

## **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 CSPC Pharmaceutical Group Limited  
with a Daily Leverage of -5x**

**issued by**

**SG Issuer**

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

**unconditionally and irrevocably guaranteed by**

**Société Générale**

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

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This document is published for the purpose of obtaining a listing of all the above certificates (the “**Certificates**”) to be issued by SG Issuer (the “**Issuer**”) unconditionally and irrevocably guaranteed by Société Générale (the “**Guarantor**”), and is supplemental to and should be read in conjunction with a base listing document dated 21 June 2019 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<sup>1</sup> and Specified Investment Products (SIPs)<sup>2</sup>, and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 21 June 2019 (the "**Guarantee**") and entered into by the Guarantor constitutes general unsecured 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 11 December 2019.

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.

10 December 2019

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

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

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

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

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

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

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

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

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

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## RISK FACTORS

The following are risk factors relating to the Certificates:

- (a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;
- (b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes general unsecured 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 on the Expiry Date;
- (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 27 to 31 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 may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

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

- (m) investors should note that there are leveraged risks because the Certificates integrate 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;
- (n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideways trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;
- (o) investors should note that the Air Bag Mechanism (as defined below) 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: (a) if air bag event has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (b) if one or more air bag events have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 46 to 47 of this document for more information;

- (q) 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 33 to 35 of this document for more information;
- (r) 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;
- (s) 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;
- (t) 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;

(u) 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;

(v) 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;

(w) 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;

(x) 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;

(y) 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;

(z) 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;

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

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

(bb) 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

(cc) risk factors relating to the BRRD

*French 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. As a directive, the BRRD is not directly applicable in France and had to be transposed into national legislation. The French ordonnance no. 2015-1024 of 20 August 2015 transposed the BRRD into French law and amended the French Code monétaire et financier for this purpose. The French ordonnance has been ratified by law no. 2016-1691 dated 9 December 2016 (Loi n°2016-1691 du 9 décembre 2016 relative à la transparence, à la lutte contre la corruption et à la modernisation de la vie économique) which also incorporates provisions which clarify the implementation of the BRRD. In Luxembourg, the BRRD was implemented by the Luxembourg act dated 18 December 2015 (the “**BRR Act 2015**”). Under the BRR Act 2015,

the competent authority is the CSSF and the resolution authority is the CSSF acting as Resolution Council (*le Conseil de résolution*).

The stated aim of the BRRD and Regulation (EU) no. 806/2014 of the European Parliament and of the Council of the European Union of 15 July 2014 (the “**SRM Regulation**”) is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the 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 minimizing the impact of an institution’s failure on the economy and financial system (including taxpayers’ exposure to losses).

Under the SRM Regulation, a centralized power of resolution is established and entrusted to the Single Resolution Board (the “**SRB**”) and to the national resolution authorities.

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 French Code monétaire et financier implementing the BRRD are deemed to be met when: (i) the Resolution Authority or the relevant supervisory 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 the form defined in Article L. 613-48 III, 3° of the French Code monétaire et financier).

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion into ordinary shares or other instruments of ownership of the Certificates, 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, if the Issuer’s or the Guarantor’s financial condition deteriorates, the existence of the Bail-in Power could cause

the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such power.

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.

Since January 1, 2016, French credit institutions (such as the Issuer and the Guarantor) have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article L. 613-44 of the French Code monétaire et financier. 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.

In addition, on November 9, 2015, the Financial Stability Board (the "**FSB**") published a standard on total loss absorbing capacity ("**TLAC**") which is set forth in a term sheet (the "**FSB TLAC Term Sheet**"). That standard –which has been adopted after the BRRD –shares similar objectives to MREL but covers a different scope. Moreover, the Council of the European Union published on February 14, 2019 a final compromise text for the modification of CRR and BRRD intending to give effect to the FSB TLAC Term Sheet and to modify the requirements for MREL eligibility.

The TLAC requirements are expected to be complied with since January 1, 2019 in accordance with the FSB principles. The TLAC requirements impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as the Issuer and the Guarantor, 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). However, according to the final compromise text for the modification of CRR published by the Council of the European Union in February 2019, European Union G-SIBs will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the amending regulation. As such, G-SIBs will have to comply at the same time with TLAC and MREL described above.

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 banks' resolution

plans have applied since January 1, 2015 and the SRM has been fully operational since January 1, 2016.

The application of any measure under the French BRRD implementing provisions 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 institution or its 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.

Following the publication on 7 June 2019 in the Official Journal of the EU 14 May 2019 by the Council of the 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 and Directive 98/26/EC and of the Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the Single Resolution Mechanism Regulation (Regulation 806/2014) as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, a comprehensive legislative package reducing risks in the banking sector and further reinforcing banks' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system from 28 December 2020.

## 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 CSPC Pharmaceutical Group Limited (the “ <b>Underlying Stock</b> ”) |
| Company:                                  | CSPC Pharmaceutical Group Limited (RIC: 1093.HK)   |
| Underlying Price <sup>3</sup> and Source: | HK\$17 (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.) <sup>4</sup> :      | 0.40%  |
| Gap Premium (p.a.) <sup>5</sup> :         | 6.90%, is a hedging cost against extreme market movements overnight.   |
| Stock Borrowing Cost <sup>6</sup> :       | The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.  |
| Rebalancing Cost <sup>6</sup> :           | The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.                                 |
| Launch Date:                              | 5 December 2019  |
| Closing Date:                             | 10 December 2019   |
| Expected Listing Date:                    | 11 December 2019   |

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<sup>3</sup> These figures are calculated as at, and based on information available to the Issuer on or about 10 December 2019. 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 10 December 2019.

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

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

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

|                         |  |
|-------------------------|--|
| Last Trading Date:      | The date falling 5 Business Days immediately preceding the Expiry Date, currently being 1 December 2022  |
| Expiry Date:            | 8 December 2022 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)   |
| Board Lot:              | 100 Certificates   |
| Valuation Date:         | 7 December 2022 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 38 to 52 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 1 to Valuation Date) of $(1 - \text{Management Fee} \times (\text{ACT}(t-1;t) \div 360)) \times (1 - \text{Gap Premium}(t-1) \times (\text{ACT}(t-1;t) \div 360))$ , where:<br><br>“t” refers to “ <b>Observation Date</b> ” which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately  |

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

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

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

Please refer to the “Information relating to the European Style Cash Settled Short Certificates on Single Equities” section on pages 38 to 52 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 22 below.

Initial Exchange Rate<sup>3</sup>: 0.1737



|   |   |
|---|---|
| Final Exchange Rate:                              | The rate for the conversion of HKD to SGD as at 5:00pm (Singapore Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.   |
| Air Bag Mechanism:                                | <p>The “<b>Air Bag Mechanism</b>” 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 (“<b>Air Bag Trigger Price</b>”) 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.</p> <p>Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered.</p> <p>The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero.</p> <p>Please refer to the “Extraordinary Strategy Adjustment for Performance Reasons (“Air Bag Mechanism”)” section on pages 20 to 22 below and the “Description of Air Bag Mechanism” section on pages 44 to 45 of this document for further information of the Air Bag Mechanism.</p> |
| Underlying Stock Currency:                        | Hong Kong Dollar (“ <b>HKD</b> ”)   |
| Settlement Currency:                              | Singapore Dollar (“ <b>SGD</b> ”)   |
| 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 (“ <b>SGX-ST</b> ”)   |
| Relevant Stock Exchange for the Underlying Stock: | HKEX  |
| Business Day and Exchange Business Day:           | <p>A “<b>Business Day</b>” 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.</p> <p>An “<b>Exchange Business Day</b>” is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.</p>  |
| Warrant Agent:                                    | The Central Depository (Pte) Limited (“ <b>CDP</b> ”)   |

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.

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](http://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

**LSL<sub>t</sub>** 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):

$$LSL_1 = 1000$$

On each subsequent Observation Date(t):

$$LSL_t = \text{Max}[LSL_{t-1} \times (1 + LR_{t-1,t} - FC_{t-1,t} - SB_{t-1,t} - RC_{t-1,t}), 0]$$

**LR<sub>t-1,t</sub>** means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

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

**FC<sub>t-1,t</sub>** means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

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

**SB<sub>t-1,t</sub>** means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$SB_{t-1,t} = -\text{Leverage} \times \frac{\text{CB} \times \text{ACT}(t-1, t)}{\text{DayCountBasisRate}}$$

**CB** means the Cost of Borrowing applicable that is equal to 4%.

**RC<sub>t-1,t</sub>** means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows :

$$RC_{t-1,t} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left| \frac{S_t}{S_{t-1} \times Rfactor_t} - 1 \right| \right) \times \text{TC}$$

|                            |  |
|----------------------------|--|
| <b>TC</b>                  | means the Transaction Costs applicable (including Stamp Duty) that are equal to :<br>0.10%   |
| <b>Leverage</b>            | -5   |
| <b>S<sub>t</sub></b>       | means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.  |
| <b>Rate<sub>t</sub></b>    | means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC H1HKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page.   |
| <b>Rfactor<sub>t</sub></b> | means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :<br>$Rfactor_t = 1 - \frac{Div_t}{S_{t-1}}$<br>where<br><i>Div<sub>t</sub></i> 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. |
| <b>ACT(t-1,t)</b>          | ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).   |
| <b>DayCount</b>            | 365  |
| <b>BasisRate</b>           |  |

**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 ( $LSL_{IRD}$ ) should be computed as follows :

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

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

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

|                                    |   |
|------------------------------------|---|
| <b>ILSL<sub>IR(k)</sub></b>        | <p>means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :</p> <p>(1) for k = 1 :</p> $ILSL_{IR(1)} = \text{Max}[LSL_{IRD-1} \times (1 + ILR_{IR(0),IR(1)} - FC_{IRD-1,IRD} - SB_{IRD-1,IRD} - IRC_{IR(0),IR(1)}), 0]$ <p>(2) for k &gt; 1 :</p> $ILSL_{IR(k)} = \text{Max}[ILSL_{IR(k-1)} \times (1 + ILR_{IR(k-1),IR(k)} - IRC_{IR(k-1),IR(k)}), 0]$                                       |
| <b>ILR<sub>IR(k-1),IR(k)</sub></b> | <p>means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :</p> $ILR_{IR(k-1),IR(k)} = \text{Leverage} \times \left( \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right)$   |
| <b>IRC<sub>IR(k-1),IR(k)</sub></b> | <p>means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :</p> $IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage} - 1) \times \left( \left  \frac{IS_{IR(k)}}{IS_{IR(k-1)} \times Rfactor_t} - 1 \right  \right) \times TC$   |
| <b>IS<sub>IR(k)</sub></b>          | <p>means the Underlying Stock Price in respect of IR(k) computed as follows :</p> <p>(1) for k=0</p> $IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$ <p>(2) for k=1 to n</p> <p>means in respect of IR(k), the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period</p> <p>(3) with respect to IR(C)</p> $IS_{IR(C)} = S_{IRD}$ <p>In each case, subject to the adjustments and provisions of the Conditions.</p> |
| <b>IR(k)</b>                       | <p>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;</p> <p>For k=1 to n, means the k<sup>th</sup> Intraday Restrike Event on the relevant Intraday Restrike Date.</p>  |
| <b>IR(C)</b>                       | <p>means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.</p>  |
| <b>n</b>                           | <p>means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.</p>   |
| <b>Intraday Restrike Event</b>     | <p>means in respect of an Observation Date(t) :</p> <p>(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</p>  |

Price  $IS_{IR(0)}$  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  $IS_{IR(k)}$  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 21 June 2019, 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) or the Regulator (as defined below), 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 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 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

- (ii) that the 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.

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

“**Bail-In Power**” means any power existing from time to time under any laws, regulations, rules or requirements in effect in France, relating to the transposition of 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, the “**BRRD**”), including without limitation pursuant to French decree-law No. 2015-1024 dated 20 August 2015 (*Ordonnance portant diverses dispositions d'adaptation de la législation au droit de l'Union européenne en matière financière*) (as amended from time to time, the “**20 August 2015 Decree Law**”), 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 and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended from time to time, the “**Single Resolution Mechanism Regulation**”), or otherwise arising under French law, and in each case the instructions, rules and standards created thereunder, pursuant to which the obligations of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced (in part or in whole), cancelled, suspended, transferred, varied or otherwise modified in any way, or securities of a Regulated Entity (or an affiliate of such Regulated Entity) can be converted into shares, other securities, or other obligations of such Regulated Entity or any other person, whether in connection with the implementation of a bail-in tool following placement in resolution or otherwise.

“**Regulated Entity**” means any entity referred to in Section I of Article L.613-34 of the French *Code monétaire et financier* as modified by the 20 August 2015 Decree Law, which includes certain credit institutions, investment firms, and certain of their parent or holding companies established in France.

“**Relevant Resolution Authority**” means the *Autorité de contrôle prudentiel et de résolution* (the ACPR), the Single Resolution Board established pursuant to the Single Resolution Mechanism Regulation, and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time (including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the Single Resolution Mechanism Regulation).

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

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer 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 under the laws and regulations in effect in France and the European Union applicable to the Issuer or other members of its group.

Upon the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Certificates, the Issuer will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Bail-in Power. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power 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 another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority or the Regulator with respect to the Issuer, nor the exercise of any Bail-in Power by the Relevant Resolution Authority or the Regulator 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.

If the Relevant Resolution Authority or the Regulator exercises the Bail-in Power with respect to less than the total Amounts Due, unless otherwise instructed by the Issuer or the Relevant Resolution Authority or the Regulator, any cancellation, write-off or conversion made in respect of the Certificates pursuant to the Bail-in Power will be made on a pro-rata basis.

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 and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer, shall be borne by any Certificate Holder.

