Derivatives are entered into with financial institutions which have long-term rating of at least A3 by Moody's, A- by Standard & Poor's or the equivalent by a reputable credit rating agency.

  Cash and bank deposits are placed with reputable financial institutions.

  As at 31 December 2021, there were no significant concentrations of credit risk.

- **Financial instruments by category**: The carrying amount of the different categories of financial instruments are as follows:

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| Financial assets, at amortised cost | **97,324** | 79,055 |
| Financial liabilities, at amortised cost | **(15,627)** | (49,318) |

# SHAREHOLDING STATISTICS

AS AT 28 FEBRUARY 2022

## SHARE CAPITAL

| | | |
|---|---|---|
| Paid-Up Capital (including treasury shares) | : | S$895,925,583.505 |
| Number of issued ordinary shares (excluding treasury shares) | : | 3,112,704,401 |
| Number of ordinary shares held in treasury | : | 9,790,796 |
| Number of subsidiary holdings held | : | Nil |
| Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued ordinary shares | : | 0.31% |
| Class of Shares | : | Ordinary Shares<br>One Special Share held by the Minister for Finance |
| Voting Rights | : | One vote per share |

## SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 28 February 2022, approximately 47.94% of the issued ordinary shares (excluding treasury shares) of the Company are held by the public and therefore, Rule 723 of the SGX-ST Listing Manual is complied with.

## ANALYSIS OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | % | No. of Shares (excluding treasury shares) | % |
|---|---|---|---|---|
| 1 — 99 | 996 | 2.49 | 24,056 | 0.00 |
| 100 — 1,000 | 6,747 | 16.89 | 5,246,056 | 0.17 |
| 1,001 — 10,000 | 25,500 | 63.81 | 113,144,303 | 3.64 |
| 10,001 — 1,000,000 | 6,686 | 16.73 | 252,227,002 | 8.10 |
| 1,000,001 and above | 33 | 0.08 | 2,742,062,984 | 88.09 |
| | 39,962 | 100.00 | 3,112,704,401 | 100.00 |

| Substantial Shareholder | Direct Interest No. of Shares | Deemed Interest No. of Shares | Total Interest No. of Shares | %* |
|---|---|---|---|---|
| Temasek Holdings (Private) Limited | 1,554,764,574 | 54,306,702 (1) | 1,609,071,276 | 51.69 (2) |

**Notes:**

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 28 February 2022, excluding any ordinary shares held in treasury as at that date.

(1) Includes deemed interests held through subsidiaries and associated companies.

(2) The percentage figure is rounded down to the nearest 0.01%.

# SHAREHOLDING STATISTICS
AS AT 28 FEBRUARY 2022

## MAJOR SHAREHOLDERS LIST – TOP 20

| No. | Name | No. of Shares Held | %* |
|---|---|---|---|
| 1 | Temasek Holdings (Private) Limited | 1,554,764,574 | 49.95 |
| 2 | Citibank Nominees Singapore Pte Ltd | 390,152,616 | 12.53 |
| 3 | DBSN Services Pte. Ltd. | 231,205,145 | 7.43 |
| 4 | DBS Nominees (Private) Limited | 161,819,675 | 5.20 |
| 5 | HSBC (Singapore) Nominees Pte Ltd | 145,288,397 | 4.67 |
| 6 | Raffles Nominees (Pte.) Limited | 137,875,496 | 4.43 |
| 7 | Vestal Investments Pte. Ltd. | 28,501,000 | 0.92 |
| 8 | BPSS Nominees Singapore (Pte.) Ltd. | 16,384,140 | 0.53 |
| 9 | United Overseas Bank Nominees (Private) Limited | 12,920,560 | 0.41 |
| 10 | OCBC Nominees Singapore Private Limited | 8,881,911 | 0.29 |
| 11 | Phillip Securities Pte Ltd | 7,600,881 | 0.24 |
| 12 | Morgan Stanley Asia (Singapore) Securities Pte Ltd | 4,824,524 | 0.15 |
| 13 | Tan Pheng Hock | 4,082,283 | 0.13 |
| 14 | OCBC Securities Private Limited | 3,677,187 | 0.12 |
| 15 | DBS Vickers Securities (Singapore) Pte Ltd | 3,591,842 | 0.12 |
| 16 | iFAST Financial Pte. Ltd. | 3,067,730 | 0.10 |
| 17 | UOB Kay Hian Pte Ltd | 2,532,694 | 0.08 |
| 18 | DB Nominees (Singapore) Pte Ltd | 2,440,821 | 0.08 |
| 19 | Heng Siew Eng | 2,242,000 | 0.07 |
| 20 | Mrs Lee Li Ming Nee Ong | 2,235,000 | 0.07 |
| | | 2,724,088,476 | 87.52 |

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as at 28 February 2022, excluding any ordinary shares held in treasury as at that date.

# SGX LISTING RULES REQUIREMENT

31 DECEMBER 2021
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

## INTERESTED PERSON TRANSACTIONS

The Group has obtained a general mandate from shareholders of the Company for interested person transactions in the Annual General Meeting held on 22 April 2021. During the financial year, the following interested person transactions were entered into by the Group:

| Name of interested person | Nature of relationship | Aggregate value of all interested person transactions (excluding transactions less than $100,000 and transactions conducted under a shareholders mandate pursuant to Rule 920) FY2021 $'000 | FY2020 $'000 | Aggregate value of all interested person transactions conducted under a shareholders mandate pursuant to Rule 920 (excluding transactions less than $100,000) FY2021 $'000 | FY2020 $'000 |
|---|---|---|---|---|---|
| **Transactions for the Sale of Goods and Services** | | | | | |
| CapitaLand Limited and its Associates | Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates. | - | - | **37** | 691 |
| CapitaLand Commercial Trust | | - | - | - | 125 |
| SATS Ltd. and its Associates | | - | - | **967** | 51,860 |
| SembCorp Industries Ltd and its Associates | | - | - | **45,638** | 151 |
| Singapore Airlines Limited and its Associates | | - | - | **1,308** | - |
| SIA Engineering Company Limited and its Associates | | - | - | - | 102 |
| Singapore Telecommunications Limited and its Associates | | - | - | **17,679** | 2,637 |
| StarHub Ltd and its Associates | | - | - | **430** | 2,125 |
| Temasek Holdings (Private) Limited and its Associates (non-listed) | | - | - | **24,677** | 45,741 |
| | | - | - | **90,736** | 103,432 |
| **Transactions for the Purchase of Goods and Services** | | | | | |
| CapitaLand Limited and its Associates | Temasek Holdings (Private) Limited is a controlling shareholder of the Company. The other named interested persons are its associates. | - | - | **110** | 143 |
| Mapletree Industrial Trust | | - | - | - | 356 |
| SATS Ltd. and its Associates | | - | - | **4,580** | 3,841 |
| SembCorp Industries Ltd and its Associates | | - | - | **352** | 2,264 |
| Singapore Telecommunications Limited and its Associates | | - | - | **2,893** | 1,038 |
| StarHub Ltd and its Associates | | - | - | **641** | 1,575 |
| Temasek Holdings (Private) Limited and its Associates (non-listed) | | - | - | **12,171** | 55,826 |
| | | - | - | **20,747** | 65,043 |
| **Total Interested Person Transactions** | | - | - | **111,483** | 168,475 |

Save for the interested person transactions disclosed above, there were no other material contracts entered into by the Company and its subsidiaries involving the interests of its Group President and CEO, directors or controlling shareholder, which were either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

ST Engineering

ST ENGINEERING HUB
1 ANG MO KIO ELECTRONICS PARK ROAD,
#07-01, SINGAPORE 567710
TEL : (65) 6722 1818

**www.stengg.com**

(Regn. No. 199706274H)

## APPENDIX II

## REPRODUCTION OF THE ANNUAL FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021 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 2021 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 2021**

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

# Table of Contents

**Executive Board Members**
As at 31 December 2021

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

**Supervisory Board Members**
As at 31 December 2021

## SUPERVISORY BOARD MEMBERS

**Chairman:**

**Mr Pierre LESCOURRET**
Employee of Société Générale
Basalte, 4 boulevard Franck Kupcka, F-92800 Puteaux, France

**Members:**

**Mr Olivier BLANC**
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Angelo BONETTI (since 08 January 2021)**
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

**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 Vincent ROBILLARD (until 08 January 2021)**
Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

**Audit Committee Members**
As at 31 December 2021

## 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 Olivier BLANC**
Employee of Société Générale Luxembourg
11, avenue Emile Reuter, L-2420 Luxembourg

**Management and Administration**
As at 31 December 2021

## 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

**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

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 2021.

### 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 an option.

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 programs 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 4 June 2021 and (ii) the "Programme d'Emission de Titres de Créance", the Base Prospectus of which has been updated and approved by the CSSF on 14 June 2021. Similarly, the main program for Warrants is the Warrants Issuance Program, for which the last updates have been approved by the CSSF on 28 June 2021.
In addition, (i) the German law Dual Language Debt Instruments Issuance Program has been updated and approved by the CSSF on 21 June 2021 and (ii) the Dual Language Leveraged and Tracking Products Issuance Program has been updated and approved by the CSSF on 9 July 2021.
The newly created UK Securities Issuance Program and Swiss Securities Issuance Program were respectively approved by the CSSF on 4 June 2021 and 2 July 2021.

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.

During the year ended 31 December 2021, 11 500 new Notes were issued (among which 87 secured Notes) and 1 750 Warrants were issued[1].

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 14 hereafter.

## 3. COVID-19 CRISIS

Two years after the outbreak of the Covid-19 pandemic, the year 2021 was marked by an economic upturn in several major economies, in particular as a result of the deployment of vaccines.

However, these dynamics are affected by persistent frictions in the global supply chains and labour markets, and by longer delivery times in the manufacturing sector and a reduced capacity of supply in the service sector, which have led to rising costs. Uncertainties remain regarding new developments in the sanitary crisis (emergence of the Omicron variant and slow deployment of vaccines in some countries).

## 4. FUTURE DEVELOPMENTS AND PERSPECTIVES

In the context of the acquisition by the Société Générale Group (SG Group) of the listed warrants activities from CommerzBank, 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 drop in new Warrants issuances continued in 2021. As expected by the Executive Board, the overall commission income of the Company decreased accordingly compared to 2020. The Company will however pursue its warrants issuance activity on the Asian markets until the Program updates in 2023, when the shift will be made to another issuer.

## 5. INFORMATION ON LITIGATIONS

During the year ended 31 December 2020, 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

[1] 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.

investment in these securities. 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).

On 27 July 2021, the Company received a new letter from end investors in order to obtain compensation for the financial loss they suffered on their investment in securities issued by the Company. This letter relates to the same litigation described above.

For this litigation, along with 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 regarding potential damages or attorneys' fees.

## 6. SUBSEQUENT EVENTS

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities. The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Executive Board has performed an analysis towards the Company’s potential exposure to the above. The Executive Board regards these events as non-adjusting events after the reporting period. At the date of this report, the Company including its going concern is not significantly impacted (directly or indirectly) by the above and the situation including the possible impact of changing micro- and macroeconomic conditions will be continued to be monitored.

## 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.

### 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 25 April 2022, during which the financial statements for the year ended 31 December 2021 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.

### 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.

**Report of the Executive Board and Corporate Governance Statement (continued)**
As at 31 December 2021

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 Société Generale Paris Middle Office within the framework of the SLA.

Luxembourg, 27 April 2022

For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Thierry BODSON
Member of the Executive Board

## 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 2021, 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, 27 April 2022

Executive Board Member
For the Executive Board

Yves CACCLIN
Chairman of the Executive Board

Thierry BODSON
Member of the Executive Board

Building a better
working world

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Société anonyme

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# 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 2021, 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 2021, 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 Nº 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 2021.

For a sample of financial instruments issued by the Company as at 31 December 2021, 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.

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### 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 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 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 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 have checked the compliance of the financial statements of the Company as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Company, it relates to:

- Financial statements prepared in valid xHTML format;

In our opinion, the financial statements of the Company as at 31 December 2021, identified as "SG Issuer S.A. financial statements 12312021 ESEF", have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

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

Dorian Rigaud

Luxembourg, 28 April 2022

**Statement of Financial Position**

As at 31 December 2021

| | Notes | ('000 EUR) 2021 | ('000 EUR) 2020 |
|---|---|---|---|
| Cash and cash equivalents | 3 | 36 384 | 44 293 |
| Financial assets at fair value through profit or loss | | | |
| - *Mandatorily measured at fair value through profit or loss* | 4.1 | 40 322 401 | 43 135 651 |
| - *Trading derivatives* | 4.1 | 714 838 | 674 352 |
| Loans and receivables | 5 | 50 021 | 49 902 |
| Other assets | 6 | 497 267 | 835 571 |
| **Total assets** | | **41 620 911** | **44 739 769** |
| Financial liabilities at amortised cost | 4.3 | 76 412 | 65 342 |
| Financial liabilities at fair value through profit or loss | | | |
| - *Designated at fair value through profit or loss* | 4.2 | 40 323 850 | 43 146 652 |
| - *Trading derivatives* | 4.2, 13 | 714 854 | 676 965 |
| Other liabilities | 6 | 503 809 | 848 336 |
| Tax liabilities | 7 | - | 75 |
| **Total liabilities** | | **41 618 925** | **44 737 370** |
| Share capital | 8.1 | 2 000 | 2 000 |
| Share premium | | - | - |
| Legal reserve | 8.2 | 200 | 200 |
| Other reserves | 8.2 | 1 | 0 |
| Profit for the financial year | | (215) | 199 |
| **Total equity** | | **1 986** | **2 399** |
| **Total liabilities and equity** | | **41 620 911** | **44 739 769** |

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 2021

| | Notes | ('000 EUR) 2021 | ('000 EUR) 2020 |
|---|---|---|---|
| Interest income | 9 | 762 | 917 |
| Commission income | 10 | 45 174 | 48 748 |
| **Total revenues** | | **45 936** | **49 665** |
| Interest expenses | 9 | (29 567) | (18 409) |
| Net loss from financial instruments at fair value through profit or loss | | (241) | (139) |
| Personnel expenses | 11 | (352) | (273) |
| Other operating expenses | 12 | (15 995) | (30 569) |
| Cost of risk | 5 | 4 | (1) |
| **Total expenses** | | **(46 151)** | **(49 391)** |
| **Profit before tax** | | **(215)** | **274** |
| Income tax | 7 | - | (75) |
| **Profit for the financial year** | | **(215)** | **199** |
| **Total comprehensive income for the financial year** | | **(215)** | **199** |

The accompanying Notes are an integral part of these financial statements.

**Statement of Changes in Equity**

For the year ended 31 December 2021

| | ('000 EUR) Share capital | ('000 EUR) Share premium | ('000 EUR) *Legal reserve* | ('000 EUR) *Other unavailable reserves* | ('000 EUR) *Other available reserves* | ('000 EUR) Total reserves | ('000 EUR) Profit for the financial year | ('000 EUR) Total equity |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2019** | **2 000** | **-** | *200* | - | - | **200** | **148** | **2 348** |
| Transfer to available reserves | - | - | - | - | - | **-** | **-** | **-** |
| Allocation of the result of the previous year before dividend distribution | - | - | - | - | *148* | **148** | **(148)** | **-** |
| Dividend to the sole shareholder | - | - | - | - | *(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** |
| **As at 31 December 2020** | **2 000** | **-** | *200* | - | - | **200** | **199** | **2 399** |
| Transfer to available reserves | - | - | - | - | *199* | **199** | **(199)** | **-** |
| Allocation of the result of the previous year before dividend distribution | - | - | - | - | - | **-** | **-** | **-** |
| Dividend to the sole shareholder | | | | | *(199)* | **(199)** | **-** | **(199)** |
| Capital increase/Allocation to the share premium account (Note 8.1) | - | 16 926 | - | - | - | **-** | **-** | **16 926** |
| Reimbursement of the share premium (Note 8.1) | - | (16 926) | - | - | - | **-** | **-** | **(16 926)** |
| Profit for the financial year 2021 | - | - | - | - | - | **-** | **(215)** | **(215)** |
| **As at 31 December 2021** | **2 000** | **-** | *200* | - | - | **1*** | **(215)** | **1 986** |

* Other reserves as at 31.12.2021 amount to KEUR 1 and relate to the retained earnings which the Company was not able to distribute as a dividend as they were indivisible by the number of shares. Due to rounding in KEUR, this KEUR 1 difference between the 2020 profit and the dividend distribution does not appear in the above table.

The accompanying Notes are an integral part of these financial statements.

**Statement of Cash Flows**

For the year ended 31 December 2021

| | Notes | ('000 EUR) 2021 | ('000 EUR) 2020 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the financial year | | (215) | 199 |
| Net(increase)/decrease in financial assets | 4.1 | 7 111 721 | (3 866 206) |
| Net increase/(decrease) in financial liabilities | 4.2 | (7 062 711) | 3 899 072 |
| (Increase)/decrease in other assets | 6 | 338 304 | (404 583) |
| Increase/(decrease) in tax liabilities and other liabilities | 6, 7 | (344 676) | 384 750 |
| Taxes paid | 7 | 75 | 75 |
| *Non cash adjustments :* | | | |
| Net change in fair value and foreign exchange difference | 4.1, 4.2 | (33 278) | 139 |
| Change in cost of risk | 5 | (4) | 1 |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | | **9 216** | **13 446** |
| **FINANCING ACTIVITIES** | | | |
| Payment of capital surplus* | 8.1 | (16 926) | (34 981) |
| Dividend paid | | (199) | (148) |
| **NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | **(17 125)** | **(35 129)** |
| Cash and cash equivalents as at January 1st | 3 | 44 293 | 65 975 |
| Net increase/(decrease) in cash and cash equivalents | | (7 909) | (21 682) |
| **Cash and cash equivalents as at December 31st** | | **36 384** | **44 293** |
| **Additional information on operational cash flows from interest and dividends** | | | |
| Interest paid | | 17 657 | 35 775 |
| Interest received | 9 | 767 | 917 |
| Dividend received | | - | - |

** KEUR 16 926 for the year ended 31 December 2021 (and KEUR 34 981 for the year ended 31 December 2020) represent the share premium reimbursed by the Company to the shareholder (refer to Note 8.1).*

The accompanying Notes are an integral part of these financial statements.

## 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 is divided into 50 008 shares, of which 49 908 are held by SG Luxembourg and 100 are held by Société Générale.

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.

## 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 2021 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 2021 were authorised for issue by the Supervisory Board on 27 April 2022.

#### 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).

### 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 applicable as at 1 January 2021

#### 2.2.1.1 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, the accounting standards applicable have been amended by the IASB. The objective of the first amendments, implemented by Société Générale 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 will remain applicable until the uncertainties have been resolved. These amendments have no impact on the Company's financial statements considering it doesn't use hedge accounting.

The second phase of these amendments introduced by the IASB regards the treatment of the changes in financial instruments contracts in the framework of the IBOR reform. They have been adopted by the European Union on 14 January 2021, they were early-applied by Société Générale Group in its financial statements as at 31 December 2020 and by extension at the level of the Company.

The Company has assessed that these amendments do not have an impact on its financial statements.

#### 2.2.1.2 Amendments to IFRS 4 – Extension of the temporary exemption from the application of IFRS 9

*Amendments to IFRS 17 and IFRS 4 published by the IASB on 25 June 2020 and Regulation (EU) 2020/2097 published by the European Commission on 15 December 2020*

These amendments allow financial conglomerates as defined by Directive 2002/87/EC to defer, until 1 January 2023, the application of IFRS 9 by their legal entities operating in the insurance sector.

The Company has assessed no effect from this standard as it has no insurance contracts.

#### 2.2.1.3 Amendments to IFRS 16 “Leases” – COVID-19 related rent concessions beyond 30 June 2021

*Issued by the IASB on 31 March 2021*

The IASB extend by one year the period of application of the amendments related to IFRS 16 “Lease contract” related to the Covid-19 crisis and published on 28 May 2020. The amendments are to allow, as an option, tenants benefiting from rent relief in the context of the Covid-19 pandemic, not to analyze 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 recognize these reductions as negative variable rents (generating an immediate gain in profit or loss).

Thus, this simplification measure can be applied to rent relief relating to payments due until 30 June 2022.

In 2021, as in 2020, the Company did not benefit from any rent reduction following the Covid-19 crisis.

#### 2.2.1.4 Decision of the IFRS Interpretations Committee (“IFRS IC”) of 20 April 2021 on IAS 19

At its 20 April 2021 meeting, the IFRS IC specified the method for determining the vesting schedule for a defined benefit plan with the following characteristics: staff members are entitled to a lump-sum benefit payment when they reach a specified retirement age, provided they are employed by the entity when they reach that age, and the amount of the retirement benefit depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.

The IFRS IC specified that, pursuant to IAS 19, the vesting period will be the period of service immediately before the retirement age, possibly capped, and that the total number of years of service cannot be used when greater than the cap used to calculate the benefit. The consecutive decision not to place the issue on the IFRS IC agenda was validated by the IASB on 24 May 2021.

The Company has assessed no impact from this decision as it has no defined benefit plan.

#### 2.2.1.5 Decision of the IFRS Interpretations Committee ("IFRS IC") of 27 April 2021 on IAS 38

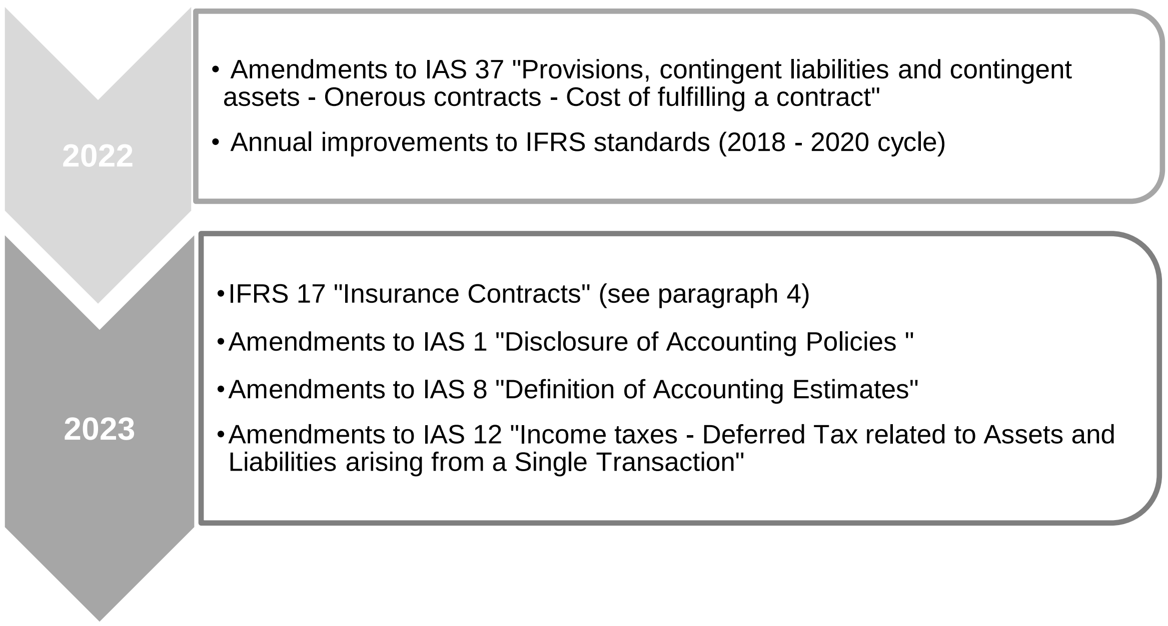
During its 27 April 2021 meeting, the IFR IC reiterated the accounting rules for a customer's costs of configuring or customizing the supplier's application in a 'Software as a Service' (SaaS) arrangement.

The Company has assessed no impact from this decision as it has no software asset.

### 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 2021. They are required to be applied from annual periods beginning on 1 January 2022 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 2021.

These standards are expected to be applied according to the following schedule:




#### 2.2.2.1 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.

### 2.2.2.2 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.

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.

### 2.2.2.3 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 al-lows 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 in-vestment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the statement of financial position will be replaced by a current value measurement of insurance contracts.

The Company expects no effect from this standard as it has no insurance contracts.

### 2.2.2.4 Amendments to IAS 1 “Classification of liabilities as current or non current"

*Issued by the 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.

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.

#### 2.2.2.5 Amendments to IAS 1 "Information to be provided on accounting methods"

*Issued by the IASB on 12 February 2021*

These amendments aim to help companies to improve the relevance of the information on accounting methods provided in the Notes and its usefulness for investors and users of financial statements.

At this stage, the Company does not expect any significant impact from these amendments.

#### 2.2.2.6 Amendments to IAS 8 "Definition of an accounting estimate"

*Issued by the IASB on 12 February 2021*

These amendments aim to facilitate the distinction between changes in accounting policies and changes in accounting estimates.

At this stage, the Company does not expect any significant impact from these amendments.