## 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 a Market Disruption Event has occurred, then that Valuation 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 a Valuation Date. In that case:-

- (i) that fifth Exchange Business Day shall be deemed to be the Valuation Date

notwithstanding the Market Disruption Event; and

- (ii) the Issuer shall determine the Final Reference Level on the basis of its good faith estimate of the Final Reference Level that would have prevailed on that fifth Exchange Business Day but for the Market Disruption Event.

**"Market Disruption Event"** means the occurrence or existence on the Valuation Date 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.

## **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(c).

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 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(c) 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.
- (c) *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 or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the

Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

**14. Governing Law**

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

**15. Prescription**

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

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

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

## SUMMARY OF THE ISSUE

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

|                                |   |
|--------------------------------|---|
| Issuer:                        | SG Issuer   |
| Company:                       | CSPC Pharmaceutical Group Limited   |
| 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 21 June 2019 (the " <b>Master Instrument</b> ") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the " <b>Master Warrant Agent Agreement</b> ") and made between the Issuer, the Guarantor and the Warrant Agent.  |
| Cash Settlement Amount:        | In respect of each Certificate, is the amount (if positive) equal to:<br><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 11 December 2019.
- Governing Law: The laws of Singapore
- Warrant Agent: The Central Depository (Pte) Limited  
11 North Buona Vista Drive  
#06-07 The Metropolis Tower 2  
Singapore 138589
- Further Issues: Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is a 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 | = | <b>Daily Management Fee Adjustment</b>                         |
|            |   | $1 - \text{Management Fee} \times \text{ACT} (t-1;t) / 360$    |
|            |   | x  |
|            |   | <b>Daily Gap Premium Adjustment</b>                            |
|            |   | $1 - \text{Gap Premium} (t-1) \times \text{ACT} (t-1;t) / 360$ |

### Illustration of the Calculation of Cash Settlement Amount

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

|                       |   |                 |   |  |   |       |       |            |   |   |            |
|-----------------------|---|-----------------|---|--|---|-------|-------|------------|---|---|------------|
| Value of Certificates | = | $t^7=0$         | x | $t=1$  | x | $t=2$ | x ... | $t=i$      |   |   |            |
|                       |   | Notional Amount |   | Leverage Inverse Strategy daily performance <sup>8</sup> |   | x     |       | Daily Fees | Leverage Inverse Strategy daily performance | x | Daily Fees |
|                       |   |                 |   |  |   |       |       |            |   |   |            |
|                       |   |                 |   |  |   |       |       |            |   |   |            |
|                       |   |                 |   |  |   |       |       |            |   |   |            |

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

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

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

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

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

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

<sup>8</sup> Leverage 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 CSPC Pharmaceutical Group Limited |
| Expected Listing Date:           | <b>03/07/2018</b>                                    |
| Expiry Date:                     | <b>18/07/2018</b>                                    |
| Initial Reference Level:         | <b>1,000</b>   |
| Initial Exchange Rate:           | <b>1</b>   |
| Final Reference Level:           | <b>1,200</b>   |
| Final Exchange Rate:             | <b>1</b>   |
| Issue Price:                     | <b>0.40 SGD</b>                                      |
| Notional Amount per Certificate: | <b>0.40 SGD</b>                                      |
| Management Fee (p.a.):           | <b>0.40%</b>   |
| Gap Premium (p.a.):              | <b>6.90%</b>   |
| Strike Level:                    | Zero   |

### Hedging Fee Factor

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

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

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

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

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9808\% \approx 99.9797\%$$



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

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

$$\text{HFF (2)} = 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\text{HFF (2)} = 99.9797\% \times 99.9967\% \times 99.9425\% \approx 99.9189\%$$

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

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

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6963% as illustrated below:

| Date      | HFF       |
|-----------|-----------|
| 3/7/2018  | 100.0000% |
| 4/7/2018  | 99.9797%  |
| 5/7/2018  | 99.9594%  |
| 6/7/2018  | 99.9392%  |
| 9/7/2018  | 99.8784%  |
| 10/7/2018 | 99.8581%  |
| 11/7/2018 | 99.8379%  |
| 12/7/2018 | 99.8176%  |
| 13/7/2018 | 99.7974%  |
| 16/7/2018 | 99.7367%  |
| 17/7/2018 | 99.7165%  |
| 18/7/2018 | 99.6963%  |

### Cash Settlement Amount

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

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

$$= [(1200 \times 1) / (1000 \times 1) - 0] \times 99.6963\%$$

$$= 119.64\%$$

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

$$= 119.64\% \times 0.40 \text{ SGD}$$

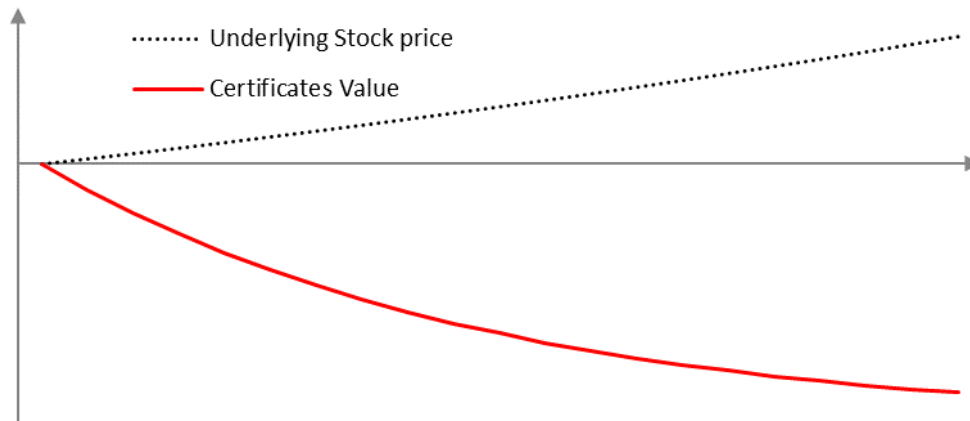
$$= \mathbf{0.479 \text{ SGD}}$$

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

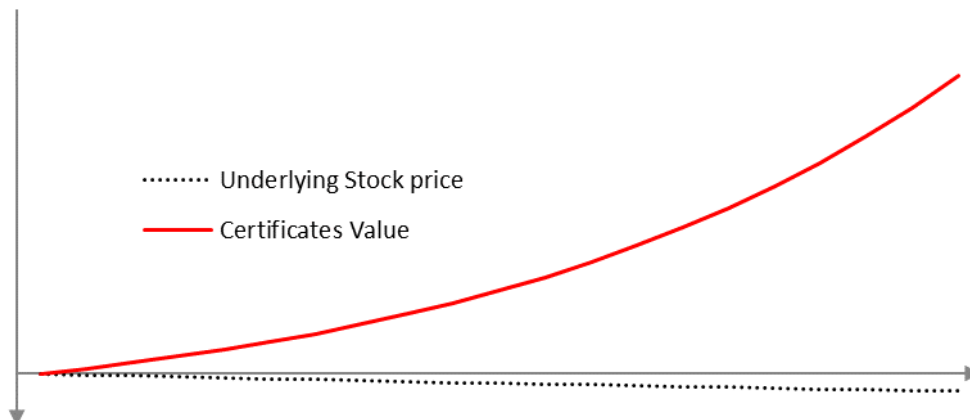
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends,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

### 1. Illustrative examples

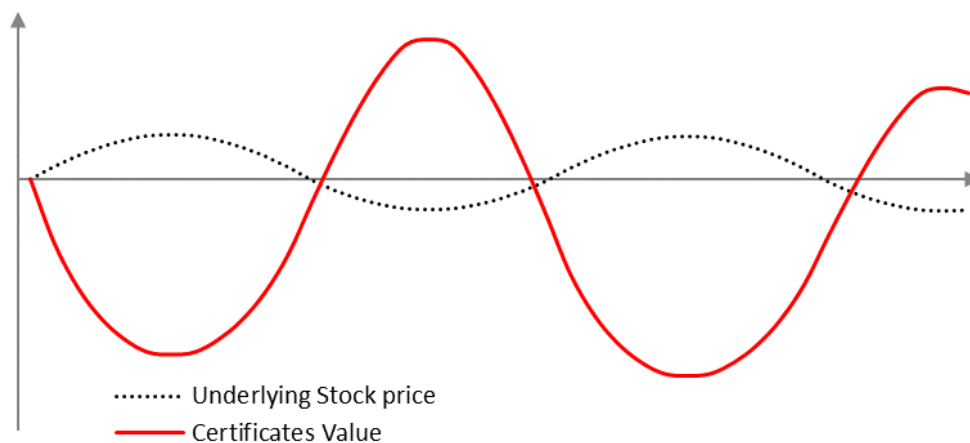
#### Scenario 1 – Upward Trend



#### Scenario 2 – Downward Trend



#### Scenario 3 – Volatile Market



## 2. Numerical Examples

### Scenario 1 – Upward Trend

| <b>Underlying Stock</b> |          |          |          |          |          |          |
|-------------------------|----------|----------|----------|----------|----------|----------|
|                         | 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%   |

| <b>Value of the Certificates</b> |       |         |         |         |         |         |
|----------------------------------|-------|---------|---------|---------|---------|---------|
|                                  | 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

| <b>Underlying Stock</b> |          |         |         |         |         |         |
|-------------------------|----------|---------|---------|---------|---------|---------|
|                         | 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%  |

| <b>Value of the Certificates</b> |       |        |        |        |        |        |
|----------------------------------|-------|--------|--------|--------|--------|--------|
|                                  | 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

| <b>Underlying Stock</b> |          |          |         |          |         |          |
|-------------------------|----------|----------|---------|----------|---------|----------|
|                         | 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%    |

| <b>Value of the Certificates</b> |       |         |        |         |        |         |
|----------------------------------|-------|---------|--------|---------|--------|---------|
|                                  | 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. 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

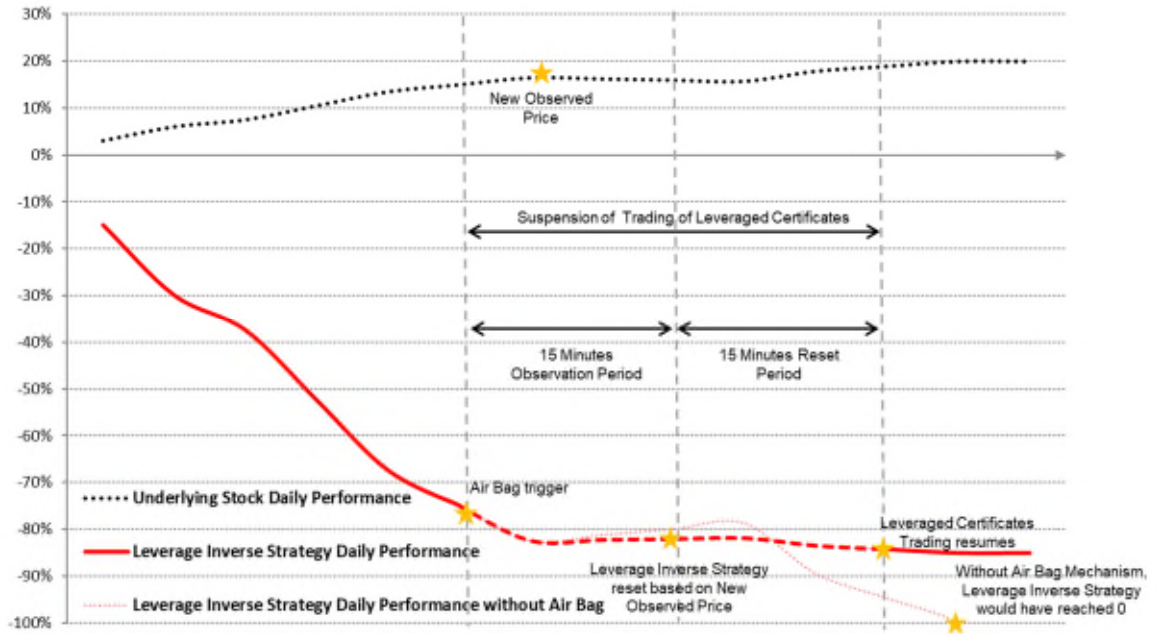
| Air Bag Trigger                          | Observation Period                     | Resumption of Trading  |
|--|--|--|
| More than 45 minutes before Market Close | First 15 minutes after Air Bag Trigger | Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger |
| 45 minutes before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

With **Market Close** defined as:

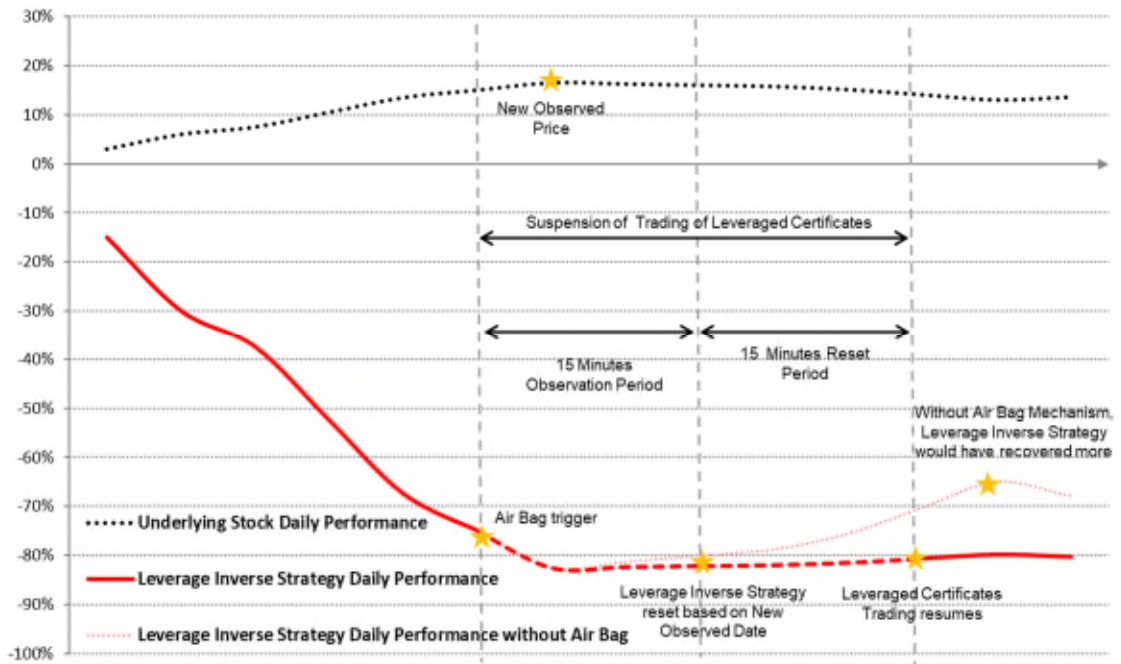
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