#### 2.2.2.7 Amendments to IAS 12 "Income tax – Deferred tax for assets and liabilities related to the same transaction"

*Issued by the IASB on 7 May 2021*

These amendments clarify and narrow the scope of the exemption of not recognize deferred tax during the initial recognition of an assets and a liability, offered by IAS 12. Therefore, lease contracts and decommissioning obligations for which companies record both assets and liabilities are excluded and consequently they will have to book deferred taxes.

The objective of these amendments is to reduce the heterogeneity in the recognition of deferred tax relating to leases and decommissioning obligations.

The Company does not expect any significant impact from the amendment as it did not recognize any tax impact upon IFRS 16 application.

## 2.3 Summary of significant accounting policies

### 2.3.1 Foreign currency transactions

The Company maintains its books in EUR, which is the currency of the capital.

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"*.

Revenues and expenses in foreign currencies are translated into EUR at the exchange rates prevailing at the date of the transactions.

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 |
|---|---|---|---|---|---|
| **31.12.2021** | 1.1326 | 130.3800 | 0.8403 | 8.8333 | 1.0331 |
| **31.12.2020** | 1.2271 | 126.4900 | 0.8990 | 9.5142 | 1.0802 |

### 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 "hold 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.

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.

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);
- 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.

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).

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.

#### 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 exemple : 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 12.

### 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.

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.

## 2.5 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.

Despite the unfavourable health and political context, the negotiations conducted between the Unit Kingdom and the European Union resulted on 24 December 2020 in a Trade and cooperation agreement excluding financial services. To date, the European Commission has granted British clearing houses temporary equivalence status until 30 June 2022.

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 financial statements.

## 2.6 Covid-19 crisis

Two years after the outbreak of the Covid-19 pandemic, the year 2021 was marked by an economic upturn in several major economies, in particular as a result of the deployment of vaccines.

However, these dynamics are affected by persistent frictions in the global supply chains and labour markets, and by longer delivery times in the manufacturing sector and a reduced capacity of supply in the service sector, which have led to rising costs. Uncertainties remain regarding new developments in the sanitary crisis (emergence of the Omicron variant and slow deployment of vaccines in some countries).

# NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 36 384 as at 31 December 2021 (31 December 2020: KEUR 44 293) and are mainly composed of cash held with Société Générale Luxembourg and Société Générale.

As of 31 December 2021 and 2020, 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

| | 31.12.2021 ('000 EUR) | 31.12.2020 ('000 EUR) |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| - Mandatorily at fair value through profit or loss (Fully Funded Swaps) | 40 322 401 | 43 135 651 |
| - Trading derivatives (Options) | 714 838 | 674 352 |
| **Total** | **41 037 239** | **43 810 003** |

As at 31 December 2021, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 40 322 401 (31 December 2020: KEUR 43 135 651) 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 2021, Trading derivatives (Options) amount to KEUR 714 838 (31 December 2020: KEUR 674 352) 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 2021, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 34 911 227 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2020: KEUR 43 040 180) and KEUR 4 573 937 for the non-sold Warrants and the corresponding Options (31 December 2020: KEUR 9 324 545) (see Note 4.2).

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 |
|---|---|---|---|
| **As at 1 January 2021** | **43 135 651** | **674 352** | **43 810 003** |
| Acquisition | 58 001 584 | 37 797 100 | 97 798 684 |
| Maturity/Disposal/Liquidation/Cancellation | (61 564 451) | (43 346 069) | (104 910 520) |
| Change in fair value and foreign exchange difference | (7 379 336) | (1 161 153) | (8 540 489) |
| Offsetting of Assets and Liabilities (Change) | 8 128 953 | 4 750 608 | 12 879 561 |
| **As at 31 December 2021** | **40 322 401** | **714 838** | **41 037 239** |

| | ('000 EUR) Mandatorily at fair value through profit or loss | ('000 EUR) Trading derivatives | ('000 EUR) Total |
|---|---|---|---|
| **As at 1 January 2020** | **52 893 265** | **5 786 274** | **58 679 539** |
| 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) |
| **As at 31 December 2020** | **43 135 651** | **674 352** | **43 810 003** |

## 4.2 Financial liabilities measured at fair value through profit or loss

| | 31.12.2021 ('000 EUR) | 31.12.2020 ('000 EUR) |
|---|---|---|
| **Financial liabilities at fair value through profit or loss** | | |
| - Designated at fair value through profit or loss (Notes) | 40 323 850 | 43 146 652 |
| - Trading derivatives (Warrants) | 714 854 | 676 965 |
| **Total** | **41 038 704** | **43 823 617** |

As at 31 December 2021, the Company has issued secured and unsecured Notes for a total amount of KEUR 40 323 850 (31 December 2020: KEUR 43 146 652):

- 21 230 unsecured Notes were issued (stock) for a total amount of KEUR 33 959 581 (31 December 2020: 25 095 unsecured Notes were issued (stock) for a total amount of KEUR 37 165 082);
- 592 secured Notes were issued (stock) for a total amount of KEUR 6 364 269 (31 December 2020: 613 secured Notes were issued (stock) for a total amount of KEUR 5 981 570).

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 2021, securities deposited at BNY Mellon Luxembourg as collateral for secured issuances amount to KEUR 4 836 039 (31 December 2020: KEUR 3 924 732).
As at 31 December 2021, the Company also issued Warrants for a total amount of KEUR 714 854 (31 December 2020: KEUR 676 965). Refer to Note 14 for further details on Off-balance sheet items related to the Warrants activity.

As at 31 December 2021, the impact of the offsetting (decrease in the balance sheet) is KEUR 34 911 227 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2020: KEUR 43 040 180) and KEUR 4 573 937 for the non-sold Warrants and the corresponding Options (31 December 2020: KEUR 9 324 545) (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 |
|---|---|---|---|
| **As at 1 January 2021** | **43 146 652** | **676 965** | **43 823 617** |
| Acquisition | 58 009 740 | 38 802 115 | 97 811 855 |
| Cancelled/Liquidation/Maturity Disposal | (61 547 326) | (43 355 236) | (104 902 562) |
| Change in fair value and foreign exchange difference | (7 414 169) | (1 159 598) | (8 573 767) |
| Offsetting of Assets and Liabilities (Change) | 8 128 953 | 4 750 608 | 12 879 561 |
| **As at 31 December 2021** | **40 323 850** | **714 854** | **41 038 704** |

| | ('000 EUR) Designated at fair value through profit or loss | ('000 EUR) Trading derivatives | ('000 EUR) Total |
|---|---|---|---|
| **As at 1 January 2020** | **52 889 867** | **5 788 693** | **58 678 560** |
| 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) |
| **As at 31 December 2020** | **43 146 652** | **676 965** | **43 823 617** |

## 4.3 Financial liabilities measured at amortised cost

As at 31 December 2021 and 2020, 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 1.478% as at 31 December 2021) 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 2021, the Company also has amounts due to banks related to the Company's overdrafts current accounts for KEUR 152 (31 December 2020: KEUR 406).

## NOTE 5 – LOANS AND RECEIVABLES

As at 31 December 2021 and 2020, 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.

As at 31 December 2020, expected credit losses calculated on loans and receivables in accordance with IFRS 9 amounted to KEUR (5). As at 31 December 2021, the diminution of the expected credit losses resulted in a reversal of the IFRS9 impairment amounting to KEUR 4, as presented in the Caption reversal of Cost of Risk in the Statements of Profit and Loss.

## NOTE 6 – OTHER ASSETS AND OTHER LIABILITIES

As at 31 December 2021 and 2020, other assets and other liabilities are composed of settlement accounts, as presented below:

| | ('000 EUR) 31.12.2021 | ('000 EUR) 31.12.2020 |
|---|---|---|
| Settlement accounts on securities transactions | 234 782 | 788 415 |
| Miscellaneous receivables | 262 485 | 47 156 |
| **Total other assets** | **497 267** | **835 571** |

| | ('000 EUR) 31.12.2021 | ('000 EUR) 31.12.2020 |
|---|---|---|
| Settlement accounts on securities transactions | 212 151 | 774 392 |
| Deferred income | 4 904 | 7 198 |
| Miscellaneous payables | 286 754 | 66 746 |
| **Total other liabilities** | **503 809** | **848 336** |

Miscellaneous payables and receivables mainly consist of premium payables on Warrants and receivables on financial instruments replicating the Warrants 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 2021 is 24.94 % (31 December 2020: 24.94%). The current tax rate includes the corporate tax and the municipal tax.

For the year ended 31 December 2021, tax expenses are nil (31 December 2020: KEUR 75).

## NOTE 8 – SHAREHOLDERS' EQUITY

### 8.1 Share capital and share premium

As at 31 December 2020, the subscribed and fully paid share capital, 100% held by SG Luxembourg, was EUR 2 000 280, divided into 50 007 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2021, the Executive Board decided to increase the authorized 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 the sole shareholder. In the context of the capital increase, the 2020 activity related interests amounting to EUR 16 925 951 have been allocated to the Share Premium. This Share premium has been paid to Société Générale Luxembourg and Société Générale in June 2021.

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 2021 and 2020, 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 2021 the amount of other reserves is 1 KEUR (31 December 2020 : nil).

## NOTE 9 – INTEREST INCOME AND EXPENSES

| | **(‘000 EUR) 31.12.2021** | **(‘000 EUR) 31.12.2020** |
|---|---|---|
| Interest income on cash and cash equivalents | 1 | 21 |
| Interest income on loans and receivables | 761 | 896 |
| **Total interest income** | **762** | **917** |
| | | |
| Interest expenses on financial liabilities at amortised cost (note 4.3) | (28 975) | (17 720) |
| Interest expenses on financial liabiltiites at fair value | (592) | (691) |
| **Total interest expenses** | **(29 567)** | **(18 409)** |
| | | |
| **Net interest margin** | **(28 805)** | **(17 492)** |

## NOTE 10 – COMMISSION INCOME

Commission income can be broken down as follows:

| | **(‘000 EUR) 31.12.2021** | **(‘000 EUR) 31.12.2020** |
|---|---|---|
| Issuing upfront fees on Notes | 34 814 | 37 407 |
| Servicing fees on Notes | 8 437 | 7 009 |
| Commission on Warrants | 1 923 | 4 332 |
| **Commission income** | **45 174** | **48 748** |

As at 31 December 2021, KEUR 4 904 are retained as deferred income under the caption “other liabilities” (2020 : KEUR 7 198) (cf. Note 6).

**Notes to the financial statements**
As at 31 December 2021

## NOTE 11 – PERSONNEL EXPENSES

| | (‘000 EUR) 31.12.2021 | (‘000 EUR) 31.12.2020 |
|---|---|---|
| Wages and salaries | (270) | (212) |
| Social charges and associated costs | (32) | (44) |
| Pension related costs | (50) | (17) |
| **Total** | **(352)** | **(273)** |

The Company had 3 full-time equivalent during the year ended 31 December 2021 (2020: 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.

## NOTE 12 – OTHER OPERATING EXPENSES

| | (‘000 EUR) 31.12.2021 | (‘000 EUR) 31.12.2020 |
|---|---|---|
| Issuance fees | (12 840) | (26 146) |
| Other operating charges | (3 155) | (4 423) |
| **Total** | **(15 995)** | **(30 569)** |

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) 31.12.2021 | (‘000 EUR) 31.12.2020 |
|---|---|---|
| Statutory audit of the financial statements | 200 | 245 |
| Other assurance services | 40 | 40 |
| **Total** | **240** | **285** |

## NOTE 13 – OFF-BALANCE SHEET

As at 31 December 2021, financial instruments to be issued (engagement taken before 31 December 2021 with value date after 31 December 2021) amount to KEUR 3 302 045 (31 December 2020: KEUR 2 498 866).