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

*Scenario 1 – Upward Trend after Air Bag trigger*



*Scenario 2 – Downward Trend after Air Bag trigger*



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

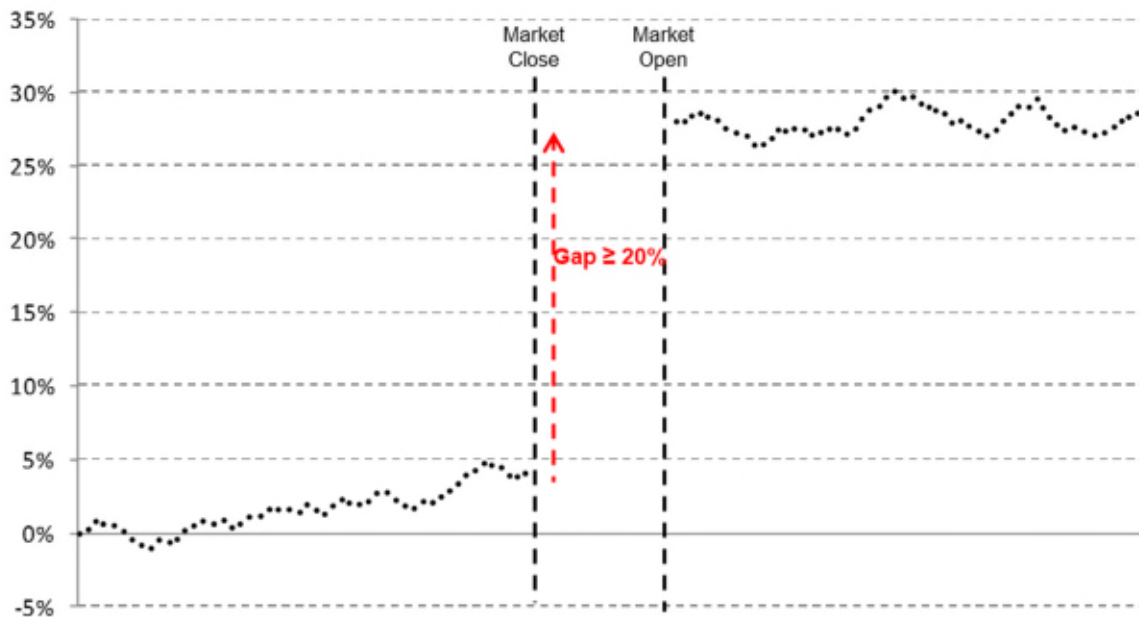
### Scenarios where the investor may lose the entire value of the investment

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

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

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

#### Underlying Stock Performance

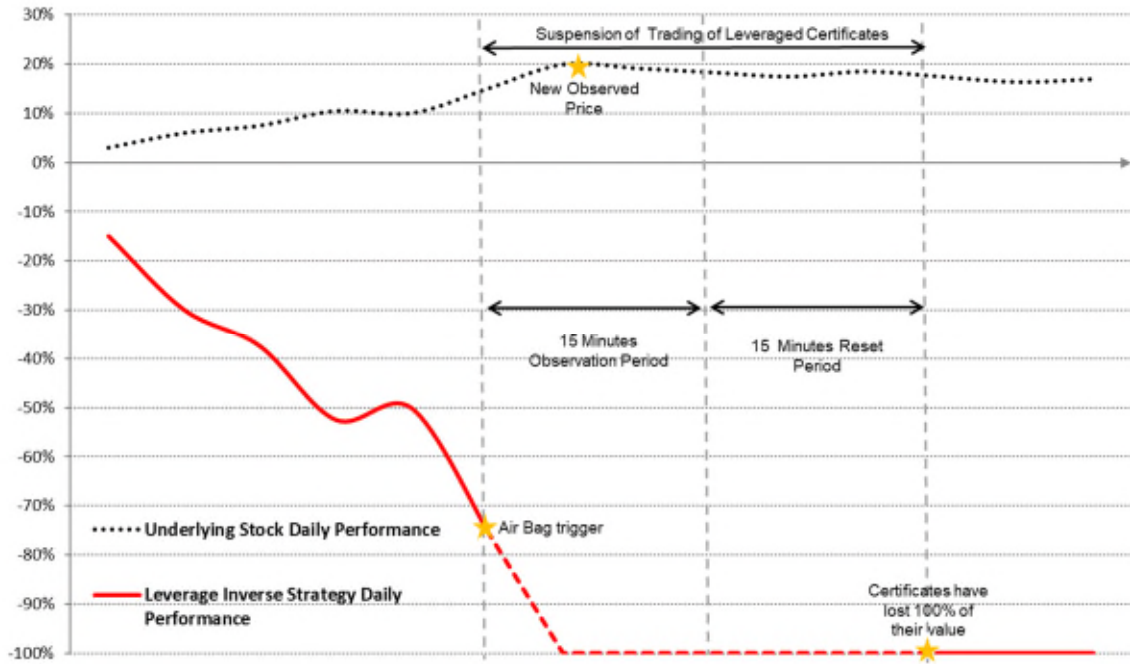


#### DLC Performance



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 event 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 events have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



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

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

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

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

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

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

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

Where:

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

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

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

### 1. Stock split

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

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

$$S_t = \$51$$

$$Div_t = \$0$$



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

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

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.40                           | 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. Share Consolidation

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

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

$$S_t = \$202$$

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

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

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

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.40                           | 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. Rights Issues

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

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

$$S_t = \$84$$

$$Div_t = \$0$$

$$DivExc_t = \$0$$

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

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.40                           | 0.30                         | -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. Bonus Issues

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

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

$$S_t = \$85$$

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

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

$$R = \$0$$

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

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.40                           | 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. Extraordinary Dividend

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

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

$$S_t = \$84$$

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

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

$$R = \$0$$

$$M = 0$$

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

As a consequence:

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

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

| Value of the Certificate (t-1) | Value of the Certificate (t) | Certificates' performance (excluding any cost and fees) |
|--------------------------------|------------------------------|---|
| 0.40                           | 0.30                         | -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 Hong Kong Exchanges and Clearing Limited (the "HKExCL") at <http://www.hkex.com.hk> and/or the Company's web-site at <https://www.cspc.com.hk/en/global/home.php>. The Issuer has not independently verified any of such information.*

CSPC Pharmaceutical Group Limited ("**CSPC**" or the "**Company**") (Stock code: 1093.HK) is a leading pharmaceutical group in China. The Company has been listed on the Main Board of the Hong Kong Stock Exchange since 1994 and became a constituent stock of the Hang Sang Index in 2018 (the 1st pharmaceutical stock to be included for 50 years). CSPC is currently also a constituent stock of the "Hang Seng Composite Index", "Hang Seng Healthcare Index", "Hang Seng Mainland Healthcare Index", "Hang Seng Stock Connect Hong Kong Index" and "Hang Seng China (Hong Kong-listed) 100 Index" and "Hang Seng China Enterprises Index".

CSPC has three major business segments including innovative drugs, common generic drugs and bulk drugs. The Group focuses on the developing, manufacturing and marketing of medicines and pharmaceutical related products. The Group has nearly 1,000 finished drug products including antibiotics, cardio-cerebrovascular drugs, antipyretic analgesic drugs, digestive system drugs, oncology drugs and traditional Chinese medicine. Of which, "NBP", "Duomeisu", "Jinyouli", "Keaili", "Xuanning" and "Oulaining" are the best-selling innovative drug products of the Group in China. Bulk drug products include vitamin C, antibiotics and caffeine series. The manufacturing facilities of CSPC are mainly located in Shijiazhuang City, Hebei Province, China.

The information set out in Appendix I of this document relates to the unaudited consolidated financial results of the Company and its subsidiaries for the nine months ended 30 September 2019 and has been extracted and reproduced from an announcement by the Company dated 18 November 2019 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at <http://www.hkex.com.hk>.

## INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

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

- (a) Maximum bid and offer spread : 10 ticks or S\$0.20 whichever is greater
- (b) Minimum quantity subject to bid and offer spread : 10,000 Certificates
- (c) Last Trading Day for Market Making : The date falling 5 Exchange Business Days immediately preceding the Expiry Date

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

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

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

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

The information set out in Appendix II of this document is a reproduction of the Issuer's condensed interim financial statements as at and for the six-month period ended 30 June 2019.



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

The information set out in Appendix III of this document is a reproduction of the press release dated 6 November 2019 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2019.

## SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 99 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 third 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 30 June 2019 or the Guarantor since 30 September 2019, in the context of the issuance of Certificates hereunder.
5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:
  - (a) the Guarantee;
  - (b) the Master Instrument; and
  - (c) the Master Warrant Agent Agreement.

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

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

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

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

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

## PLACING AND SALE

### General

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

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

### Singapore

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

### Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance.

### 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 the 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 Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the Prospectus Directive); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

### **United Kingdom**

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

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

### **United States**

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing

commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

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

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

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

## **APPENDIX I**

### **REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 OF CSPC PHARMACEUTICAL GROUP LIMITED AND ITS SUBSIDIARIES**

The information set out below is a reproduction of the unaudited consolidated financial results of the Company and its subsidiaries for the nine months ended 30 September 2019 and has been extracted and reproduced from an announcement by the Company dated 18 November 2019 in relation to the same.

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



**CSPC**

**CSPC PHARMACEUTICAL GROUP LIMITED**

**石藥集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 1093)**

**QUARTERLY RESULTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

**FINANCIAL HIGHLIGHTS**

|                                     | <b>For the nine months<br/>ended 30 September</b> |  | Change        |
|-------------------------------------|---|--|---------------|
|                                     | <b>2019<br/>RMB'000<br/>(Unaudited)</b>           | <b>2018<br/>RMB'000<br/>(Unaudited)<br/>(Restated)</b> |               |
| Revenue by business units:          |   |  |               |
| Finished drugs                      | <b>13,387,380</b>                                 | 9,911,876  | <b>+35.1%</b> |
| Vitamin C                           | <b>1,595,692</b>                                  | 1,384,388  | <b>+15.3%</b> |
| Antibiotics                         | <b>715,060</b>                                    | 863,851  | <b>-17.2%</b> |
| Others                              | <b>1,062,642</b>                                  | 982,428  | <b>+8.2%</b>  |
| Total revenue                       | <b><u>16,760,774</u></b>                          | <b><u>13,142,543</u></b>                               | <b>+27.5%</b> |
| Gross profit                        | <b>11,887,616</b>                                 | 8,569,407  | <b>+38.7%</b> |
| Operating profit                    | <b>3,522,786</b>                                  | 2,849,471  | <b>+23.6%</b> |
| Profit attributable to shareholders | <b>2,811,167</b>                                  | 2,267,441  | <b>+24.0%</b> |
| Basic earnings per share            | <b>RMB45.15 cents</b>                             | RMB36.32 cents   | <b>+24.3%</b> |



The Board of Directors of CSPC Pharmaceutical Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2019 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2019

|  | <b>For the nine months<br/>ended 30 September</b> |                                   |
|--|---|-----------------------------------|
|  | <b>2019</b>                                       | <b>2018</b>                       |
|  | <b>RMB'000</b>                                    | <b>RMB'000</b>                    |
|  | <b>(Unaudited)</b>                                | <b>(Unaudited)<br/>(Restated)</b> |
| Revenue                                | <b>16,760,774</b>                                 | 13,142,543                        |
| Cost of sales                          | <b>(4,873,158)</b>                                | (4,573,136)                       |
| Gross profit                           | <b>11,887,616</b>                                 | 8,569,407                         |
| Other income                           | <b>162,383</b>                                    | 112,080                           |
| Other gains or losses                  | <b>52,327</b>                                     | 94,460                            |
| Selling and distribution expenses      | <b>(6,457,985)</b>                                | (4,496,309)                       |
| Administrative expenses                | <b>(583,461)</b>                                  | (499,003)                         |
| Research and development expenses      | <b>(1,501,552)</b>                                | (915,644)                         |
| Other expenses                         | <b>(36,542)</b>                                   | (15,520)                          |
| Operating profit                       | <b>3,522,786</b>                                  | 2,849,471                         |
| Finance costs                          | <b>(30,190)</b>                                   | (50,422)                          |
| Share of results of joint ventures     | <b>34,530</b>                                     | 29,343                            |
| Profit before tax                      | <b>3,527,126</b>                                  | 2,828,392                         |
| Income tax expense                     | <b>(680,311)</b>                                  | (574,263)                         |
| Profit for the period                  | <b><u>2,846,815</u></b>                           | <u>2,254,129</u>                  |
| Profit for the period attributable to: |   |                                   |
| Owners of the Company                  | <b>2,811,167</b>                                  | 2,267,441                         |
| Non-controlling interests              | <b>35,648</b>                                     | (13,312)                          |
|  | <b><u>2,846,815</u></b>                           | <u>2,254,129</u>                  |
|  | <b>RMB cents</b>                                  | <b>RMB cents</b>                  |
|  | <b>(Unaudited)</b>                                | <b>(Unaudited)<br/>(Restated)</b> |
| Earnings per share                     |   |                                   |
| — Basic                                | <b><u>45.15</u></b>                               | <u>36.32</u>                      |
| — Diluted                              | <b><u>45.14</u></b>                               | <u>N/A</u>                        |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the nine months ended 30 September 2019*

|   | <b>For the nine months<br/>ended 30 September</b> |                                   |
|---|---|-----------------------------------|
|   | <b>2019</b>                                       | <b>2018</b>                       |
|   | <b>RMB'000</b>                                    | <b>RMB'000</b>                    |
|   | <b>(Unaudited)</b>                                | <b>(Unaudited)<br/>(Restated)</b> |
| Profit for the period   | <u>2,846,815</u>                                  | <u>2,254,129</u>                  |
| <b>Other comprehensive income</b>   |   |                                   |
| <i>Item that will not be reclassified to profit or loss:</i>  |   |                                   |
| Fair value gain on investments in financial assets measured<br>at fair value through other comprehensive income | <b>81,458</b>                                     | 69,114                            |
| <i>Item that may be reclassified subsequently to profit or loss:</i>  |   |                                   |
| Exchange differences on translation of foreign operations   | <u>(9,449)</u>                                    | <u>(1,678)</u>                    |
| Other comprehensive income for the period   | <u>72,009</u>                                     | <u>67,436</u>                     |
| Total comprehensive income for the period   | <u><b>2,918,824</b></u>                           | <u><b>2,321,565</b></u>           |
| Total comprehensive income for the period attributable to:  |   |                                   |
| Owners of the Company   | <b>2,883,176</b>                                  | 2,334,877                         |
| Non-controlling interests   | <u>35,648</u>                                     | <u>(13,312)</u>                   |
|   | <u><b>2,918,824</b></u>                           | <u><b>2,321,565</b></u>           |

Notes:

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies and methods of computation used in the preparation of the financial data for the nine months ended 30 September 2019 are consistent with those followed in the preparation of the Group's interim financial statements for the six months ended 30 June 2019.

The functional currency of the Company is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial years was Hong Kong dollar ("HK\$"). In view of the fact that the Group's operation is mainly located in the PRC with transactions mainly denominated in RMB, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the financial performance and financial position of the Group effective from 1 January 2019, and the comparative information has been restated to reflect the change in presentation currency to RMB accordingly.

## 2. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods delivered.

The Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (a) Finished drugs — research and development, manufacture and sale of pharmaceutical products;
- (b) Vitamin C — manufacture and sale of vitamin C products in bulk form;
- (c) Antibiotics — manufacture and sale of antibiotic products in bulk form; and
- (d) Others — manufacture and sale of functional food products (including caffeine additives and vitamin supplements), glucose products and provision of healthcare services.

Vitamin supplements are included as functional food products in the segment of others for the period, while they were included in the segment of finished drugs in prior financial years. The comparative information has been restated to conform with current period's presentation.

Under HKFRS 15 *Revenue from Contracts with Customers*, revenue from manufacture and sales of products is recognised at a point in time when the customer obtains control of the distinct goods.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

***For the nine months ended 30 September 2019 (Unaudited):***

|                                    | Finished<br>Drugs<br>RMB'000 | Vitamin C<br>RMB'000 | Antibiotics<br>RMB'000 | Others<br>RMB'000 | Segment<br>total<br>RMB'000 | Eliminations<br>RMB'000 | Consolidated<br>RMB'000 |
|------------------------------------|------------------------------|----------------------|------------------------|-------------------|-----------------------------|-------------------------|-------------------------|
| SEGMENT REVENUE                    |                              |                      |                        |                   |                             |                         |                         |
| External sales                     | 13,387,380                   | 1,595,692            | 715,060                | 1,062,642         | 16,760,774                  | —                       | 16,760,774              |
| Inter-segment sales                | —                            | 4,403                | 73,302                 | 4,348             | 82,053                      | (82,053)                | —                       |
| TOTAL REVENUE                      | <u>13,387,380</u>            | <u>1,600,095</u>     | <u>788,362</u>         | <u>1,066,990</u>  | <u>16,842,827</u>           | <u>(82,053)</u>         | <u>16,760,774</u>       |
| SEGMENT PROFIT                     | <u>2,927,360</u>             | <u>357,654</u>       | <u>14,954</u>          | <u>218,542</u>    |                             |                         | 3,518,510               |
| Unallocated income                 |                              |                      |                        |                   |                             |                         | 117,187                 |
| Unallocated expenses               |                              |                      |                        |                   |                             |                         | (112,911)               |
| Operating profit                   |                              |                      |                        |                   |                             |                         | 3,522,786               |
| Finance costs                      |                              |                      |                        |                   |                             |                         | (30,190)                |
| Share of results of joint ventures |                              |                      |                        |                   |                             |                         | 34,530                  |
| Profit before tax                  |                              |                      |                        |                   |                             |                         | <u>3,527,126</u>        |

***For the nine months ended 30 September 2018 (Unaudited) (Restated):***

|                                    | Finished<br>Drugs<br>RMB'000 | Vitamin C<br>RMB'000 | Antibiotics<br>RMB'000 | Others<br>RMB'000 | Segment<br>total<br>RMB'000 | Eliminations<br>RMB'000 | Consolidated<br>RMB'000 |
|------------------------------------|------------------------------|----------------------|------------------------|-------------------|-----------------------------|-------------------------|-------------------------|
| SEGMENT REVENUE                    |                              |                      |                        |                   |                             |                         |                         |
| External sales                     | 9,911,876                    | 1,384,388            | 863,851                | 982,428           | 13,142,543                  | —                       | 13,142,543              |
| Inter-segment sales                | —                            | 34,072               | 60,242                 | 3,642             | 97,956                      | (97,956)                | —                       |
| TOTAL REVENUE                      | <u>9,911,876</u>             | <u>1,418,460</u>     | <u>924,093</u>         | <u>986,070</u>    | <u>13,240,499</u>           | <u>(97,956)</u>         | <u>13,142,543</u>       |
| SEGMENT PROFIT                     | <u>2,078,174</u>             | <u>516,816</u>       | <u>31,965</u>          | <u>210,694</u>    |                             |                         | 2,837,649               |
| Unallocated income                 |                              |                      |                        |                   |                             |                         | 127,712                 |
| Unallocated expenses               |                              |                      |                        |                   |                             |                         | (115,890)               |
| Operating profit                   |                              |                      |                        |                   |                             |                         | 2,849,471               |
| Finance costs                      |                              |                      |                        |                   |                             |                         | (50,422)                |
| Share of results of joint ventures |                              |                      |                        |                   |                             |                         | 29,343                  |
| Profit before tax                  |                              |                      |                        |                   |                             |                         | <u>2,828,392</u>        |

Segment profit represents the profit earned by each segment without allocation of interest income, fair value gain on structured bank deposits, finance costs, central administrative expenses and share of results of joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities are not regularly provided to the CODM for review.

### 3. PROFIT BEFORE TAX

|  | <b>For the nine months<br/>ended 30 September</b> |                           |
|--|---|---------------------------|
|  | <b>2019</b>                                       | 2018                      |
|  | <b>RMB'000</b>                                    | RMB'000                   |
|  | <b>(Unaudited)</b>                                | (Unaudited)<br>(Restated) |
| Profit before tax has been arrived at after charging (crediting):                  |   |                           |
| Amortisation of other intangible assets  | 14,613  | 12,734                    |
| Amortisation of prepaid lease payments   | —   | 11,574                    |
| Depreciation of property, plant and equipment                                      | 435,825   | 425,106                   |
| Depreciation of right-of-use assets  | 61,825  | —                         |
|  | <u>512,263</u>                                    | <u>449,414</u>            |
| Total depreciation and amortisation  |   |                           |
| Fair value gain on structured bank deposits<br>(included in other gains or losses) | (66,194)  | (79,685)                  |
| Government grant income  | (95,014)  | (22,595)                  |
| Interest income on bank balances   | (50,993)  | (29,958)                  |
| Net foreign exchange gain  | (16,196)  | (27,282)                  |
|  | <u><u>(16,196)</u></u>                            | <u><u>(27,282)</u></u>    |

*Note:* For the nine months ended 30 September 2019, cost of inventories recognised as expense approximated cost of sales as shown in the condensed consolidated statement of profit or loss and other comprehensive income.

#### 4. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

|   | <b>For the nine months<br/>ended 30 September</b> |                         |
|---|---|-------------------------|
|   | <b>2019</b>                                       | <b>2018</b>             |
|   | <b>RMB'000</b>                                    | <b>RMB'000</b>          |
|   | <b>(Unaudited)</b>                                | <b>(Unaudited)</b>      |
|   |   | <b>(Restated)</b>       |
| <b>Earnings</b>   |   |                         |
| Earnings for the purposes of basic and diluted earnings per share                           | <u><b>2,811,167</b></u>                           | <u><b>2,267,441</b></u> |
|   |   |                         |
|   | <b>For the nine months<br/>ended 30 September</b> |                         |
|   | <b>2019</b>                                       | <b>2018</b>             |
|   | <b>'000</b>                                       | <b>'000</b>             |
| <b>Number of shares</b>   |   |                         |
| Weighted average number of ordinary shares<br>for the purpose of basic earnings per share   | <b>6,226,615</b>                                  | 6,243,018               |
| Effect of dilutive potential ordinary shares:   |   |                         |
| Unvested shares under share award scheme  | <u><b>434</b></u>                                 | <u>N/A</u>              |
| Weighted average number of ordinary shares<br>for the purpose of diluted earnings per share | <u><b>6,227,049</b></u>                           | <u>N/A</u>              |

For the nine months ended 30 September 2019, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of shares held by the Trustee pursuant to the share award scheme.

No diluted earnings per share is presented for the nine months ended 30 September 2018 as there was no potential ordinary shares in issue during the period.

## **BUSINESS REVIEW**

### **Results**

For the nine months ended 30 September 2019, the Group achieved a revenue of RMB16,761 million, representing a 27.5% growth year-on-year; profit attributable to shareholders of RMB2,811 million, representing a 24.0% growth year-on-year; and basic earnings per share of RMB45.15 cents.

### **Dividend**

The board of directors of the Company does not declare the payment of an interim dividend for the nine months ended 30 September 2019.

### **Finished Drug Business**

During the period under review, the finished drug business maintained robust growth with sales reaching RMB13,387 million, representing a 35.1% growth year-on-year. Of which, the sales of innovative drug products, including NBP (恩必普) (butylphthalide soft capsules and injections), Duomeisu (多美素) (doxorubicin hydrochloride liposome injections), Jinyouli (津優力) (PEG-rhGCSF injections), Keaili (克艾力) (paclitaxel for injection (albumin-bound)), Ailineng (艾利能) (elemene injections), Nuolining (諾利寧) (imatinib mesylate tablets), Oulaining (歐來寧) (oxiracetam capsules and lyophilised powder injections) and Xuanning (玄寧) (maleate levamlodipine tablets), amounted to RMB9,525 million, representing a 51.9% growth year-on-year; and the sales of common generic drug products amounted to RMB3,862 million, representing a 6.0% growth year-on-year.

During the period, NBP maintained rapid growth with sales increasing by 35.7%. It was also listed on the “Guidelines for the Reasonable Medication for Stroke in China”, the “Guidelines for Clinical Management of Cerebrovascular Diseases in China” and the “Guidelines for the Diagnosis and Treatment of Cognitive Impairment Related to Cerebral Small Vessel Disease in China”. With recommendation from a cumulative total of 14 guidelines and expert consensuses, the clinical efficacy of NBP for treating acute ischemic stroke is fully recognised. Thanks to the continued expansion of hospital coverage and accumulated results of academic promotion, Duomeisu and Jinyouli continued to grow at an accelerating pace, with sales increasing by 118.1% and 129.5% respectively during the period. Since market launch in March last year, Keaili has been well recognised by doctors and patients. Sales ramp-up was fast with sales increasing by 590.4% during the period. The Group is committed to developing Keaili into another blockbuster product. During the period, sales of the oncology drug portfolio increased by 170.7%, becoming the new growth driver of the Group and contributing to a more balanced overall revenue structure.

The Clopidogrel Tablets of the Group successfully won at the nationwide expansion tender of the “4+7” centralised procurement held in September, gaining approximately 39% of the guaranteed purchase volume and thus ensuring the sales of the product for the next few years. At present, the Group has 16 products that have passed the quality and efficacy consistency evaluation of

generic drugs. Leveraging the advantages of production cost and self-produced raw materials, the advancement of the centralised procurement will bring opportunities for the Group to quickly gain market share.

### **Bulk Drug Business**

During the period, the Group stepped up its efforts in marketing vitamin C products to capture market share with sales increasing by 15.3% to RMB1,596 million. The market condition of antibiotic products remained sluggish with sales decreasing by 17.2% to RMB715 million during the period.

### **Other Business**

Other business (including caffeine additives and vitamin C supplements) maintained stable growth during the period.

### **Research and Development**

The Group firmly believes in the importance of investing in research and development so that the Group can have strong product and technology innovation capability as well as a rich pipeline of drugs under development. The R&D expenses for the period amounted to RMB1,502 million (charged to profit or loss statement), representing an increase of 64.0% year-on-year and accounting for approximately 11.2% of the finished drug business revenue. At present, there are more than 300 projects in the pipeline, of which over 40 are innovative small molecule drugs, over 50 are innovative macromolecule drugs and over 20 are drugs of new preparation, primarily focusing on the therapeutic areas of oncology, autoimmunity, psychiatry and neurology, digestion and metabolism, cardio-cerebrovascular system and anti-infectives.