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 2021

**Warrants issuance summary**

The Warrants issued as at 31 December 2021 and 2020 break down as follows:

| Warrant Type | Category of Underlying | Type of Underlying | Option Type | 31 December 2021 Quantity | 31 December 2021 Notional ('000 EUR) | 31 December 2021 Fair Value ('000 EUR) | 31 December 2020 Quantity | 31 December 2020 Notional ('000 EUR) | 31 December 2020 Fair Value ('000 EUR) |
|---|---|---|---|---|---|---|---|---|---|
| Basket warrant | Basket | Index | Call | 1 | 12 361 | 14 230 | 1 | 11 409 | 12 299 |
| Commodity Future Warrant | Future | Mutual Fund | Put | - | - | - | 10 | 37 801 | 142 |
| | | Commodity Future | Call | 4 | 10 118 | 15 | 6 | 13 251 | 3 |
| | | | Put | 12 | 19 243 | 6 755 | 12 | 19 777 | 10 734 |
| Commodity Warrant | Commodity | Bruts | Call | 6 | 472 930 | 0 | 6 | 436 509 | 0 |
| | | Index | Call | - | - | - | 1 | 500 | 309 |
| | | Mutual Fund | Call | 11 | 19 085 | 2 | 17 | 25 860 | 0 |
| | | | Put | 15 | 27 211 | 0 | 58 | 96 407 | 111 |
| | | Precious metals | Call | - | - | - | 4 | 9 333 | 0 |
| | | | Put | 10 | 24 817 | 0 | 10 | 22 906 | 0 |
| | | Future Contract | Call | - | - | - | 1 | 124 275 | 3 572 |
| Currency Warrant | Currency | Currency | Call | 42 | 0 | 0 | 60 | 18 978 | 45 |
| | | | Put | 48 | 117 867 | 0 | 85 | 270 190 | 0 |
| Equity Warrant | Equity | American Depositary Receipt | Call | 3 | 27 636 | 51 | 4 | 21 681 | 330 |
| | | | Put | - | - | - | 1 | 417 | 2 |
| | | Mutual Fund | Call | 4 | 119 231 | 25 | 2 | 77 778 | 3 |
| | | Ordinary Share | Call | 1 247 | 20 296 419 | 147 944 | 1 534 | 21 602 883 | 209 139 |
| | | | Put | 411 | 4 902 718 | 27 245 | 814 | 6 622 179 | (11 836) |
| | | Own Share | Call | 4 | 22 850 | 322 | 12 | 36 680 | 161 |
| | | | Put | 1 | 750 | 0 | 5 | 3 719 | 129 |
| | | Preference | Call | - | - | - | 6 | 12 621 | 137 |
| | | | Put | 1 | 1 500 | 0 | 4 | 6 453 | 0 |

**Notes to the financial statements**

As at 31 December 2021

| Warrant Type | Category of Underlying | Type of Underlying | Option Type | 31 December 2021 Quantity | 31 December 2021 Notional ('000 EUR) | 31 December 2021 Fair Value ('000 EUR) | 31 December 2020 Quantity | 31 December 2020 Notional ('000 EUR) | 31 December 2020 Fair Value ('000 EUR) |
|---|---|---|---|---|---|---|---|---|---|
| Real Estate Investment Trust | REIT | REIT | Call | 5 | 124 066 | 48 | 10 | 94 519 | 82 |
| | | | Put | 2 | 1 309 | 9 | 2 | 1 233 | 42 |
| Index Warrant | Index | Index | Call | 301 | 11 226 503 | 458 857 | 802 | 29 010 394 | 481 932 |
| | | | Put | 200 | 11 032 836 | 44 857 | 384 | 7 525 299 | (59 540) |
| Fund Warrant | Fund | Mutual Fund | Call | 121 | 492 810 | 11 653 | 175 | 1 115 036 | 26 814 |
| | | | Put | - | - | - | - | - | - |
| | | Fund | Call | 1 | 10 000 | 2 841 | 1 | 10 000 | 2 355 |
| **Total Call** | | | | **1 750** | **32 834 009** | **635 988** | **2 642** | **52 621 707** | **737 182** |
| **Total Put** | | | | **700** | **16 128 251** | **78 866** | **1 385** | **14 606 381** | **(60 217)** |
| **Total Warrants** | | | | **2 450** | **48 962 260** | **714 854** | **4 027** | **67 228 088** | **676 965** |

## NOTE 14 – 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).

### 14.1 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.

### 14.2 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 2021 and 2020, 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 2021, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

## 14.3 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.

## 14.4 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 2021, analysis per remaining contractual maturities is as follows:

| **31.12.2021 - EUR' 000** | **< 3 months** | **From 3 months to 1 year** | **From 1 to 5 years** | **> 5 years** | **Without fixed maturity** | **Total** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 36 384 | - | - | - | - | 36 834 |
| **Financial assets at fair value through profit or loss** | | | | | | |
| - *Mandatorily at fair value through profit or loss* | 4 962 258 | 5 330 466 | 14 553 618 | 15 476 059 | - | 40 322 401 |
| - *Trading derivatives* | 446 656 | 137 616 | 129 885 | 681 | - | 714 838 |
| Loans and receivables | 48 021 | 200 | 800 | 1 000 | - | 50 021 |
| Other assets | 497 267 | - | - | - | - | 497 267 |
| **Total assets** | **5 990 586** | **5 468 282** | **14 684 303** | **15 477 740** | **-** | **41 620 911** |
| | | | | | | |
| **Financial liabilities at amortised cost** | 48 152 | 28 260 | - | - | - | 76 412 |
| **Financial liabilities at fair value through profit or loss** | | | | | | |
| - *Designated at fair value through profit or loss* | 4 960 778 | 5 330 013 | 14 557 368 | 15 475 691 | - | 40 323 850 |
| - *Trading derivatives* | 446 143 | 137 603 | 130 427 | 681 | - | 714 854 |
| Other liabilities | 503 809 | - | - | - | - | 503 809 |
| Tax liabilities | - | - | - | - | - | - |
| **Total liabilities** | **5 958 882** | **5 495 876** | **14 687 795** | **15 476 372** | **-** | **41 618 925** |

**Notes to the financial statements**
As at 31 December 2021

As at 31 December 2020 analysis per remaining contractual maturities is as follows:

| **31.12.2020 - EUR' 000** | **< 3 months** | **From 3 months to 1 year** | **From 1 to 5 years** | **> 5 years** | **Without fixed maturity** | **Total** |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 44 293 | - | - | - | - | 44 293 |
| **Financial assets at fair value through profit or loss** | | | | | | |
| - *Mandatorily at fair value through profit or loss* | 3 402 805 | 8 286 764 | 16 244 254 | 15 201 828 | - | 43 135 651 |
| - *Trading derivatives* | 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 |
| **Total assets** | **4 359 275** | **8 486 197** | **16 627 988** | **15 266 309** | **-** | **44 739 769** |
| | | | | | | |
| **Financial liabilities at amortised cost** | 405 | 16 937 | 48 000 | - | - | 65 342 |
| **Financial liabilities at fair value through profit or loss** | | | | | | |
| - *Designated at fair value through profit or loss* | 3 406 716 | 8 286 877 | 16 243 680 | 15 209 379 | - | 43 146 652 |
| - *Trading derivatives* | 86 103 | 198 394 | 329 063 | 63 405 | - | 676 965 |
| Other liabilities | 848 336 | - | - | - | - | 848 336 |
| Tax liabilities | 75 | - | - | - | - | 75 |
| **Total liabilities** | **4 341 635** | **8 502 208** | **16 620 743** | **15 272 784** | **-** | **44 737 370** |

## 14.5 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 sensibilities 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 2021

Estimates of Level 3 instruments and other most significant unobservable inputs as at 31 December 2021 (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 | 17 164 | 17 162 | Simple and complex derivatives on funds, equities or baskets on stocks | Various option models on funds, equities or baskets on stocks | Equity volatilities | [3.0% ; 84.8%] |
| | | | | | Equity dividends | [0.0% ; 15.8%] |
| | | | | | Unobservable correlations | [-100% ; 100 %] |
| | | | | | Hedge funds volatilities | [7.1% ; 20.0%] |
| | | | | | Mutual funds volatilities | [1.7% ; 26.1%] |
| Rates and Forex | 4 017 | 4 018 | Hybrid forex / interest rate or credit / interest rate derivatives | Hybrid forex interest rate or credit interest rate option pricing models | Correlations | [-33.55% ; 90%] |
| | | | Forex derivatives | Forex option pricing models | Forex volatilities | [0.0% ; 45.5%] |
| | | | Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools | Prepayement modeling | Constant prepayment rates | [0.0% ; 20.0%] |
| | | | Inflation instruments and derivatives | Inflation pricing models | Inflation/ inflation correlations | [55.0% ; 88.90%] |
| Credit | 3 547 | 3 547 | Collateralized Debt Obligations and index tranches | Recovery and base correlation projection models | Time to default correlations | [0% ; 100%] |
| | | | | | Recovery rate variance for single name underlyings | [0% ; 100%] |
| | | | Other credit derivatives | Credit default models | Time to default correlations | [0% ; 100%] |
| | | | | | Quanto correlations | [-50% ; 40%] |
| | | | | | Unobservable credit spreads | [0 bps ; 1 000 bps] |
| Commodity | 0 | 0 | Derivatives on commodities baskets | Option models on commodities | Commodities correlations | 0 |
| **Total** | **24 728** | **24 727** | | | | |

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 2021

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

| **31.12.2021 – EUR' 000** | **Carrying amount** | **Fair value** |
|---|---|---|
| Cash and cash equivalents | 36 384 | 36 384 |
| **Financial assets at fair value through profit or loss** | | |
| - *Mandatorily at fair value through profit or loss* | 40 322 401 | 40 322 401 |
| - *Trading derivatives* | 714 838 | 714 838 |
| Loans and receivables * | 50 021 | 50 141 |
| Other assets | 497 267 | 497 267 |
| **Total assets** | **41 620 911** | **41 621 031** |
| | | |
| **Financial liabilities at amortised cost *** | 76 412 | 76 456 |
| **Financial liabilities at fair value through profit or loss** | | |
| - *Designated at fair value through profit or loss* | 40 323 850 | 40 323 850 |
| - *Trading derivatives* | 714 854 | 714 854 |
| Other liabilities | 503 809 | 503 809 |
| Tax liabilities | - | - |
| **Total liabilities** | **41 618 925** | **41 618 969** |

| **31.12.2020 - EUR' 000** | **Carrying amount** | **Fair value** |
|---|---|---|
| Cash and cash equivalents | 44 293 | 44 293 |
| **Financial assets at fair value through profit or loss** | | |
| - *Mandatorily at fair value through profit or loss* | 43 135 651 | 43 135 651 |
| - *Trading derivatives* | 674 352 | 674 352 |
| Loans and receivables * | 49 902 | 51 057 |
| Other assets | 835 571 | 835 571 |
| **Total assets** | **44 739 769** | **44 740 924** |
| | | |
| **Financial liabilities at amortised cost *** | 65 342 | 66 995 |
| **Financial liabilities at fair value through profit or loss** | | |
| - *Designated at fair value through profit or loss* | 43 146 652 | 43 146 652 |
| - *Trading derivatives* | 676 965 | 676 965 |
| Other liabilities | 848 336 | 848 336 |
| Tax liabilities | 75 | 75 |
| **Total liabilities** | **44 737 370** | **44 739 023** |

* 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 2021

The fair value hierarchy of IFRS 13

As at 31 December 2021, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

| **31.12.2021 - EUR' 000** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| ***Financial assets at fair value through profit or loss*** | | | | |
| ***- Mandatorily at fair value through profit or loss*** | | **16 020 681** | **24 301 720** | **40 322 401** |
| *Commodities instruments* | - | 26 454 | 217 | 26 671 |
| *Credit derivatives/securities* | - | 697 098 | 3 251 872 | 3 948 970 |
| *Equity and index securities* | - | 12 016 561 | 16 759 072 | 28 775 633 |
| *Foreign exchange instruments/securities* | - | 1 834 388 | 278 068 | 2 112 456 |
| *Interest rate instruments/securities* | - | 1 240 393 | 3 739 272 | 4 975 665 |
| *Other financial instruments* | - | 205 787 | 273 219 | 479 006 |
| **- Trading derivatives** | | **288 790** | **426 048** | **714 838** |
| *Equity and Index instruments* | - | 273 342 | 404 530 | 677 872 |
| *Foreign exchange instruments / securities* | - | - | - | - |
| *Other financial instruments* | - | 15 448 | 21 518 | 36 966 |
| ***Financial liabilities at fair value through profit or loss*** | | | | |
| **- Designated at fair value through profit or loss** | | **16 021 886** | **24 301 964** | **40 323 850** |
| *Commodities instruments* | - | 26 454 | 217 | 26 671 |
| *Credit derivatives/securities* | - | 697 094 | 3 251 908 | 3 949 002 |
| *Equity and index securities* | - | 12 016 515 | 16 759 108 | 28 775 623 |
| *Foreign exchange instruments/securities* | - | 1 834 393 | 278 240 | 2 112 633 |
| *Interest rate instruments/securities* | - | 1 241 541 | 3 739 272 | 4 980 813 |
| *Other financial instrument* | - | 205 889 | 273 219 | 479 108 |
| **- Trading derivatives** | | **290 305** | **424 549** | **714 854** |
| *Equity and Index instruments* | - | 274 869 | 403 031 | 677 900 |
| *Foreign exchange instruments / securities* | - | - | - | - |
| *Other financial instruments* | - | 15 436 | 21 518 | 36 954 |

**Notes to the financial statements**
As at 31 December 2020

As at 31 December 2020, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

| **31.12.2020 - EUR' 000** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| ***Financial assets at fair value through profit or loss*** | | | | |
| **- *Mandatorily at fair value through profit or loss*** | | **16 742 790** | **26 392 861** | **43 135 651** |
| *Commodities instruments* | - | 65 635 | 5 146 | 70 781 |
| *Credit derivatives/securities* | - | 757 733 | 3 868 234 | 4 625 967 |
| *Equity and index securities* | - | 13 294 655 | 17 941 949 | 31 236 604 |
| *Foreign exchange instruments/securities* | - | 769 582 | 1 507 575 | 2 277 157 |
| *Interest rate instruments/securities* | - | 1 540 967 | 2 557 228 | 4 098 195 |
| *Other financial instruments* | - | 314 218 | 512 729 | 826 947 |
| **- Trading derivatives** | | **293 242** | **381 110** | **674 352** |
| *Equity and Index instruments* | - | 283 580 | 352 688 | 636 268 |
| *Foreign exchange instruments / securities* | - | 121 | - | 121 |
| *Other financial instruments* | - | 9 541 | 28 422 | 37 963 |
| ***Financial liabilities at fair value through profit or loss*** | | | | |
| **- Designated at fair value through profit or loss** | | **16 756 021** | **26 390 631** | **43 146 652** |
| *Commodities instruments* | - | 65 635 | 5 146 | 70 781 |
| *Credit derivatives/securities* | - | 758 637 | 3 867 054 | 4 625 691 |
| *Equity and index securities* | - | 13 300 879 | 17 941 049 | 31 241 928 |
| *Foreign exchange instruments/securities* | - | 769 390 | 1 507 425 | 2 276 815 |
| *Interest rate instruments/securities* | - | 1 541 023 | 2 557 228 | 4 098 251 |
| *Other financial instrument* | - | 320 457 | 512 729 | 833 186 |
| **- Trading derivatives** | | **283 392** | **393 573** | **676 965** |
| *Equity and Index instruments* | - | 275 506 | 357 534 | 633 040 |
| *Foreign exchange instruments / securities* | - | 45 | - | 45 |
| *Other financial instruments* | - | 7 841 | 36 039 | 43 880 |

**Notes to the financial statements**
As at 31 December 2021

The following table describes the variation in Level 3 by financial instruments (in KEUR):

| **Financial liabilities at fair value through profit or loss** | **Balance at 01.01.2021** | Acquisitions (Issuance) | Change in fair value | Reimbursements | Transfers from L2 to L3 | Transfers from L3 to L2 | Offsetting of the assets and liabilities | **Balance 31.12.2021** |
|---|---|---|---|---|---|---|---|---|
| ***Designated at fair value through P&L*** | **26 390 631** | **22 113 738** | **(4 754 765)** | **(19 580 881)** | **(45 521)** | **(2 395 451)** | **2 574 213** | **24 301 964** |
| Equity and index instrument | 17 941 049 | 18 987 257 | (3 780 648) | (15 578 985) | (306 452) | (1 657 050) | 1 153 937 | **16 759 108** |
| Commodity instruments | 5 146 | - | 37 | (7 144) | - | - | 2 178 | **217** |
| Credit derivatives | 3 867 054 | 399 880 | (319 179) | (1 191 397) | 126 712 | (147 073) | 515 911 | **3 251 908** |
| Foreign exchange instruments | 1 507 425 | 67 123 | (57 072) | (2 150 255) | 105 807 | (117 696) | 922 908 | **278 240** |
| Interest rate instruments | 2 557 228 | 2 518 317 | (546 831) | (326 766) | 12 343 | (468 141) | (6 878) | **3 739 272** |
| Others financial instruments | 512 729 | 141 161 | (51 072) | (326 334) | 16 069 | (5 491) | (13 843) | **273 219** |
| ***Trading derivatives*** | **393 573** | **18 037** | **116 864** | **(108 627)** | **957** | **(11 088)** | **14 833** | **424 549** |
| Equity and index instruments | 357 534 | 7 155 | 123 383 | (102 783) | 1 027 | (203) | 16 918 | **403 031** |
| Foreign exchange instruments | - | - | 10 885 | (10 885) | - | - | - | **-** |
| Other financial instruments | 36 039 | 10 882 | (17 404) | 5 041 | (70) | (10 885) | (2 085) | **21 518** |

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.

**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…).

## 14.6 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 15 – RELATED PARTIES

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31 December 2021 and 2020 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, its parent company (SG) and other SG Group entities.

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 2021

| As at 31 December 2021<br>EUR' 000 | Société Générale (Parent Company) | SG Luxembourg | Other SG Group entities |
|---|---|---|---|
| Cash and cash equivalents | 34 204 | 1 382 | 289 |
| **Financial assets at fair value through profit or loss** | | | |
| - *Mandatorily at fair value through profit or loss* | 40 322 401 | - | - |
| - *Trading derivatives* | 714 838 | - | - |
| Loans and receivables | - | 50 021 | - |
| Other assets | 497 267 | - | - |
| **Total assets** | **41 568 710** | **51 403** | **289** |
| Financial liabilities at amortised cost | 56 | 76 205 | - |
| **Financial liabilities at fair value through profit or loss** | | | |
| - *Designated at fair value through profit or loss** | - | - | - |
| - *Trading derivatives** | - | - | - |
| Other liabilities | 500 580 | - | - |
| Tax liabilities | - | - | - |
| **Total liabilities** | **500 636** | **76 205** | **-** |
| Interest income | 1 | 761 | - |
| Commission income | 45 174 | - | - |
| **Total revenues** | **45 175** | **761** | **-** |
| Interest expenses | (648) | (28 819) | - |
| Personnel expenses | - | (352) | - |
| Other operating charges | (1 590) | (8 442) | (2 418) |
| **Total expenses** | **( 2 238)** | **(37 713)** | **(2 418)** |
| **Total comprehensive income for the financial year** | **42 937** | **(37 713)** | **(2 418)** |
| **Financial commitments** | **3 302 045** | **-** | **-** |
| **Financial commitments-collateral to be returned** | **4 836 039** | **-** | **-** |

*****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 at 31 December 2020**<br>**EUR' 000** | **Société Générale (Parent Company)** | **SG Luxembourg** | **Other SG Group entities** |
|---|---|---|---|
| Cash and cash equivalents | 33 538 | 31 | 10 032 |
| **Financial assets at fair value through profit or loss** | | | |
| - *Mandatorily at fair value through profit or loss* | 43 135 651 | - | - |
| - *Trading derivatives* | 674 352 | - | - |
| Loans and receivables | - | 49 902 | - |
| Other assets | 835 571 | - | - |
| **Total assets** | **44 679 112** | **49 933** | **10 032** |
| | | | |
| Financial liabilities at amortised cost | - | 64 936 | - |
| **Financial liabilities at fair value through profit or loss** | | | |
| - *Designated at fair value through profit or loss** | - | - | - |
| - *Trading derivatives** | - | - | - |
| Other liabilities | 845 107 | - | - |
| Tax liabilities | - | 75 | - |
| **Total liabilities** | **845 107** | **65 011** | **-** |
| | | | |
| Interest income | 30 | 896 | - |
| Commission income | 48 748 | - | - |
| **Total revenues** | **48 778** | **896** | **-** |
| | | | |
| Interest expenses | (690) | (17 720) | - |
| Personnel expenses | - | (273) | - |
| Other operating charges | (2 832) | (20 709) | (3 377) |
| **Total expenses** | **(3 522)** | **(38 702)** | **(3 377)** |
| | | | |
| **Total comprehensive income for the financial year** | **45 256** | **(37 806)** | **(3 377)** |
| | | | |
| **Financial commitments** | **2 498 866** | **-** | **-** |
| | | | |
| **Financial commitments-collateral to be returned** | **3 924 732** | **-** | **-** |

* 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.

## NOTE 16 – 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 2021 (31 December 2020: EUR 28 000).

As at 31 December 2021 and 2020, no other payment, advance or loans were given to members of the administrative or supervisory body.

## NOTE 17 – INFORMATION ON LITIGATIONS

During the year ended 31 December 2020, 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. 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).

On 27 July 2021, the Company received a new letter from end investors in order to obtain compensation for the financial loss they suffered on their investment in securities issued by the Company. This letter relates to the same litigation described above.

For this litigation, along with 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 regarding potential damages or attorneys' fees.

## NOTE 18 – SUBSEQUENT EVENTS

By resolution adopted on 14 January 2022, the Executive Board decided to increase the capital of the Company from EUR 2 000 320 to EUR 2 000 360 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 2 000 360, divided into 50 009 shares with a nominal value of EUR 40 each. Such increase resulted in an allocation of EUR 28 243 758 to the share premium account.

In February 2022, a number of countries (including the US, UK and EU) imposed new sanctions against certain entities (of which financial institutions) and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Additional sanctions have been made following military operations initiated by Russia on 24 February 2022 against Ukraine including the restriction of the access of already sanctioned Russian banks to the international payments system SWIFT.

Such sanctions can impact not only the sanctioned entities and individuals including entities under their control but also Business Counterparties of these sanctioned entities. The results of the sanctions and the geopolitical instability have created an important volatility in the financial markets with a potential to adversely impact global economies and increase instability across markets.

The Executive Board has performed an analysis towards the Company's potential exposure to the above. The Executive Board regards these events as non-adjusting events after the reporting period. At the date of this report, the Company including its going concern is not significantly impacted (directly or indirectly) by the above and the situation including the possible impact of changing micro- and macroeconomic conditions will be continued to be monitored.

# APPENDIX III

## REPRODUCTION OF THE PRESS RELEASE DATED 5 MAY 2022 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2022

The information set out below is a reproduction of the press release dated 5 May 2022 containing the Guarantor's consolidated financial results for the first quarter ended 31 March 2022.

SOCIETE GENERALE

# RESULTS AT MARCH 31ST 2022

**Press release**
Paris, May 5th 2022

## VERY GOOD FIRST QUARTER

**Strong increase in revenues of +16.6% vs. Q1 21 (+16.1%*)** with a solid performance by all the businesses particularly in Global Markets, Financial Services and Financing & Advisory

**Cost to income ratio of 56.4%(1)**, excluding contribution to the Single Resolution Fund, with a positive jaws effect in all the businesses

**Cost of risk** at 39 basis points, around 31 basis points excluding the Russian assets currently being sold

2022 cost of risk expected between 30 and 35 basis points

**Underlying Group net income of EUR 1.57 billion(1)** (EUR 0.84 billion on a reported basis), an increase of +21.3% vs. Q1 21

**Underlying profitability (ROTE) of 11.9%(1)** (6.0% on a reported basis)

## CAPITAL POSITION

**CET 1 ratio of 12.9%(2) at end-March 2022,** around 370 basis points above the regulatory requirement

**Residual net impact on capital at closing of around -6 basis points from the contemplated disposal of our activities in Russia(3)**

**Confirmation of the distribution policy for 2021**

**CET 1 ratio 200-250 basis points minimum above the regulatory requirement,** including after entry into force of the regulation finalising the Basel III reform

## FURTHER PROGRESS IN OUR STRATEGIC INITIATIVES

**Planned acquisition of LeasePlan by ALD**: signing of the framework agreement
**Partnership between Boursorama and ING**: signing of the definitive agreement
**Planned merger of the retail banking networks in France**: new branding of French networks and conclusion of key agreements in terms of human resources
**Sustainable finance**: new target increased to EUR 300 billion for the period 2022-2025

**Fréderic Oudéa, the Group's Chief Executive Officer, commented**:

*"This first quarter confirms the robustness and resilience of our business model, with a strong performance by all our businesses in a more uncertain environment, improved operating leverage and a contained cost of risk. The planned disposal, currently being finalised, of our activities in Russia, following the abrupt change in this country's outlook, will enable the Group to withdraw in an effective and orderly manner, ensuring continuity for both its employees and its customers. With new milestones achieved this quarter, the Group is determinedly pursuing the implementation of its strategic initiatives and remains focused on its ambition of sustainable and profitable growth, combined with an attractive shareholder distribution."*

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*(1) Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)*
*(2) Phased-in ratio (fully-loaded ratio of 12.8%)*
*(3) After reversal of rating migrations for 14 basis points recorded in Q1 22 on the related Russian assets*
*The footnote * corresponds to data adjusted for changes in Group Structure and at constant exchange rates*