The major R&D progress of the Group since the beginning of the year is as follows:

1. 5 drugs were granted drug registration approval in China: clopidogrel bisulfate tablets, ticagrelor tablets, glutathione for injection, metformin hydrochloride extended-release tablets and dronedarone hydrochloride tablets;
2. 1 drug for genitourinary system diseases was granted generic drug tentative approval in the U.S. (ANDA): solifenacin succinate tablets;
3. 10 drugs passed consistency evaluation of generic drugs: ranitidine hydrochloride capsules, cefadroxil tablets, clopidogrel bisulfate tablets (deemed as passed), ticagrelor tablets (deemed as passed), metformin hydrochloride extended-release tablets (deemed as passed), cefuroxime axetil tablets, ibuprofen granules, cephalexin capsules, clindamycin hydrochloride capsules and enalapril maleate tablets;



4. 14 new drug candidates were granted clinical trial approval (11 in China, 2 in the U.S., 1 in Australia): 10 for oncology, 2 for nervous system diseases, 1 for metabolic diseases, 1 antithrombotic agent;
5. 18 new small molecule drug candidates are under clinical trials (17 in China, 1 in the U.S.): 7 for oncology, 5 for nervous system diseases, 2 for metabolic diseases, 2 for respiratory system diseases, 1 antithrombotic agent, 1 anti-infective;
6. 10 new macromolecule drug candidates are under clinical trials (9 in China, 1 in Australia): 7 for oncology, 1 for metabolic diseases, 1 for respiratory system diseases, 1 for nervous system diseases;
7. 8 drug candidates of new preparation are under clinical trials (7 in China, 1 in the U.S.): 6 for oncology, 1 anti-infectives, 1 for cardiovascular diseases;
8. 19 drugs are under bioequivalence study: 6 anti-infectives, 3 for nervous system diseases, 2 for oncology, 2 for metabolic diseases, 2 for cardiovascular system diseases, 1 for digestive system diseases, 1 antithrombotic agent, 2 for other diseases;
9. 26 drugs are pending drug registration approval in China: 5 for nervous system diseases, 4 anti-infectives, 3 for oncology, 3 for metabolic diseases, 3 for respiratory system diseases, 2 for cardiovascular diseases, 1 for digestive system diseases, 1 antithrombotic agent, 4 for other diseases;
10. 1 drug for cardiovascular system diseases is pending approval of new drug application (NDA) in the U.S.;
11. 7 drugs are pending approval of generic drug application (ANDA) in the U.S.: 4 for nervous system diseases, 1 for oncology, 1 for digestive system diseases, 1 for cardiovascular system diseases; and
12. ALMB-0168 (a new macromolecule drug candidate) was granted orphan-drug designation and rare pediatric disease designation by the U.S. FDA.

Apart from in-house research and development, the Group has also been proactively seeking external cooperation and acquisition opportunities. During the period, the Group has 1) entered into a license agreement with Hangzhou Innogate Pharma Co., Ltd. for 5 small molecule compounds; 2) acquired the entire equity interests in Yong Shun Technology Development Co., Ltd. and obtained its R&D platform of antibodies and pipelines; 3) entered into a license agreement with Shanghai Institute of Materia Medica for 4 small molecule compounds; 4) established a joint venture with Shanghai Haihe Pharmaceutical Co., Ltd for the joint development of 5 new drug projects; and 5) entered into a license agreement with Synermore Biologics (Suzhou) Co., Ltd. for omalizumab biosimilar.

The Group also attaches great importance to the protection of intellectual property rights and actively files patent applications for its research and development projects. During the period, the Group has filed 39 applications and obtained 26 approvals for domestic patents; and filed 5 applications and obtained 6 approvals for overseas patents.

## **REVIEW OF RESULTS**

The financial data for the nine months ended 30 September 2019 is based on the internal records and management accounts of the Group and has not been reviewed or audited by the external auditor of the Company.

By order of the Board  
**CSPC Pharmaceutical Group Limited**  
**Cai Dongchen**  
*Chairman*

Hong Kong, 18 November 2019

*As at the date of this announcement, the Board comprises Mr. CAI Dongchen, Mr. ZHANG Cuilong, Mr. WANG Zhenguo, Mr. PAN Weidong, Mr. WANG Huaiyu, Dr. LU Hua, Dr. LI Chunlei, Dr. WANG Qingxi and Mr. CHAK Kin Man as executive directors; Mr. LEE Ka Sze, Carmelo as non-executive director; and Mr. CHAN Siu Keung, Leonard, Mr. WANG Bo, Prof. LO Yuk Lam, Dr. YU Jinming and Mr. CHEN Chuan as independent non-executive directors.*

## **APPENDIX II**

### **REPRODUCTION OF THE ISSUER'S CONDENSED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

The information set out below is a reproduction of the Issuer's condensed interim financial statements as at and for the six-month period ended 30 June 2019.

**SG Issuer**

**Société Anonyme**

**Condensed interim financial statements,  
Report of the Executive Board and Corporate Governance Statement and  
Report of the Réviseur d'entreprises agréé on review of the condensed interim financial statements**

**As at and for the six-month period ended 30 June 2019**

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

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SG Issuer  
Société Anonyme

**Executive Board Members**

For the six-month period ended 30 June 2019

**Chairman:**

**Mr Yves CACCLIN (until 29 April 2019)**

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

**Mrs Aude de ROQUANCOURT (Member since 1 February 2019 - Chairman since 29 April 2019)**

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

**Members:**

**Mr Noël ALISON (until 20 September 2019)**

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

**Mr Thierry BODSON**

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

**Mr Amaury de BELER (until 1 February 2019)**

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

**Mr Alexandre GALLICHE**

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

**Mr Pascal JACOB (since 29 April 2019)**

Employee of Société Générale Bank & Trust  
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

SG Issuer  
Société Anonyme

**Supervisory Board Members**

For the six-month period ended 30 June 2019

**Chairman:**

**Mr Yves CACCLIN (since 29 April 2019)**

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

**Mr Arnaud JACQUEMIN (until 29 April 2019)**

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

**Members:**

**Mr Didier LALLEMAND**

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

**Mr Vincent ROBILLARD**

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

**Mr Olivier FREITAS**

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

**Mr Gregory CLAUDY**

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



SG Issuer  
Société Anonyme

**Audit Committee Members**

For the six-month period ended 30 June 2019

**Chairman:**

**Mr Gregory CLAUDY**

Independent Director

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

**Members:**

**Mr Olivier FREITAS**

Employee of Société Générale Bank & Trust

11, avenue Emile Reuter, L-2420 Luxembourg

**Mr Didier LALLEMAND**

Employee of Société Générale

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

SG Issuer  
Société Anonyme

**Management and administration**  
For the six-month period ended 30 June 2019

**Issuer**

SG Issuer  
16, boulevard Royal, L-2449 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

**Collateral Custodian**

The Bank of New York MELLON (Luxembourg) S.A.  
2-4, rue Eugène Ruppert, L-2453 Luxembourg

**Collateral Monitoring Agent**

The Bank of New York MELLON London Branch  
One Canada Square London E14 5AL

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

Société Générale Bank & Trust  
11, avenue Emile Reuter, L-2420 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 Bank & Trust  
11, avenue Emile Reuter, L-2420 Luxembourg

SG Issuer  
Société Anonyme

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

For the six-month period ended 30 June 2019

**Legal advisers**

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

Allen & Overy LLP

Edouard VII

26, boulevard des Capucines, F-75009 Paris, 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

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

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

Ernst & Young S.A.

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

## Report of the Executive Board and Corporate Governance Statement

For the six-month period ended 30 June 2019

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the condensed interim financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the period from 1 January 2019 to 30 June 2019.

### 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, etc... 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 will be transferred to Société Générale Paris through a Fully Funded Swap, which will perfectly hedge 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 sold by SG Issuer mainly to clients in France, Belgium, Luxembourg, UK, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore.

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

On request of investors, the Company can issue collateralised Notes or Warrants ("secured Notes" or "secured Warrants") in order to propose an additional layer of protection to investors in case of default of Société Générale.

Notes and Warrants issuances are governed by the Base Prospectus prepared by Société Générale. The main programmes for Notes are the two Debt Instruments Issuance Programmes, for which the last updates have been approved by the CSSF on 14 June 2019 and the "Programme d'Emission de Titres de Créance" approved by the CSSF on 20 June 2019. Similarly, the main programmes for Warrants are the Warrants Issuance Programme for which the last updates have been approved by the CSSF on 1 July 2019, and the Warrants and Turbo Warrants Issuance Programme for which the last updates have been approved by the CSSF on 16 July 2019. Two programmes are hosted by Société Générale Frankfurt, Dual Language DIIP dated 12 July 2019 and Dual Language Leveraged and Tracking Products dated 17 July 2019. The Hong Kong Warrants programme was last updated on 3 April 2019 and the Singapore Warrants programme was last updated on 21 June 2019.

The state of business of the Company at the closing of the six-month period ended 30 June 2019 is adequately presented in the interim statement of financial position and interim statement of profit and loss and other comprehensive income.

The increase in total assets and liabilities (before impact of the off-setting – see Note 2.3.3.4) is due to the development of the activity of issuing financial instruments.

SG Issuer  
Société Anonyme

During the six-month period ended 30 June 2019, 13 461 new Notes were issued (among which 79 new secured Notes) and 16 760 new Warrants were issued<sup>1</sup>. The net profit for the period from 1 January 2019 to 30 June 2019 amounts to KEUR 263.

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 swap 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 9 hereafter.

## 3. FUTURE DEVELOPMENTS

For this second semester, the Executive Board expects a further increase in the Notes and Warrants issued. From next year, while the issuance of Notes is expected to remain sustained, the Warrants activity is expected to decrease, the Société Générale Group planning to use another issuer for the bulk of its Warrant issuances.

## 4. SUBSEQUENT EVENTS

There were no subsequent events which could have a significant impact on the condensed interim financial statements of the Company as at and for the six-month period ended 30 June 2019.

## 5. 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.

### 5.1. 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.

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

SG Issuer  
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The Executive Board meetings are held several times during the year when necessary.

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 statements;
- Supervises and controls operative management.

## 5.2. 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.

## 5.3. 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 took place on 29 April 2019, during which the financial statements for the year ended 31 December 2018 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.

## 5.4. Internal Audit

The Internal Audit of both Société Générale Bank & Trust S.A. ("SGBT") and Société Générale Group 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.

## 5.5. 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.

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

## 5.6. New Products Committee

All the new activities and business of the Company are analyzed 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.

## 5.7. Service level agreements

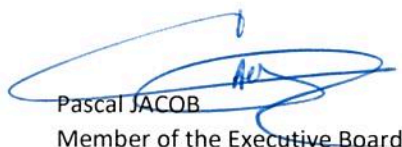
The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from the Group's internal control systems.

Service Level Agreements ("SLAs") were signed by the Company with SGBT and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by SGBT and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from SGBT and operational services – Middle Office and Back Office – from Société Générale).

Luxembourg, 25 September 2019  
For the Executive Board



Aude de ROQUANCOURT  
Chairman of the Executive Board



Pascal JACOB  
Member of the Executive Board



Thierry BODSON  
Member of the Executive Board

## Global Statement for the condensed interim financial statements

For the six-month period ended 30 June 2019

To the best of our knowledge, the condensed interim financial statements are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union and gives a true and fair view of the financial position and performance of SG Issuer as at and for the six-month period ended 30 June 2019. The condensed interim financial statements comprise the interim statement of financial position as at 30 June 2019, the interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

To the best of our knowledge, the management report includes a fair review of the development and performance of the Company, and a description of the principal risks and uncertainties that the Company faces.

Luxembourg, 25 September 2019



Aude de ROQUANCOURT  
Chairman of the Executive Board



Pascal JACOB  
Member of the Executive Board



Thierry BODSON  
Member of the Executive Board



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

## Report of the Réviseur d'entreprises agréé on review of the condensed interim financial statements

### *Introduction*

We have reviewed the accompanying condensed interim financial statements of SG Issuer S.A. as at and for the six-month period ended 30 June 2019, which comprise the interim statement of financial position as at 30 June 2019 and the related interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity, the interim statement of cash flows for the six-month period then ended and explanatory notes. The Executive Board is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Charles Dequaire

Luxembourg, 25 September 2019

## Interim statement of profit and loss and other comprehensive income

For the six-month period ended 30 June

|   | Note | ('000 EUR)<br>2019 | ('000 EUR)<br>2018 |
|---|------|--------------------|--------------------|
| Interest income   |      | 546                | 609                |
| Commission income   | 8    | 32 882             | -                  |
| Net gains from financial instruments at fair value through profit or loss | 8    | 129                | 29 151             |
| Impairments   |      | -                  | -                  |
| <b>Total revenues</b>   |      | <b>33 557</b>      | <b>29 760</b>      |
| Interest expenses   |      | (18 672)           | (11 521)           |
| Personnel expenses  |      | (103)              | (104)              |
| Other operating expenses  |      | (14 432)           | (17 987)           |
| <b>Total expenses</b>   |      | <b>(33 207)</b>    | <b>(29 612)</b>    |
| <b>Profit before tax</b>  |      | <b>350</b>         | <b>148</b>         |
| Income tax  | 6    | (87)               | (22)               |
| <b>Profit for the financial period</b>                                    |      | <b>263</b>         | <b>126</b>         |
| <b>Total comprehensive income for the period</b>                          |      | <b>263</b>         | <b>126</b>         |

## Interim statement of financial position

As at

|  | Note   | ('000 EUR)<br>30.06.2019 | ('000 EUR)<br>31.12.2018 |
|--|--------|--------------------------|--------------------------|
| Cash and cash equivalents  | 3      | 92 164                   | 79 584                   |
| <b>Financial assets at fair value through profit or loss</b>       |        |                          |                          |
| - <i>Mandatorily measured at fair value through profit or loss</i> | 4.1    | 51 712 386               | 45 062 134               |
| - <i>Trading derivatives</i>                                       | 4.1    | 3 598 402                | 4 168 362                |
| Loans and receivables  | 5      | 50 049                   | 52 570                   |
| Other assets   |        | 12 072                   | -                        |
| <b>Total assets</b>  |        | <b>55 465 073</b>        | <b>49 362 650</b>        |
| <br>   |        |                          |                          |
| <b>Financial liabilities at amortised cost</b>                     | 4.3    | 67 950                   | 96 284                   |
| <b>Financial liabilities at fair value through profit or loss</b>  |        |                          |                          |
| - <i>Designated at fair value through profit or loss</i>           | 4.2    | 51 704 692               | 45 053 728               |
| - <i>Trading derivatives</i>                                       | 4.2, 8 | 3 622 675                | 4 170 486                |
| Other liabilities  |        | 10 601                   | 13 039                   |
| Tax liabilities  | 6      | 87                       | 64                       |
| <b>Total liabilities</b>   |        | <b>55 406 005</b>        | <b>49 333 601</b>        |
| <br>   |        |                          |                          |
| Share capital  | 7.1    | 2 000                    | 2 000                    |
| Share premium  | 7.1    | 56 605                   | 25 000                   |
| Legal reserve  | 7.2.1  | 200                      | 200                      |
| Other reserves   | 7.2.2  | -                        | 1 662                    |
| Profit for the financial period/year                               |        | 263                      | 187                      |
| <b>Total equity</b>  |        | <b>59 068</b>            | <b>29 049</b>            |
| <br>   |        |                          |                          |
| <b>Total equity and liabilities</b>                                |        | <b>55 465 073</b>        | <b>49 362 650</b>        |

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**Interim statement of changes in equity**

|   | ('000 EUR)    | ('000 EUR)    | ('000 EUR)    | ('000 EUR)                   | ('000 EUR)                 | ('000 EUR)     | ('000 EUR)                           | ('000 EUR)    |
|---|---------------|---------------|---------------|------------------------------|----------------------------|----------------|--------------------------------------|---------------|
|   | Share capital | Share premium | Legal reserve | Other reserves (unavailable) | Other reserves (available) | Total reserves | Profit for the financial year/period | Total equity  |
| <b>As at 31 December 2017</b>   | <b>2 000</b>  | <b>-</b>      | <b>200</b>    | <b>1 664</b>                 | <b>1 716</b>               | <b>3 580</b>   | <b>78</b>                            | <b>5 658</b>  |
| Allocation of the result of the previous year before dividend distribution                | -             | -             | -             | -                            | 78                         | 78             | (78)                                 | -             |
| IFRS 9 FTA impact (Note 2.3.3.1)  | -             | -             | -             | -                            | (2)                        | (2)            | -                                    | (2)           |
| Transfer to available reserves  | -             | -             | -             | (2)                          | 2                          | -              | -                                    | -             |
| Capital increase / Allocation to the share premium account                                | -             | 62 725        | -             | -                            | -                          | -              | -                                    | 62 725        |
| Dividend to the sole shareholder  | -             | -             | -             | -                            | (1 794)                    | (1 794)        | -                                    | (1 794)       |
| Profit and other comprehensive income for the period from 1 January 2018 to 30 June 2018  | -             | -             | -             | -                            | -                          | -              | 126                                  | 126           |
| <b>As at 30 June 2018</b>   | <b>2 000</b>  | <b>62 725</b> | <b>200</b>    | <b>1 662</b>                 | <b>-</b>                   | <b>1 862</b>   | <b>126</b>                           | <b>66 713</b> |
| Reimbursement of the share premium (Note 7.1)   | -             | (37 725)      | -             | -                            | -                          | -              | -                                    | (37 725)      |
| Transfer to available reserves  | -             | -             | -             | (1 662)                      | 1 662                      | -              | -                                    | -             |
| Profit and other comprehensive income for the period from 1 July 2018 to 31 December 2018 | -             | -             | -             | -                            | -                          | -              | 61                                   | 61            |
| <b>As at 31 December 2018</b>   | <b>2 000</b>  | <b>25 000</b> | <b>200</b>    | <b>-</b>                     | <b>1 662</b>               | <b>1 862</b>   | <b>187</b>                           | <b>29 049</b> |
| Allocation of the result of the previous year before dividend distribution                | -             | -             | -             | -                            | 187                        | 187            | (187)                                | -             |
| Capital increase / Allocation to the share premium account (Note 7.1)                     | -             | 31 605        | -             | -                            | -                          | -              | -                                    | 31 605        |
| Dividend to the sole shareholder (Note 7.1)   | -             | -             | -             | -                            | (1 849)                    | (1 849)        | -                                    | (1 849)       |
| Profit and other comprehensive income for the period from 1 January 2019 to 30 June 2019  | -             | -             | -             | -                            | -                          | -              | 263                                  | 263           |
| <b>As at 30 June 2019</b>   | <b>2 000</b>  | <b>56 605</b> | <b>200</b>    | <b>-</b>                     | <b>-</b>                   | <b>200</b>     | <b>263</b>                           | <b>59 068</b> |

The accompanying notes are an integral part of these condensed interim financial statements.

## Interim statement of cash flows

For the six-month period ended 30 June

|  | Note | ('000 EUR)<br>2019 | ('000 EUR)<br>2018 |
|--|------|--------------------|--------------------|
| <b>OPERATING ACTIVITIES</b>                                  |      |                    |                    |
| Profit for the financial period                              |      | 263                | 126                |
| <i>Adjustment for:</i>                                       |      |                    |                    |
| Net (Increase)/decrease in financial assets                  | 4.1  | (6 077 771)        | (1 168 619)        |
| Net Increase/(decrease) in financial liabilities             | 4.2  | 6 106 425*         | 1 148 341          |
| (Increase)/decrease in other assets                          |      | (12 072)           | -                  |
| Increase/(decrease) in tax liabilities and other liabilities |      | (2 416)            | (23 720)           |
| Other (IFRS 9 impact)  |      | -                  | (2)                |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>              |      | <b>14 429</b>      | <b>(43 874)</b>    |
| <b>FINANCING ACTIVITIES</b>                                  |      |                    |                    |
| Payment of capital surplus                                   |      | -                  | -                  |
| Dividend paid  | 7.1  | (1 849)            | (1 794)            |
| <b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>    |      | <b>(1 849)</b>     | <b>(1 794)</b>     |
| <br>   |      |                    |                    |
| Cash and cash equivalents at the beginning of the period     | 3    | 79 584             | 114 889            |
| Net increase/(decrease) in cash and cash equivalents         |      | 12 580             | (45 668)           |
| <b>Cash and cash equivalents at the end of the period</b>    |      | <b>92 164</b>      | <b>69 221</b>      |
| <br>   |      |                    |                    |
| <b>Cash flows from interest and dividends</b>                |      |                    |                    |
| Interest paid  |      | 353                | 415                |
| Interest received  |      | 546                | 609                |
| Dividend received  |      | -                  | -                  |

\* The amount of KEUR 6 106 425 excludes the 2018 activity related interests amounting to KEUR 31 605, which are payable to SGBT and which have been allocated to the Share premium (see Note 5 and Note 7.1).

**Notes to the condensed interim financial statements**  
as at 30 June 2019

**NOTE 1 – CORPORATE INFORMATION**

SG Issuer (hereafter the "Company" or "SGIS") is a Luxembourg company incorporated on 16 November 2006 as a public limited liability company (S.A.) 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 fully owned by Société Générale Bank & Trust S.A. (hereafter "SGBT"), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated accounts of SGBT, which is the smallest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 11, avenue Emile Reuter, L-2420 Luxembourg.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter "Société Générale" or the "ultimate parent company"), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

## **NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

### **2.1. Basis of preparation**

#### **2.1.1. Statement of compliance**

The financial statements of the Company as at 31 December 2018 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 2018 were authorised for issue by the Supervisory Board on 29 April 2019.

The condensed interim financial statements as at and for the six-month period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The condensed interim financial statements as at and for the six-month period ended 30 June 2019 were approved by the Executive Board on 25 September 2019.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2018.

#### **2.1.2. Basis of measurement of financial assets and financial liabilities**

Financial assets and financial liabilities linked to the activity of the Company are measured at fair value through profit or loss. All other financial assets and financial liabilities are measured at amortised cost.

#### **2.1.3. Functional and presentation currency**

These condensed interim financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital.

#### **2.1.4. Use of estimates and judgements**

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of figures recorded in the interim statement of profit and loss, on the unrealised or deferred gains and losses, on the valuation of assets and liabilities in the interim statement of financial position, and on information disclosed in the notes to the interim condensed financial statements.

In order to make these assumptions and estimates, the management uses information available at the date of preparation of the condensed interim 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 interim condensed 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, management 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 management judgment and/or estimates are listed below

**Notes to the condensed interim financial statements**

as at 30 June 2019

- continued -

with respect to judgments/estimates involved.

The use of estimates and judgment mainly concerns the following topics:

- Fair value in the interim statement of financial position of financial instruments not quoted on 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 amortised cost (see Note 5);
- The analysis of the contractual cash flow characteristics of financial assets.

**2.1.5. Segmental information**

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements and condensed interim 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 (Société Générale).

The business of the Company is not seasonal. Therefore, the additional disclosure of financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period, encouraged in IAS 34.21, are not necessary and not provided.

**2.2. Changes in accounting policies**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of the new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**2.2.1. New accounting standards applied by the Company as at 1 January 2019**

IFRS 15 "Revenue for contracts with customers" (see Notes 2.2.1.1).

IFRS 16 "Leases" (see Notes 2.2.1.2.).

IFRIC 23 "Uncertainty over Income Tax Treatments"(Note 2.2.1.3.).

Amendments to IAS 28 "Long-Term Interests in associates and joint ventures"(Note 2.2.1.4).

Annual improvements (2015-2017) (Note 2.2.1.5).

Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement"(Note 2.2.1.6).

**2.2.1.1. IFRS 15 "Revenue from contracts with customers"**

*Adopted by the European Union on 1 January 2018*

This standard supersedes IAS 18 "Revenue" and sets out the new requirements for recognising revenues earned from all types of contracts entered into with customers.

The recognition of revenues in the income statement shall depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.



**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

To apply this core principle, IFRS 15 provides a five-step model from the identification of the contract with the customer until the recognition of the related revenue when the performance obligation is fulfilled.

Income related to the issuance of Notes and Warrants were presented under the caption “net gains from financial instruments at fair value through profit or loss” until 31 December 2018 in accordance with IAS 39/IFRS 9. In 2019, the Company has reassessed the accounting treatment of such income and concluded that such income was in scope of IFRS 15. This new accounting policy has been applied since 1 January 2019. Comparative amounts for the year 2018 were not restated for materiality reasons (but presented in Note 8).

The remuneration of SGIS is composed by 2 distinct services:

- The issuing upfront fee for the initiation of the operation (thereafter issuing upfront fee). 85% of the total fee is recorded at the issue date;
- The account and security servicing during the lifecycle of the security (thereafter security servicing fee). 15% of the total fee is accrued on a monthly basis, as the recognition of continuous services from the security servicing services of SGIS (according to the costs and resources engaged by SGIS).

**2.2.1.2. IFRS 16 “Leases”**

*Adopted by the European Union on 31 October 2017*

This new standard supersedes the existing standard IAS 17 and modifies accounting requirements for leases, and more specifically in relation to the lessees’ financial statements, with very few impacts for the lessors.

For all lease agreements in the scope of IFRS 16, lessee are required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its statement of profit and loss, the lessee separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

SGIS has only one lease agreement related to the building. Since the term of this agreement is 2 years and the annual rental fees amount to KEUR 23, leases are considered non material.

**2.2.1.3. IFRIC 23 “Uncertainty over Income Tax Treatments”**

*Adopted by the European Union on 23 October 2018*

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. The approach to be used should be the one that provides the best predictions of the resolution of the uncertainty.

The process for identifying, analyzing and monitoring tax uncertainties has been reviewed both at Group level and at the Company’s level. There is no tax treatment at the level of the Company which would raise uncertainty requiring assessment of potential other tax treatment. Consequently, no effect of this interpretation has been booked on equity.

**Notes to the condensed interim financial statements**

as at 30 June 2019

- continued -

2.2.1.4. Amendments to IAS 28 “Long-Term Interests in associates and joint ventures”

*Issued by IASB on 12 October 2017*

The amendments clarify that IFRS 9 “Financial Instruments” shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

The Company did not identify any impact from these amendments as the Company does not have any long-term interest in neither associate nor joint venture.

2.2.1.5. Annual improvements (2015-2017)

*Issued by IASB on 12 December 2017*

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”.

These improvements had no effect on the Company’s condensed interim financial statements as the Company has neither business combinations, nor joint arrangements. Minor changes in IAS 12 and IAS 23 have no impact on the Company as they are related respectively to financial instruments classified as equity and to borrowing costs eligible for capitalisation, which are not applicable to the Company.

2.2.1.6. Amendments to IAS 19 “Plan Amendments, Curtailment or Settlement”

*Published by IASB on 7 February 2018*

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

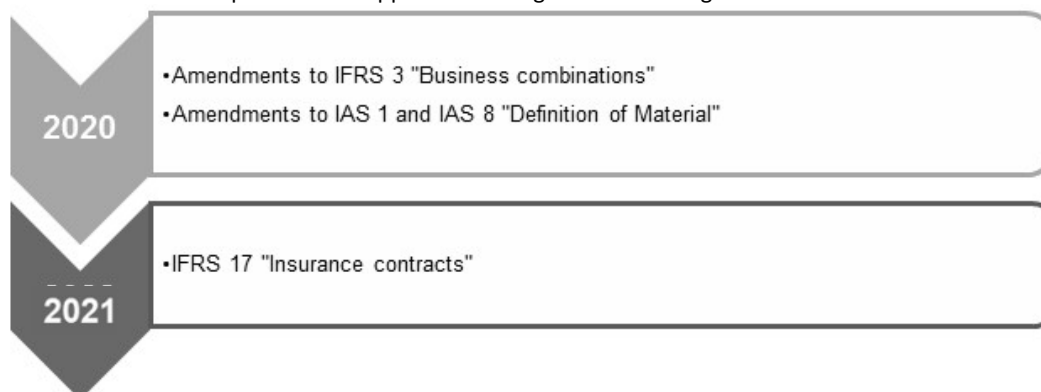
The Company is not impacted by this standard as there is no pension plan at its level.