## 1. GROUP CONSOLIDATED RESULTS

| In EURm | Q1 22 | Q1 21 | Change | |
|---|---|---|---|---|
| Net banking income | 7,281 | 6,245 | +16.6% | +16.1%* |
| Operating expenses | (5,329) | (4,748) | +12.2% | +12.5%* |
| *Underlying operating expenses(1)* | *(4,325)* | *(4,097)* | +5.6% | *+5.8%** |
| Gross operating income | 1,952 | 1,497 | +30.4% | +27.3%* |
| *Underlying gross operating income(1)* | *2,956* | *2,148* | +37.6% | *+35.3%** |
| Net cost of risk | (561) | (276) | x 2.0 | x 2.0* |
| Operating income | 1,391 | 1,221 | +13.9% | +10.6%* |
| *Underlying operating income(1)* | *2,395* | *1,872* | +27.9% | *+25.5%** |
| Net profits or losses from other assets | 2 | 6 | -66.7% | -64.8%* |
| Income tax | (353) | (283) | +24.8% | +24.8%* |
| Net income | 1,040 | 947 | +9.8% | +5.7%* |
| O.w. non-controlling interests | 198 | 133 | +48.9% | +48.2%* |
| Reported Group net income | 842 | 814 | +3.4% | -0.9%* |
| *Underlying Group net income(1)* | *1,574* | *1,298* | *+21.3%* | *+18.1%** |
| ROE | 5.3% | 5.2% | | |
| ROTE | 6.0% | 5.9% | | |
| *Underlying ROTE(1)* | *11.9%* | *10.1%* | | |

*(1) Adjusted for exceptional items and linearisation of IFRIC 21*

Societe Generale's Board of Directors, which met on May 4th, 2022 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q1 2022. The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

As announced on April 11th, 2022, **an agreement has been signed to sell Rosbank and its Russian insurance subsidiaries**. This operation is expected to be closed in the few coming weeks.

As a reminder the impact of the disposal of Rosbank and the Group's Russian insurance activities on the Group's CET1 ratio is expected to be around -20 basis points(2), including around - 6 basis points of residual net impact expected at closing after reversal of rating migrations recorded in Q1 22 on the related Russian assets. This contemplated disposal would lead to the accounting in the Group's income statement(3) of the write-off of the net book value of the divested activities (~EUR 2 billion(4) and an exceptional non-cash item with no impact on the Group's capital ratio (~EUR 1.1 billion(4)), which corresponds to the normative reversal of the conversion reserve in the Group's income statement.

### Net banking income

**Net banking income was substantially higher in Q1 22, up +16.6% (+16.1%*) vs. Q1 21,** driven by a very good momentum in all the businesses.

French Retail Banking's performance was substantially higher, with net banking income (excluding PEL/CEL provision) up +6.4% vs. Q1 21, reflecting an upward momentum on net interest income as well as financial and service commissions.

*(2) On the basis of the asset value at December 31st, 2021, based on a EUR/RUB exchange rate of 85*
*(3) Accounted in "net profit or loss on other assets"*
*(4) Based on non-audited estimated data as of February 28, 2022 and a EUR/RUB exchange rate of 92. The final impact would be calculated based on the data and the foreign exchange rate at the closing date. The accounting period would depend on the closing date*

International Retail Banking & Financial Services enjoyed strong revenue growth (+19.3%* vs. Q1 21). Financial Services (+43.6%* vs. Q1 21) and Insurance (+6.0%* vs. Q1 21) enjoyed an excellent momentum. International Retail Banking also benefited from a strong rebound in its activities (+13.1%* vs. Q1 21).

Global Banking & Investor Solutions delivered an excellent performance, with revenues up +18.1% (+16.9%*) vs. Q1 21. Financing & Advisory enjoyed a very good momentum, with revenues up +24.4% (+20.9%*) vs. Q1 21, while the revenues of Global Markets & Investor Services were substantially higher (+19.1%, +15.4%*) than in Q1 21.

## Operating expenses

In Q1 22, operating expenses totalled EUR 5,329 million on a reported basis and EUR 4,325 million on an underlying basis (restated for transformation costs and the linearisation of IFRIC 21), an increase of +5.6% vs. Q1 21. This increase can be explained primarily by the rise in variable costs linked to the growth in revenues (EUR +93 million), the increase in the contribution to the Single Resolution Fund (EUR +69 million), currency effects and the increase in other expenses (EUR +31 million).

**Driven by a very positive jaws effect,** underlying gross operating income grew substantially (+38%) to EUR 2,956 million and the underlying cost to income ratio, excluding the Single Resolution Fund, improved by nearly 7 points (56.4% vs. 63.3% in Q1 21).

## Cost of risk

**In Q1 22, the cost of risk stood at 39 basis points,** an increase vs. Q1 21 (21 basis points) due primarily to the consequences of the crisis in Ukraine on Russian exposure, or EUR 561 million (vs. EUR 276 million in Q1 21). It breaks down into a provision on non-performing loans of EUR 313 million and a provision on performing loans of EUR 248 million.

**Excluding Russian activities which are currently being sold, the cost of risk remains limited at 31 basis points and breaks down into a provision on non-performing loans of EUR 277 million and a provision on performing loans of EUR 148 million.**

Moreover, the Societe Generale Group has offshore international exposure (exposure at default) to Russian counterparties amounting to EUR 2.8 billion at March 31st, 2022. Exposure at risk on this portfolio is estimated at less than EUR 1 billion. The associated cost of risk was EUR 218 million in Q1 2022.

There is only negligible market exposure to Russian external counterparties.

The Group's provisions on performing loans amounted to EUR 3,614 million at end-March, an increase of EUR 259 million vs. Q4 21.

The non-performing loans ratio amounted to 2.9%[1] at March 31st 2022, stable vs. end-December 2021 (2.9%). The Group's gross coverage ratio for doubtful outstandings stood at 49%[2] at March 31st 2022.

**The cost of risk is expected to be between 30 and 35 basis points in 2022.**

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*(1) NPL ratio calculated according to the EBA methodology published on July 16th, 2019*
*(2) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings*

## Group net income

| In EURm | Q1 22 | Q1 21 |
|---|---|---|
| Reported Group net income | 842 | 814 |
| Underlying Group net income[1] | 1,574 | 1,298 |

| In EURm | Q1 22 | Q1 21 |
|---|---|---|
| ROTE | 6.0% | 5.9% |
| Underlying ROTE[1] | 11.9% | 10.1% |

*(1) Adjusted for exceptional items and linearisation of IFRIC 21*

Earnings per share amounts to EUR 0.87 in Q1 22 (EUR 0.79 in Q1 21). Underlying earnings per share amounts to EUR 1 over the same period (EUR 0.83 in Q1 21).

## 2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 65.9 billion at March 31st, 2022 (EUR 65.1 billion at December 31st, 2021). Net asset value per share was EUR 69.23 and tangible net asset value per share was EUR 61.53.

The consolidated balance sheet totalled EUR 1,609 billion at March 31st, 2022 (EUR 1,464 billion at December 31st, 2021). The net amount of customer loan outstandings at March 31st, 2022, including lease financing, was EUR 495 billion (EUR 488 billion at December 31st, 2021) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 523 billion, vs. EUR 502 billion at December 31st, 2021 (excluding assets and securities sold under repurchase agreements).

At April 26th, 2022, the parent company had issued EUR 19.7 billion of medium/long-term debt, having an average maturity of 5.9 years and an average spread of 43 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 0.7 billion. In total, the Group had issued EUR 20.4 billion of medium/long-term debt.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 140% at end-March 2022 (137% on average in Q1), vs. 129% at end-December 2021. At the same time, the NSFR (Net Stable Funding Ratio) was at a level of 112% at end-March 2022.

The Group's **risk-weighted assets** (RWA) amounted to EUR 376.6 billion at March 31st, 2022 (vs. EUR 363.4 billion at end-December 2021) according to CRR2/CRD5 rules. Risk-weighted assets in respect of credit risk represent 84.1% of the total, at EUR 316.8 billion, up 3.9% vs. December 31st, 2021.

At March 31st, 2022, the Group's **Common Equity Tier 1** ratio stood at 12.9%, or around 370 basis points above the regulatory requirement. The CET1 ratio at March 31st, 2022 includes an effect of +12 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 12.8%. The Tier 1 ratio stood at 15.1% at end-March 2022 (15.9% at end-December 2021) and the total capital ratio amounted to 17.9% (18.8% at end-December 2021).

**The Group is aiming for a CET 1 ratio between 200-250 basis points above the regulatory requirement including after the entry into force of the regulation finalising the Basel III reform.**

The **leverage ratio** stood at 4.3% at March 31st, 2022 (4.9% at end-December 2021).

With a level of 30.5% of RWA and 8.7% of leverage exposure at end-March 2022, the Group's TLAC ratio is above the Financial Stability Board's requirements for 2022. At March 31st, 2022, the Group was also above its 2022 MREL requirements of 25.2% of RWA and 5.91% of leverage exposure.

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", stable outlook, short-term rating "A-1".

## 3. FRENCH RETAIL BANKING

| In EURm | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net banking income | 2,188 | 2,023 | +8.2% |
| *Net banking income excl. PEL/CEL* | *2,165* | *2,035* | *+6.4%* |
| Operating expenses | (1,720) | (1,611) | +6.8% |
| *Underlying operating expenses(1)* | *(1,550)* | *(1,483)* | *+4.5%* |
| Gross operating income | 468 | 412 | +13.6% |
| *Underlying gross operating income(1)* | *615* | *552* | *+11.4%* |
| Net cost of risk | (47) | (129) | -63.6% |
| Operating income | 421 | 283 | +48.8% |
| Net profits or losses from other assets | 0 | 3 | -100.0% |
| Reported Group net income | 313 | 212 | +47.6% |
| *Underlying Group net income(1)* | *422* | *312* | *+35.2%* |
| RONE | 10.6% | 6.9% | |
| *Underlying RONE(1)* | *14.3%* | *10.2%* | |

*(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision*
*Note: including Private Banking activities following the restatement in Q1 22 (France and International operations). Including activities transferred after the disposal of Lyxor*

**Societe Generale and Crédit du Nord networks**

Average loan outstandings were 1% higher than in Q1 21 at EUR 211 billion. Loan production grew +36% vs. Q1 21, with home loans rising +39% vs. Q1 21 and medium/long-term loans to corporate and professional customers (excluding State Guaranteed Loans) climbing +68% vs. Q1 21.

Average outstanding balance sheet deposits including BMTN (negotiable medium-term notes) continued to rise (+5% vs. Q1 21) to EUR 241 billion.

As a result, the average loan/deposit ratio stood at 88% in Q1 22 vs. 92% in Q1 21.

Insurance assets under management totalled EUR 91 billion at end-March 2022, up +2% year-on-year. Gross life insurance inflow amounted to EUR 2.7 billion in Q1 22, with the unit-linked share accounting for 39%.

Property/casualty insurance premiums and personal protection insurance premiums were up +2% vs. Q1 21.

**Boursorama**

The bank consolidated its position as the leading online bank in France, with more than 3.7 million clients at end-March 2022, thanks to the onboarding of 388,000 new clients in Q1 22 (+90% vs. Q1 21). Boursorama is aiming to have between 4 million and 4.5 million clients at end-2022, one year ahead of schedule relative to its plan.

Average outstanding loans rose +29% vs. Q1 21 to EUR 14 billion. Home loan outstandings were up +30% vs. Q1 21.

Average outstanding savings including deposits and financial savings were 19% higher than in Q1 21 at EUR 37 billion, while outstanding deposits were up +24% vs. Q1 21. Life insurance outstandings were 7% higher than in Q1 21, with the unit-linked share accounting for 45%. Brokerage recorded more than 2 million transactions in Q1 22.

**Private Banking**

Private Banking activities were transferred to French Retail Banking in Q1 2022. The scope includes France and international operations as well as the activities transferred at the time of the disposal of Lyxor. The business enjoyed strong commercial activity in all the regions. Assets under management totalled EUR 150 billion, up +8% vs. Q1 21. Net inflow was buoyant at EUR 2.7 billion in Q1 22, despite the volatility of the financial markets. Net banking income totalled EUR 322 million in Q1 22, up +21.2% vs. Q1 21.

## Net banking income excluding PEL/CEL

Revenues (excluding PEL/CEL) totalled EUR 2,165 million, up +6.4% vs. Q1 21. Net interest income (excluding PEL/CEL) was up +2.8% vs. Q1 21, driven by loans to corporate customers and Private Banking but partially impacted by the effect of the higher rate on the Livret A passbook savings account. Commissions increased by +6.9% vs. Q1 21, driven by the good performance of financial commissions and the rebound in service commissions.