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 30 June 2019. They are required to be applied from annual periods beginning on 1 January 2020 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 30 June 2019.

**Notes to the condensed interim financial statements**  
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These standards are expected to be applied according to the following schedule:



**2.2.2.1. Amendments to IFRS 3 "Business Combinations"**

*Published by the IASB on 22 October 2018*

The amendments are intended to provide clearer guidance to facilitate the differentiation between the acquisition of a business and the acquisition of a group of assets, for which the accounting treatment is different.

The Company expects no effect from these amendments as it has no business combinations.

**2.2.2.2. Amendments to IAS 1 and IAS 8 "Definition of Material"**

*Published by the IASB on 31 October 2018*

These amendments are intended to clarify the definition of 'materiality' in order to facilitate the judgement in the context of the preparation of financial statements and condensed interim financial statements, particularly when selecting the information to be presented in the Notes.

At this stage, the Company does not expect any significant impact from these amendments.

**2.2.2.3. IFRS 17 "Insurance Contracts"**

*Issued by IASB on 18 May 2017*

This new standard replaces IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the interim statement of financial position is replaced by a current value measurement of insurance contracts. The Company expects no effect from this standard as it has no insurance contracts.

**2.3. Summary of significant accounting policies**

**2.3.1. Foreign currency transactions**

Transactions in foreign currencies are initially recorded in EUR at the exchange rate ruling at the date of the transaction.

**Notes to the condensed interim financial statements**

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Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the interim reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the interim statement of profit and loss and other comprehensive income in the caption Net gains on financial instruments at fair value through profit or loss and Interest Expenses.

The most important foreign currency positions for the Company are USD, JPY, GBP, HKD and CHF. The following foreign exchange rates were used:

|                   | USD    | JPY      | GBP     | HKD    | CHF    |
|-------------------|--------|----------|---------|--------|--------|
| <b>30.06.2019</b> | 1.1380 | 122.6000 | 0.89655 | 8.8866 | 1.1105 |
| <b>31.12.2018</b> | 1.1450 | 125.8500 | 0.8945  | 8.9675 | 1.1269 |

2.3.2. Cash and Cash equivalents

Cash and cash equivalents comprise only cash repayable on demand.

2.3.3. Financial instruments

The accounting principles related to financial instruments remain the same as of 31 December 2018.

2.3.3.1. Classification and measurement of financial assets

The portfolios of financial assets were reviewed to determine, based on the characteristics of their contractual cash flows and on how they are managed (business models), their accounting treatment under IFRS 9. Another objective of this review was to identify the most significant impacts on the information systems.

For the debt instruments held, SGIS has defined its business model as “held to collect” for the Fully Funded Swaps, for Cash and cash equivalents and for Loans and receivables. These assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past years and no sale is anticipated in the future.

The Fully Funded Swaps (hereafter “FFS”) are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). This type of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As these financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the SPPI test and 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.

Classification and measurement 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.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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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 as financial assets and financial liabilities at fair value through profit or loss**

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) are 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 (Luxembourg) S.A. hereafter “BNY Mellon”) 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 interim 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 interim 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.

**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.

**Notes to the condensed interim financial statements**

as at 30 June 2019

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2.3.3.3. Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented on the interim 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 interim statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognized amounts; and

(b) 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.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents amount to KEUR 92 164 as at 30 June 2019 (31 December 2018: KEUR 79 584) and are mainly composed of cash held with SGBT and Société Générale.

As at 30 June 2019 and 31 December 2018, this caption only contains cash that is repayable on demand.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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## **NOTE 4 – FINANCIAL INSTRUMENTS**

### **4.1. Financial assets measured at fair value through profit or loss**

|   | <b>30.06.2019</b> | <b>31.12.2018</b> |
|---|-------------------|-------------------|
|   | ('000 EUR)        | ('000 EUR)        |
| <b>Financial assets at fair value through profit or loss</b>            |                   |                   |
| - Mandatorily at fair value through profit or loss (Fully Funded Swaps) | 51 712 386        | 45 062 134        |
| - Trading derivatives (Options)   | 3 598 402         | 4 168 362         |
| <b>Total</b>  | <b>55 310 788</b> | <b>49 230 496</b> |

As at 30 June 2019, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 51 712 386 (31 December 2018: KEUR 45 062 134) and replicate all the Notes issued by the Company (see Note 4.2). Differences between Fully Funded Swaps and Notes arise due to late settlements.

As at 30 June 2019, Trading derivatives (Options) amount to KEUR 3 598 402 (31 December 2018: KEUR 4 168 362) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between Options and Warrants arise due to late settlements.

As at 30 June 2019, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 59 866 543 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 7 779 040 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.2).



**Notes to the condensed interim financial statements**  
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The movements in financial assets at fair value through profit or loss were as follows:

|  | ('000 EUR)  | ('000 EUR)                 | ('000 EUR)        |
|--|---|----------------------------|-------------------|
|  | <b>Mandatorily at<br/>fair value through<br/>profit or loss</b> | <b>Trading derivatives</b> | <b>Total</b>      |
| <b>As at 1 January 2018</b>                          | <b>44 051 537</b>   | <b>3 806 822</b>           | <b>47 858 359</b> |
| <i>Acquisition</i>                                   | 31 615 388  | 34 831 815                 | 66 447 203        |
| <i>Maturity/Disposal/Liquidation/Cancellation</i>    | (15 594 453)  | (32 877 694)               | (48 472 147)      |
| <i>Change in fair value</i>                          | (2 247 871)   | (2 054 287)                | (4 302 158)       |
| <i>Exchange difference</i>                           | 1 144 519   | 63 069                     | 1 207 588         |
| <i>Offsetting of Assets and Liabilities (Change)</i> | (13 668 588)  | (43 617)                   | (13 712 205)      |
| <b>As at 30 June 2018</b>                            | <b>45 300 532</b>   | <b>3 726 108</b>           | <b>49 026 640</b> |
| <i>Acquisition</i>                                   | 30 120 091  | (920 418)                  | 29 199 673        |
| <i>Maturity/Disposal/Liquidation/Cancellation</i>    | (17 894 969)  | 169 074                    | (17 725 895)      |
| <i>Change in fair value</i>                          | (9 819 706)   | (632 465)                  | (10 452 171)      |
| <i>Exchange difference</i>                           | 842 729   | 118 021                    | 960 750           |
| <i>Offsetting of Assets and Liabilities (Change)</i> | (3 486 543)   | 1 708 042                  | (1 778 501)       |
| <b>As at 31 December 2018</b>                        | <b>45 062 134</b>   | <b>4 168 362</b>           | <b>49 230 496</b> |
| <i>Acquisition</i>                                   | 33 277 613  | 20 820 233                 | 54 097 846        |
| <i>Maturity/Disposal/Liquidation/Cancellation</i>    | (17 375 767)  | (17 574 915)               | (34 950 682)      |
| <i>Change in fair value</i>                          | 9 520 579   | (1 350 072)                | 8 170 507         |
| <i>Exchange difference</i>                           | 307 744   | 32 792                     | 340 536           |
| <i>Offsetting of Assets and Liabilities (Change)</i> | (19 079 917)  | (2 497 998)                | (21 577 915)      |
| <b>As at 30 June 2019</b>                            | <b>51 712 386</b>   | <b>3 598 402</b>           | <b>55 310 788</b> |

**4.2. Financial liabilities measured at fair value through profit or loss**

|   | <b>30.06.2019</b> | <b>31.12.2018</b> |
|---|-------------------|-------------------|
|   | <b>('000 EUR)</b> | <b>('000 EUR)</b> |
| <b>Financial liabilities at fair value through profit or loss</b> |                   |                   |
| - Designated at fair value through profit or loss (Notes)         | 51 704 692        | 45 053 728        |
| - Trading derivatives (Warrants)                                  | 3 622 675         | 4 170 486         |
| <b>Total</b>  | <b>55 327 367</b> | <b>49 224 214</b> |

As at 30 June 2019, the Company has issued secured and unsecured Notes for a total amount of KEUR 51 704 692 (31 December 2018: KEUR 45 053 728):

- 33 037 unsecured Notes were issued (stock) for a total amount of KEUR 47 571 960 (31 December 2018: 29 736 unsecured Notes were issued (stock) for a total amount of KEUR 41 584 165);
- 888 secured Notes were issued (stock) for a total amount of KEUR 4 132 732 (31 December 2018: 871 secured Notes were issued (stock) for a total amount of KEUR 3 469 563).

**Notes to the condensed interim financial statements**

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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 30 June 2019, securities deposited at BNY Mellon as collateral for secured issuances amount to KEUR 4 243 480 (31 December 2018: KEUR 3 609 288).

As at 30 June 2019, the Company also issued Warrants for a total amount of KEUR 3 622 675 (31 December 2018: KEUR 4 170 486). Refer to Note 9 for further details on Off-balance sheet items related to the Warrants activity.

As at 30 June 2019, the impact of the offsetting (decrease in the balance sheet) is KEUR 59 866 543 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 7 779 040 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.1).

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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The movements in financial liabilities at fair value through profit or loss were as follows:

|  | ('000 EUR)   | ('000 EUR)                 | ('000 EUR)        |
|--|--|----------------------------|-------------------|
|  | <b>Designated at fair<br/>value through<br/>profit or loss</b> | <b>Trading derivatives</b> | <b>Total</b>      |
| <b>As at 1 January 2018</b>                          | <b>44 048 143</b>  | <b>3 818 679</b>           | <b>47 866 822</b> |
| <i>Issuance</i>                                      | 31 615 388   | 34 831 815                 | 66 447 203        |
| <i>Maturity/Disposal/Liquidation/Cancellation</i>    | (15 616 360)   | (32 886 766)               | (48 503 126)      |
| <i>Change in fair value</i>                          | (2 247 871)  | (2 054 287)                | (4 302 158)       |
| <i>Exchange difference</i>                           | 1 144 519  | 63 069                     | 1 207 588         |
| <i>Offsetting of Assets and Liabilities (Change)</i> | (13 668 588)   | (43 617)                   | (13 712 205)      |
| <b>As at 30 June 2018</b>                            | <b>45 275 231</b>  | <b>3 728 893</b>           | <b>49 004 124</b> |
| <i>Issuance</i>                                      | 30 759 451   | (896 908)                  | 29 862 543        |
| <i>Maturity/Disposal/Liquidation/Cancellation</i>    | (18 372 899)   | (462 165)                  | (18 835 064)      |
| <i>Change in fair value</i>                          | (9 984 059)  | (256 637)                  | (10 240 696)      |
| <i>Exchange difference</i>                           | 862 547  | 349 261                    | 1 211 808         |
| <i>Offsetting of Assets and Liabilities (Change)</i> | (3 486 543)  | 1 708 042                  | (1 778 501)       |
| <b>As at 31 December 2018</b>                        | <b>45 053 728</b>  | <b>4 170 486</b>           | <b>49 224 214</b> |
| <i>Issuance</i>                                      | 33 743 010   | 20 821 781                 | 54 564 791        |
| <i>Maturity/Disposal/Liquidation/Cancellation</i>    | (17 794 541)   | (17 350 616)               | (35 145 157)      |
| <i>Change in fair value</i>                          | 9 473 510  | (1 574 971)                | 7 898 539         |
| <i>Exchange difference</i>                           | 308 902  | 53 993                     | 362 895           |
| <i>Offsetting of Assets and Liabilities (Change)</i> | (19 079 917)   | (2 497 998)                | (21 577 915)      |
| <b>As at 30 June 2019</b>                            | <b>51 704 692</b>  | <b>3 622 675</b>           | <b>55 327 367</b> |

### 4.3. Financial instruments measured at amortised cost

As at 30 June 2019 and 31 December 2018, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by SGBT, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to SGBT both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.705% as at 30 June 2019) and activity related interests. Activity related interests mean 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 30 June 2019 and 31 December 2018, the value of the equity component is estimated to be nil.

As at 30 June 2019, the Company also has amounts due to banks related to the Company's bank current accounts for KEUR 2 031 (31 December 2018: KEUR 16 673).

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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**NOTE 5 – LOANS AND RECEIVABLES**

As at 30 June 2019 and 31 December 2018, loans and receivables only consist in term deposits with SGBT, which represent the reinvestment of the Company's share capital, reserves and other available funds.

The amount of expected credit loss calculated on loans and receivables in accordance with IFRS 9 is KEUR 2 as at 30 June 2019 (31 December 2018: KEUR 2).

**Notes to the condensed interim financial statements**  
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## **NOTE 6 – 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 SGBT, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the “Agreement”) with SGBT. Under the Agreement, the Company pays to SGBT, 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.

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.

### **6.1. 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 period. The related tax charge is included under Income tax in the interim statement of profit and loss and other comprehensive income.

Current tax was adjusted further to the fiscal law reform on December 2016. The rate of current tax applied as of 30 June 2019 is 24.94% (31 December 2018: 26.01%). The current tax rate includes the corporate tax and the municipal tax.

### **6.2. 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. Deferred tax assets and liabilities are measured considering rules established by Luxembourg tax authority.

There is no need to recognize deferred tax asset (or liability) considering mirror transactions are concluded to hedge the financial liabilities and net result consists only in the net banking income from investing activities (equity investment).

**Notes to the condensed interim financial statements**  
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## **NOTE 7 – SHAREHOLDERS’ EQUITY**

### **7.1. Share capital and Share premium**

As at 31 December 2018, the subscribed and fully paid share capital, 100% held by SGBT, was EUR 2 000 200, divided into 50 005 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2019, the Executive Board decided to increase the capital of the Company from EUR 2 000 200 to EUR 2 000 240 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 2018 activity related interests amounting to EUR 31 604 629 have been allocated to the Share premium.