## Operating expenses

Operating expenses amounted to EUR 1,720 million (+6.8% vs. Q1 21) and EUR 1,550 million on an underlying basis (+4.5% vs. Q1 21). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.6%, an improvement of 1.3 points vs. Q1 21, representing a positive jaws effect.

## Cost of risk

The cost of risk amounted to EUR 47 million or 8 basis points in Q1 22, a substantial decline compared to Q1 21 (22 basis points). In Q4 21, the cost of risk represented a write-back of 3 basis points.

## Contribution to Group net income

The contribution to Group net income was EUR 313 million in Q1 22 vs. EUR 212 million in Q1 21. RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 14.3% in Q1 22 (16.1% excluding Boursorama).

## 4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

| In EURm | Q1 22 | Q1 21 | Change | |
|---|---|---|---|---|
| Net banking income | 2,223 | 1,862 | *+19.4%* | *+19.3%** |
| Operating expenses | (1,183) | (1,089) | *+8.6%* | *+8.3%** |
| *Underlying operating expenses(1)* | *(1,091)* | *(1,017)* | *+7.3%* | *+7.0%** |
| Gross operating income | 1,040 | 773 | *+34.5%* | *+35.0%** |
| *Underlying gross operating income(1)* | *1,132* | *845* | *+34.0%* | *+34.4%** |
| Net cost of risk | (325) | (142) | *x 2.3* | *x 2.3** |
| Operating income | 715 | 631 | *+13.3%* | *+13.8%** |
| Net profits or losses from other assets | 2 | 2 | *+0.0%* | *+11.0%** |
| Reported Group net income | 400 | 392 | *+2.0%* | *+2.6%** |
| *Underlying Group net income(1)* | *453* | *434* | *+4.4%* | *+5.0%** |
| RONE | 14.5% | 15.7% | | |
| *Underlying RONE(1)* | *16.5%* | *17.4%* | | |

*(1) Adjusted for the linearisation of IFRIC 21*

**International Retail Banking's** outstanding loans totalled EUR 92.7 billion, up +5.4%* vs. Q1 21. Outstanding deposits increased by +6.5%* vs. Q1 21, to EUR 92.4 billion.

For the Europe scope, outstanding loans were up +6.0%* vs. end-March 2021 at EUR 60.6 billion, driven by a positive momentum in all the regions: +8.3%* in the Czech Republic, +9.1%* in Romania, and +2.3%* in Western Europe. Outstanding deposits rose +3.1%* to EUR 54.3 billion.

In Africa, Mediterranean Basin and French Overseas Territories, outstanding loans increased by +1.6%* when adjusted for changes in Group structure and at constant exchange rates. Outstanding deposits continued to enjoy a healthy momentum, up +6.2%*.

**In the Insurance business,** the life insurance savings business continued to benefit from a good momentum, with outstandings up +4%* at end-March 2022 vs. end-March 2021 at EUR 134 billion. The share of unit-linked products in outstandings was 36%, an increase of +2 points vs. March 2021. Gross life insurance savings inflow was 7%* higher in Q1 22 than in Q1 21, with the share of unit-linked products remaining at a high level of 43%, up 3 points vs. March 2021. Protection insurance saw an increase of +7%* vs. Q1 21, bolstered by property/casualty premiums up +12%*.

**Financial Services** also enjoyed a very healthy momentum. Operational Vehicle Leasing and Fleet Management posted record net banking income, up +53%*, due to the business' good performance and continued very strong demand for used cars. The fleet consisted of 1.7 million contracts, including 1.4 million financed vehicles, an increase of +4.8% vs. end-March 2021. Equipment Finance continued to grow, with new leasing business up +3.1%* vs. Q1 21. Outstanding loans rose +1.4% vs. end-March 2021, to EUR 14.5 billion (excluding factoring).

### Net banking income

Net banking income amounted to EUR 2,223 million in Q1 22, up +19.3%* vs. Q1 21.

**International Retail Banking's** net banking income totalled EUR 1,343 million in Q1 22, an increase of +13.1%*.

Revenues in Europe climbed +15.6%* vs. Q1 21, due primarily to substantial growth in net interest income as a result of the rise in rates (+17%* vs. Q1 21), particularly in the Czech Republic (+34%* vs. Q1 21).

The Africa, Mediterranean Basin and French Overseas Territories scope posted revenues up +7.2%* vs. Q1 21 at EUR 466 million, with activity that remained buoyant in Sub-Saharan Africa (+9%* vs. Q1 21).

**The Insurance business** posted net banking income up +6.0%* vs. Q1 21, at EUR 250 million.

**Financial Services'** net banking income was substantially higher (+43.6%*) than in Q1 21, at EUR 630 million. This performance benefited primarily from the activities of ALD which continued to post strong growth in the used car sale result (EUR 3,101 per vehicle in Q1 22).

## Operating expenses

Operating expenses rose by only +8.3%* on a reported basis (+7.0%* on an underlying basis) vs. Q1 21 to EUR 1,183 million, resulting in a positive jaws effect. The underlying cost to income ratio stood at 49.1% in Q1 22, lower than in Q1 21 (54.6%).

**In International Retail Banking,** operating expenses were 7.4%* higher than in Q1 21.

In the **Insurance** business, operating expenses rose +7.4%* vs. Q1 21, with a cost to income ratio of 47.2% (39.3% on an underlying basis).

In **Financial Services,** operating expenses increased by +11.4%* vs. Q1 21, generating a very positive jaws effect.

## Cost of risk

**In Q1 22,** the cost of risk amounted to 92 basis points (EUR 325 million), vs. 44 basis points in Q1 21. Excluding Russian activities which are currently being sold, the increase in the cost of risk remained limited with a level of 59 basis points.

## Contribution to Group net income

The contribution to Group net income totalled EUR 400 million in Q1 22, an increase of +2.6%* vs. Q1 21.

Underlying RONE stood at 16.5% in Q1 22 (vs. 17.4% in Q1 21) and around 23% excluding Russian activities which are currently being sold. In International Retail Banking, underlying RONE was 7.3% (around 18% excluding Russian activities which are currently being sold) and 28.0% in Financial Services and Insurance.

## 5. GLOBAL BANKING & INVESTOR SOLUTIONS

| In EURm | Q1 22 | Q1 21 | Variation | |
|---|---|---|---|---|
| Net banking income | 2,755 | 2,333 | +18.1% | +16.9%* |
| Operating expenses | (2,172) | (1,893) | +14.7% | +15.7%* |
| *Underlying operating expenses(1)* | *(1,611)* | *(1,526)* | *+5.6%* | *+6.7%** |
| Gross operating income | 583 | 440 | +32.5% | +21.7%* |
| *Underlying gross operating income(1)* | *1,144* | *807* | *+41.7%* | *+35.2%** |
| Net cost of risk | (194) | (3) | x 64.7 | x 76.7* |
| Operating income | 389 | 437 | -11.0% | -18.4%* |
| Reported Group net income | 302 | 347 | -13.0% | -19.9%* |
| *Underlying Group net income(1)* | *734* | *629* | *+16.6%* | *+11.3%** |
| RONE | 8.6% | 10.4% | | |
| *Underlying RONE(1)* | *20.8%* | *18.8%* | | |

*(1) Adjusted for the linearisation of IFRIC 21*
*Note: excluding Private Banking activities following the restatement in Q1 22 (France and International operations). Including activities transferred after the disposal of Lyxor*

### Net banking income

**Global Banking & Investor Solutions** delivered a remarkable performance in Q1 driven by all the businesses, with revenues of EUR 2,755 million, significantly higher (+18.1%) than the already high level in Q1 21. The sharp increase in Q1 22 illustrates the relevance of the strategy presented in May 2021 and the quality of its execution.

**In Global Markets & Investor Services,** net banking income totalled EUR 1,965 million in Q1 22 (+19.1% vs. Q1 21), in a volatile environment, driven by good client activity and the rise in rates.

Global Markets turned in an excellent performance in Q1 22 (EUR 1,777 million), up +20.5% vs. Q1 21, benefiting from a strong commercial momentum in all segments. This very good result can be seen in all the businesses (Equities, Fixed Income, Currency), products (Flow&Hedging, Investment Solutions and financing) and geographical regions.

The Equity activity enjoyed an excellent quarter (EUR 1,010 million, +19.5% vs. Q1 21), driven by strong client activity in all the businesses, particularly in listed products and prime services. The structured products portfolio remained stable, with good risk management.

Fixed Income & Currency activities posted substantially higher revenues (+21.7% vs. Q1 21) at EUR 767 million in a favourable market environment. Very buoyant client activity benefited all the businesses, and particularly Fixed Income activities.

There was a significant increase in Securities Services' revenues in Q1, up +7.4% vs. Q1 21, at EUR 188 million, reflecting the increase in rates as well as a higher level of commissions. Securities Services' assets under custody and assets under administration amounted to EUR 4,375 billion and EUR 676 billion respectively.

**Financing & Advisory** posted revenues of EUR 790 million, up +24.4% vs. Q1 21.

The Global Banking & Advisory business, up +24.1% vs. Q1 21, capitalised on the good market momentum, particularly in activities related to Natural Resources, Trade Commodity Finance and Infrastructure as well as in property financing.

The Asset-Backed Products platform continued to grow, with a positive return from initiatives carried out on the Financial Sponsors client segment.

Investment Banking enjoyed a good quarter, despite a sharp slowdown in primary market activity since end-February.

Global Transaction and Payment Services continued to experience strong growth, up +26.2% vs. Q1 21, primarily on the back of the increase in rates and volumes.

## Operating expenses

Operating expenses totalled EUR 2,172 million in Q1 22, an increase of +14.7% vs. Q1 21 on a reported basis, and +5.6% on an underlying basis. This increase can be explained by the rise in variable costs, related to the increase in earnings, and IFRIC 21 charges (the contribution to the Single Resolution Fund amounted to EUR 622 million in Q1 22 vs. EUR 411 million in Q1 21 for Global Banking & Investor Solutions). There was a significant improvement in the cost to income ratio of 7 points (58.5% vs. 65.4% in Q1 21 on an underlying basis), with a positive jaws effect.

## Cost of risk

The cost of risk amounted to 45 basis points (or EUR 194 million) in Q1 22, including EUR 152 million related to offshore exposure to Russia.

## Contribution to Group net income

The contribution to Group net income was EUR 302 million on a reported basis and EUR 734 million on an underlying basis (+16.6% vs. Q1 21).

Global Banking & Investor Solutions posted a significant underlying RONE of 20.8% in Q1 22 (24.1% when restated for the impact of the contribution to the Single Resolution Fund), an improvement compared to RONE of 18.8% in Q1 21.

## 6. CORPORATE CENTRE

| In EURm | Q1 22 | Q1 21 |
|---|---|---|
| Net banking income | 115 | 27 |
| Operating expenses | (254) | (155) |
| *Underlying operating expenses(1)* | *(73)* | *(71)* |
| Gross operating income | (139) | (128) |
| *Underlying gross operating income(1)* | *42* | *(44)* |
| Net cost of risk | 5 | (2) |
| Net profits or losses from other assets | - | 1 |
| Income tax | 12 | 36 |
| Reported Group net income | (173) | (137) |
| *Underlying Group net income(1)* | *(52)* | *(69)* |

*(1) Adjusted for the linearisation of IFRIC 21*

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 cross-functional projects as well as certain costs incurred by the Group not re-invoiced to the businesses.

**The Corporate Centre's net banking income totalled EUR 115 million** in Q1 22 vs. EUR 27 million in Q1 21. It includes in particular the positive value changes of financial instruments corresponding to the economic hedging of the Group's equity securities.

**Operating expenses totalled EUR 254 million** in Q1 22 vs. EUR 155 million in Q1 21. They include the Group's transformation costs for a total amount of EUR 143 million relating to the activities of French Retail Banking (EUR 104 million), Global Banking & Investor Solutions (EUR 14 million) and the Corporate Centre (EUR 25 million). Underlying costs came to EUR 73 million in Q1 22 compared to EUR 71 million in Q1 21.

**Gross operating income totalled EUR -139 million** in Q1 22 vs. EUR -128 million in Q1 21. Underlying gross operating income came to EUR +42 million in Q1 22 vs. EUR -44 million in Q1 21.

**The Corporate Centre's contribution to Group net income was EUR -173 million in Q1 22 vs.** EUR -137 million in Q1 21. The Corporate Centre's contribution to Group net income on an underlying basis was EUR -52 million.

## 7. 2022 FINANCIAL CALENDAR

2022 and 2023 Financial communication calendar

| | |
|---|---|
| May 17th, 2022 | 2022 General Meeting |
| May 25th, 2022 | Dividend detachment |
| May 27th, 2022 | Dividend payment |
| August 3rd, 2022 | Second quarter and first half 2022 results |
| November 4th, 2022 | Third quarter and nine-month 2022 results |
| February 8th, 2023 | Fourth quarter and FY 2022 results |

**The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, 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 section "Risk Factors" in our Universal Registration Document filed with the French Autorité des Marchés Financiers (which is available on https://investors.societegenerale.com/en).

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.

# 8. APPENDIX 1: FINANCIAL DATA

## GROUP NET INCOME BY CORE BUSINESS

| In EURm | Q1 22 | Q1 21 | Variation |
|---|---|---|---|
| French Retail Banking | 313 | 212 | +47.6% |
| International Retail Banking and Financial Services | 400 | 392 | +2.0% |
| Global Banking and Investor Solutions | 302 | 347 | -13.0% |
| Core Businesses | 1,015 | 951 | +6.7% |
| Corporate Centre | (173) | (137) | -26.3% |
| Group | 842 | 814 | +3.4% |

*NB: Amounts restated in Q1 22 to take into account the transfer of Private Banking activities (French and international) to the French Retail Banking. Includes activities transferred after the disposal of Lyxor*

## CONSOLIDATED BALANCE SHEET

| In EURm | 31.03.2022 | 31.12.2021 |
|---|---|---|
| Cash, due from central banks | 230,086 | 179,969 |
| Financial assets at fair value through profit or loss | 419,946 | 342,714 |
| Hedging derivatives | 13,683 | 13,239 |
| Financial assets at fair value through other comprehensive income | 40,342 | 43,450 |
| Securities at amortised cost | 19,748 | 19,371 |
| Due from banks at amortised cost | 74,490 | 55,972 |
| Customer loans at amortised cost | 501,542 | 497,164 |
| Revaluation differences on portfolios hedged against interest rate risk | 172 | 131 |
| Investments of insurance companies | 172,741 | 178,898 |
| Tax assets | 4,647 | 4,812 |
| Other assets | 95,796 | 92,898 |
| Non-current assets held for sale | 16 | 27 |
| Investments accounted for using the equity method | 115 | 95 |
| Tangible and intangible fixed assets | 32,139 | 31,968 |
| Goodwill | 3,739 | 3,741 |
| Total | 1,609,202 | 1,464,449 |

| In EURm | 31.03.2022 | 31.12.2021 |
|---|---|---|
| Due to central banks | 12,618 | 5,152 |
| Financial liabilities at fair value through profit or loss | 391,805 | 307,563 |
| Hedging derivatives | 17,839 | 10,425 |
| Debt securities issued | 135,384 | 135,324 |
| Due to banks | 157,560 | 139,177 |
| Customer deposits | 528,620 | 509,133 |
| Revaluation differences on portfolios hedged against interest rate risk | (1,631) | 2,832 |
| Tax liabilities | 1,683 | 1,577 |
| Other liabilities | 122,461 | 106,305 |
| Non-current liabilities held for sale | - | 1 |
| Insurance contracts related liabilities | 150,098 | 155,288 |
| Provisions | 5,047 | 4,850 |
| Subordinated debts | 16,101 | 15,959 |
| Total liabilities | 1,537,585 | 1,393,586 |
| Shareholder's equity | - | - |
| Shareholders' equity, Group share | - | - |
| Issued common stocks and capital reserves | 21,836 | 21,913 |
| Other equity instruments | 7,534 | 7,534 |
| Retained earnings | 36,270 | 30,631 |
| Net income | 842 | 5,641 |
| Sub-total | 66,482 | 65,719 |
| Unrealised or deferred capital gains and losses | (630) | (652) |
| Sub-total equity, Group share | 65,852 | 65,067 |
| Non-controlling interests | 5,765 | 5,796 |
| Total equity | 71,617 | 70,863 |
| Total | 1,609,202 | 1,464,449 |

## 10. APPENDIX 2: METHODOLOGY

**1 –The financial information presented for the quarter ending 31 March 2022 was examined by the Board of Directors on May 4th, 2022** and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. This information has not been audited.

**2 - Net banking income**

The pillars' net banking income is defined on page 41 of Societe Generale's 2022 Universal 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 31st, 2021 (pages 482 et seq. of Societe Generale's 2022 Universal 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 2022 Universal 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.

The contributions to **Single Resolution Fund (« SRF »)** are part of IFRIC21 adjusted charges, they include contributions to national resolution funds within the EU.

## 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 22 (In EURm) | Operating Expenses | Cost of risk | Net profit or losses from other assets | Income tax | Group net income | Business |
|---|---|---|---|---|---|---|
| Reported | (5,329) | (561) | 2 | (353) | 842 | |
| *(+) IFRIC 21 linearisation* | *860* | | | *(218)* | *626* | |
| *(+) Transformation charges** | *143* | | | *(37)* | *106* | *Corporate Center(1)* |
| Underlying | (4,325) | (561) | 2 | (608) | 1,574 | |

| Q1 21 (In EURm) | Operating Expenses | Cost of risk | Net profit or losses from other assets | Income tax | Group net income | Business |
|---|---|---|---|---|---|---|
| Reported | (4,748) | (276) | 6 | (283) | 814 | |
| *(+) IFRIC 21 linearisation* | *601* | | | *(141)* | *448* | |
| *(+) Transformation charges** | *50* | | | *(14)* | *36* | *Corporate Center(2)* |
| Underlying | (4,097) | (276) | 6 | (438) | 1,298 | |

*(*) Exceptional item*

*(1) Q1 22 transformation charges related to French Retail Banking (EUR 104m), Global Banking & Investor Solutions (EUR 14m) and Corporate Centre (EUR 25m)*

*(2) Q1 21 transformation charges related to French Retail Banking (EUR 38m), Global Banking and Investor Solutions (EUR 1m) and Corporate Center (EUR 11m)*

### 6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk is defined on pages 43 and 663 of Societe Generale's 2022 Universal 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 EURm | | Q1 22 | Q1 21 |
|---|---|---|---|
| French Retail Banking | Net Cost Of Risk | 47 | 129 |
| | Gross loan Outstandings | 242,645 | 233,953 |
| | Cost of Risk in bp | 8 | 22 |
| International Retail Banking and Financial Services | Net Cost Of Risk | 325 | 142 |
| | Gross loan Outstandings | 140,547 | 130,196 |
| | Cost of Risk in bp | 92 | 44 |
| Global Banking and Investor Solutions | Net Cost Of Risk | 194 | 3 |
| | Gross loan Outstandings | 170,749 | 138,305 |
| | Cost of Risk in bp | 45 | 1 |
| Corporate Centre | Net Cost Of Risk | (5) | 2 |
| | Gross loan Outstandings | 14,413 | 12,963 |
| | Cost of Risk in bp | (12) | 4 |
| Societe Generale Group | Net Cost Of Risk | 561 | 276 |
| | Gross loan Outstandings | 568,354 | 515,416 |
| | Cost of Risk in bp | 39 | 21 |

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 2022 Universal 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 2022 Universal 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. 9). 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 (in EURm) | Q1 22 | Q1 21 |
|---|---|---|
| Shareholders' equity Group share | 65,852 | 62,920 |
| Deeply subordinated notes | (8,178) | (9,179) |
| Undated subordinated notes | - | (273) |
| Interest of deeeply & undated subodinated notes, issue premium amortisations[1] | (65) | (51) |
| OCI excluding conversion reserves | 120 | (723) |
| Dividend provision[2] | (415) | (353) |
| ROE equity end-of-period | 55,029 | 52,340 |
| Average ROE equity | 54,669 | 51,771 |
| Average Goodwill | (3,624) | (3,928) |
| Average Intangible Assets | (2,753) | (2,506) |
| Average ROTE equity | 48,292 | 45,337 |
| | | |
| Group net Income (a) | 842 | 814 |
| Underlying Group net income (b) | 1,574 | 1,298 |
| Interest on deeply subordinated notes and undated subordinated notes (c) | (119) | (144) |
| Cancellation of goodwill impairment (d) | 2 | - |
| Ajusted Group net Income (e) = (a)+ (c)+(d) | 725 | 670 |
| Ajusted Underlying Group net Income (f)=(b)+(c) | 1,457 | 1,154 |
| | | |
| Average ROTE equity (g) | 48,292 | 45,337 |
| ROTE [quarter: (4*e/g)] | 6.0% | 5.9% |
| | | |
| Average ROTE equity (underlying) (h) | 49,024 | 45,821 |
| Underlying ROTE [quarter: (4*f/h)] | 11.9% | 10.1% |

*(1) Interest net of tax, payable or paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations*

*(2) The dividend to be paid is calculated based on a pay-out ratio of 50% of the underlying Group net income, after deduction of deeply subordinated notes and on undated subordinated notes*

### RONE calculation: Average capital allocated to Core Businesses

| In EURm | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| French Retail Banking | 11,822 | 12,208 | -3.2% |
| International Retail Banking and Financial Services | 11,018 | 9,963 | +10.6% |
| Global Banking and Investor Solutions | 14,128 | 13,404 | +5.4% |
| Core Businesses | 36,968 | 35,576 | +3.9% |
| Corporate Center | 17,701 | 15,975 | +10.8% |
| Group | 54,669 | 51,550 | +6.1% |

*NB: Amounts restated in Q1 22 to take into account the transfer of Private Banking activities (French and international) to the French Retail Banking. Includes activities transferred after the disposal of Lyxor*

### 8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 46 of the Group's 2022 Universal Registration Document. The items used to calculate them are presented below:

| End of period (in EURm) | Q1 22 | 2021 | 2020 |
|---|---|---|---|
| Shareholders' equity Group share* | 65,852 | 65,067 | 61,710 |
| Deeply subordinated notes | (8,178) | (8,003) | (8,830) |
| Undated subordinated notes | - | - | (264) |
| Interest of deeeply & undated subodinated notes, issue premium amortisations(1) | (65) | 20 | 19 |
| Bookvalue of own shares in trading portfolio | (78) | 37 | 301 |
| Net Asset Value* | 57,531 | 57,121 | 52,936 |
| Goodwill | (3,624) | (3,624) | (3,928) |
| Intangible Assets | (2,773) | (2,733) | (2,484) |
| Net Tangible Asset Value* | 51,134 | 50,764 | 46,524 |
| | | | |
| Number of shares used to calculate NAPS** | 831,044 | 831,162 | 848,859 |
| Net Asset Value per Share | 69.2 | 68.7 | 62.4 |
| Net Tangible Asset Value per Share | 61.5 | 61.1 | 54.8 |

*(*) Amounts restated compared with the financial statements published in 2020 (See Note1.7 of the 2021 financial statements)*
*(* *) The number of shares considered is the number of ordinary shares outstanding as at end of period, 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*
*(1) Interest net of tax, payable or paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations*

## 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 2022 Universal 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 2022 Universal 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 22 | 2021 | 2020 |
|---|---|---|---|
| Existing shares | 845,248 | 853,371 | 853,371 |
| Deductions | | | |
| Shares allocated to cover stock option plans and free shares awarded to staff | 6,021 | 3,861 | 2,987 |
| Other own shares and treasury shares | 8,124 | 3,249 | - |
| Number of shares used to calculate EPS* | 831,103 | 846,261 | 850,385 |
| Group net Income | 842 | 5,641 | (258) |
| Interest on deeply subordinated notes and undated subordinated notes | (119) | (590) | (611) |
| Capital gain net of tax on partial buybacks | - | - | - |
| Adjusted Group net income | 723 | 5,051 | (869) |
| EPS (in EUR) | 0.87 | 5.97 | (1.02) |
| Underlying EPS** (in EUR) | 1.00 | 5.52 | 0.97 |

*(*) The number of shares considered is the average number of ordinary shares outstanding during the period, excluding treasury shares and buybacks, but including the trading shares held by the Group*

*(**) Calculated on the basis of underlying Group net income (excluding linearisation of IFRIC 21)*

## 10 - The Societe Generale Group's Common Equity Tier 1 capital

It is calculated in accordance with applicable CRR2/CRD5 rules. The fully loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is also calculated according to applicable CRR2/CRD5 rules including the phased-in following 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 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. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

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 131,000 members of staff in 66 countries and supports on a daily basis 26 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, Credit 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**, 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 (Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes, and the MSCI Low Carbon Leaders Index (World and Europe).

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