As at 30 June 2019, the subscribed and fully paid share capital, 100% held by SGBT, is EUR 2 000 240, divided into 50 006 shares with nominal value of EUR 40 each.

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 Sole Shareholder, if the Company’s activity evolves, incurring specific additional risks.

### **7.2. Reserves**

#### *7.2.1. 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 30 June 2019, the legal reserve amounts to KEUR 200 (31 December 2018: KEUR 200).

#### *7.2.2. Other reserves*

Since 2013, the Company is fiscally integrated in its parent company SGBT. SGBT 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 30 June 2019, other reserves are nil (31 December 2018: KEUR 1 662 corresponding to the remaining Net Wealth Tax reserve that was constituted by the Company before 2013 and released since).

**Notes to the condensed interim financial statements**  
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**NOTE 8 – COMMISSION INCOME/NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

Principles of the revenue recognition are set out in the paragraph 2.2.1.1.

Commission income/net gains from financial instruments at fair value through profit or loss can be breakdown as follows:

|                               | <b>30.06.2019</b> | <b>30.06.2018</b> |
|-------------------------------|-------------------|-------------------|
|                               | <b>('000 EUR)</b> | <b>('000 EUR)</b> |
| Issuing upfront fees on Notes | 30 041            | 21 789*           |
| Servicing fees on Notes       | 925               | 3 845*            |
| Commission on Warrants        | 1 916             | 3 584*            |
| <b>Total</b>                  | <b>32 882</b>     | <b>29 218*</b>    |

As at 30 June 2019, KEUR 4 377 are retained as differed income under the caption "other liabilities".

\* The above amounts as at 30 June 2018 are presented in the interim statement of profit and loss and other comprehensive income under the caption "net gains from financial instruments at fair value through profit or loss" (Please see note 2.2.1.1.). The remaining amount of KEUR (67) corresponds to the fair value adjustment recorded during the six-month period ended 30 June 2018.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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**NOTE 9 – OFF-BALANCE SHEET**

As at 30 June 2019, financial instruments to be issued (engagement taken before 30 June 2019 with value date after 30 June 2019) amount to KEUR 3 345 921 (31 December 2018: KEUR 2 790 111).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.



SG Issuer  
Société Anonyme

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
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**Warrants issuance summary**

The Warrants issued as at 30 June 2019 and 31 December 2018 break down as follows:

| Warrant Type             | Category of Underlying | Type of Underlying          | Option Type | 30 June 2019 |                     |                       | 31 December 2018 |                     |                       |
|--------------------------|------------------------|-----------------------------|-------------|--------------|---------------------|-----------------------|------------------|---------------------|-----------------------|
|                          |                        |                             |             | Quantity     | Notional ('000 EUR) | Fair Value ('000 EUR) | Quantity         | Notional ('000 EUR) | Fair Value ('000 EUR) |
| Basket Warrant           | Basket                 | Index                       | Call        | 2            | 15 648              | 17 520                | 2                | 15 581              | 14 584                |
|                          |                        | Equity                      | Call        | 1            | 3 163               | 776                   | 4                | 3 144               | 4 350                 |
| Commodity Future Warrant | Future                 | Mutual Fund                 | Put         | 8            | 27 049              | 1 859                 | 4                | 7 138               | 6                     |
|                          |                        | Commodity Future            | Call        | 98           | 391 245             | 31 045                | 76               | 381 303             | 11 361                |
|                          |                        |                             | Put         | 100          | 279 409             | 44 157                | 148              | 439 664             | 119 532               |
| Commodity Warrant        | Commodity              | Index                       | Call        | 9            | 48 075              | 27 613                | -                | -                   | -                     |
|                          |                        | Mutual Fund                 | Call        | 124          | 880 993             | 101 871               | 63               | 161 967             | 40 489                |
|                          |                        |                             | Put         | 73           | 264 484             | 15 213                | 80               | 240 430             | 27 319                |
|                          |                        | Precious metals             | Call        | 12           | 26 036              | 5 498                 | 12               | 24 767              | 3 657                 |
| Put                      | 10                     |                             | 24 789      | 543          | 14                  | 34 545                | 2 235            |                     |                       |
| Currency Warrant         | Currency               | Currency                    | Call        | 207          | 128 595             | 20 939                | 201              | 159 308             | 36 455                |
|                          |                        |                             | Put         | 269          | 195 201             | 68 372                | 253              | 176 373             | 65 947                |
| Equity Warrant           | Equity                 | American Depository Receipt | Call        | 61           | 229 687             | 13 562                | 21               | 25 218              | 1                     |
|                          |                        |                             | Put         | 38           | 72 567              | 4 973                 | 18               | 17 817              | 0                     |
|                          |                        | Mutual fund                 | Call        | 11           | 342 336             | 520                   | -                | -                   | -                     |
|                          |                        |                             | Put         | 5            | 92 926              | 13                    | -                | -                   | -                     |
|                          |                        | Ordinary Share              | Call        | 5 686        | 31 072 830          | 733 683               | 4 654            | 26 923 067          | 596 199               |
|                          |                        |                             | Put         | 3 808        | 12 879 399          | 366 951               | 3 487            | 11 659 558          | 790 924               |
|                          |                        | Other Certificate           | Call        | 1            | 303                 | 3                     | 1                | 300                 | 0                     |
|                          |                        |                             | Put         | 7            | 4 454               | -                     | 8                | 4 894               | 459                   |
|                          |                        | Other Receipt               | Call        | 1            | 422                 | -                     | 2                | 2 442               | 0                     |
|                          |                        |                             | Put         | 2            | 1 173               | -                     | 2                | 1 252               | 0                     |
| Own Share                | Call                   | 119                         | 212 410     | 5 973        | 92                  | 193 993               | 3 526            |                     |                       |
|                          | Put                    | 72                          | 66 562      | 15 235       | 82                  | 112 290               | 28 196           |                     |                       |

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|                       |       |             |             |               |                    |                  |               |                    |                  |
|-----------------------|-------|-------------|-------------|---------------|--------------------|------------------|---------------|--------------------|------------------|
|                       |       | Preference  | Call        | 33            | 66 183             | 1 543            | 23            | 35 672             | 331              |
|                       |       |             | Put         | 29            | 54 332             | 868              | 29            | 41 791             | 888              |
| REIT                  | REIT  | REIT        | Call        | 55            | 202 223            | 2 167            | 42            | 148 254            | 908              |
|                       |       |             | Put         | 47            | 115 286            | 1 155            | 35            | 35 074             | 3 453            |
| Index Warrant         | Index | Index       | Call        | 2 306         | 49 082 682         | 1 633 634        | 1 354         | 51 887 633         | 1 066 292        |
|                       |       |             | Put         | 1 518         | 34 064 753         | 482 248          | 1 451         | 30 468 115         | 1 333 566        |
| Fund Warrant          | Fund  | Mutual Fund | Call        | 221           | 1 232 301          | 23 892           | 196           | 1 171 799          | 19 733           |
|                       |       |             | Put         | 12            | 210 272            | 849              | 10            | 137 095            | 75               |
| <b>Total Call</b>     |       |             | <b>Call</b> | <b>8 947</b>  | <b>83 935 132</b>  | <b>2 620 239</b> | <b>6 743</b>  | <b>81 134 448</b>  | <b>1 797 886</b> |
| <b>Total Put</b>      |       |             | <b>Put</b>  | <b>5 998</b>  | <b>48 352 656</b>  | <b>1 002 436</b> | <b>5 621</b>  | <b>43 376 036</b>  | <b>2 372 600</b> |
| <b>Total Warrants</b> |       |             |             | <b>14 945</b> | <b>132 287 788</b> | <b>3 622 675</b> | <b>12 364</b> | <b>124 510 484</b> | <b>4 170 486</b> |

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## **NOTE 10 – 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>).

### **10.1. 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 Fully Funded Swaps 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 (SGBT) 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.

### **10.2. 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 its parent companies, SGBT and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SGBT and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 30 June 2019 and 31 December 2018, no financial assets were past due or 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).

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As at 30 June 2019, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

**10.3. 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.

**10.4. 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 liquidity risk thanks to the perfect replication between the contractual obligations of i) the financial instruments issued by the Company and ii) the financial assets held for hedging by the Company.

**10.5. 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 interim 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 GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related Fully Funded Swaps are classified as Level 3 when the valuation of the associated embedded derivatives (underlyings of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensitivities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

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10.5.1. Estimate of Level 3 instruments and other most significant unobservable inputs as at 30 June 2019  
(by type of underlyings):

| Type of underlyings | Assets<br>In million<br>EUR | Liabilities<br>In million<br>EUR | Main products  | Valuation techniques used  | Significant unobservable inputs                    | Range of unobservable inputs Min & Max |
|---------------------|-----------------------------|----------------------------------|--|--|--|--|
| Equity / funds      | 19 606                      | 19 606                           | Derivatives on funds, equities or baskets of stocks derivatives on funds, equities or baskets of stocks      | Various option models on funds, equities or baskets on stocks            | Equity volatilities                                | [4.4% ; 67.6%]                         |
|                     |                             |                                  |  |  | Equity dividends                                   | [0.0% ; 13.2%]                         |
|                     |                             |                                  |  |  | Correlations                                       | [-89.5% ; 98.5%]                       |
|                     |                             |                                  |  |  | Hedge funds volatilities                           | [8.5% ; 20.0%]                         |
|                     |                             |                                  |  |  | Mutual funds volatilities                          | [1.5% ; 42.3%]                         |
| Rates and Forex     | 3 942                       | 3 942                            | Hybrid forex / interest rate or credit / interest rate derivatives   | Hybrid forex interest rate or credit interest rate option pricing models | Correlations                                       | [-46.5% ; 90%]                         |
|                     |                             |                                  | Forex derivatives  | Forex option pricing models  | Forex volatilities                                 | [1.0% ; 32.8%]                         |
|                     |                             |                                  | Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools | Prepayment modeling  | Constant prepayment rates                          | [0.0% ; 20.0%]                         |
|                     |                             |                                  | Inflation instruments and derivatives  | Inflation pricing models   | Correlations                                       | [50.5% ; 88.9%]                        |
| Credit              | 4 925                       | 4 925                            | Collateralized Debt Obligations and index tranches   | Recovery and base correlation projection models                          | Time to default correlations                       | [0% ; 100%]                            |
|                     |                             |                                  | Other credit derivatives   | Credit default models  | Recovery rate variance for single name underlyings | [0% ; 100%]                            |
|                     |                             |                                  |  |  | Time to default correlations                       | [0% ; 100%]                            |
|                     |                             |                                  |  |  | Quanto correlations                                | [-50% ; 40%]                           |
| Credit spreads      | [0 bps ; 1 000 bps]         |                                  |  |  |  |  |
| Commodity           | 15                          | 15                               | Derivatives on commodities baskets   | Option models on commodities   | Commodities correlations                           | [14% ; 96%]                            |

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 Soci t  G n rale 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.

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10.5.2. Analysis per remaining maturities:

As at 30 June 2019, analysis per remaining maturities is as follows:

| 30.06.2019 - 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   | 92 164           | -                       | -                 | -                 | -                      | 92 164            |
| <b>Financial assets at fair value through profit or loss</b>      |                  |                         |                   |                   |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 2 108 644        | 10 811 451              | 21 699 122        | 17 093 169        | -                      | 51 712 386        |
| - <i>Trading derivatives</i>                                      | 577 557          | 799 943                 | 814 702           | 1 406 200         | -                      | 3 598 402         |
| Loans and receivables   | -                | 200                     | 48 849            | 1 000             | -                      | 50 049            |
| Other assets  | 12 072           | -                       | -                 | -                 | -                      | 12 072            |
| <b>Total assets</b>   | <b>2 790 437</b> | <b>11 611 594</b>       | <b>22 562 673</b> | <b>18 500 369</b> | <b>-</b>               | <b>55 465 073</b> |
| <b>Financial liabilities at amortised cost</b>                    | <b>2 031</b>     | <b>17 919</b>           | <b>48 000</b>     | <b>-</b>          | <b>-</b>               | <b>67 950</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |                         |                   |                   |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 2 175 838        | 10 786 526              | 21 691 968        | 17 050 360        | -                      | 51 704 692        |
| - <i>Trading derivatives</i>                                      | 623 140          | 780 120                 | 814 144           | 1 405 271         | -                      | 3 622 675         |
| Other liabilities   | 10 601           | -                       | -                 | -                 | -                      | 10 601            |
| Tax liabilities   | 87               | -                       | -                 | -                 | -                      | 87                |
| <b>Total liabilities</b>  | <b>2 811 697</b> | <b>11 584 565</b>       | <b>22 554 112</b> | <b>18 455 631</b> | <b>-</b>               | <b>55 406 005</b> |

As at 31 December 2018, analysis per remaining maturities is as follows:

| 31.12.2018 - 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   | 79 584           | -                       | -                 | -                 | -                      | 79 584            |
| <b>Financial assets at fair value through profit or loss</b>      |                  |                         |                   |                   |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 2 659 566        | 7 215 881               | 20 045 169        | 15 141 518        | -                      | 45 062 134        |
| - <i>Trading derivatives</i>                                      | 682 685          | 1 033 560               | 508 253           | 1 943 864         | -                      | 4 168 362         |
| Loans and receivables   | 189              | 828                     | 50 553            | 1 000             | -                      | 52 570            |
| <b>Total assets</b>   | <b>3 422 024</b> | <b>8 250 269</b>        | <b>20 603 975</b> | <b>17 086 382</b> | <b>-</b>               | <b>49 362 650</b> |
| <b>Financial liabilities at amortised cost</b>                    | <b>16 673</b>    | <b>31 611</b>           | <b>48 000</b>     | <b>-</b>          | <b>-</b>               | <b>96 284</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |                  |                         |                   |                   |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 2 648 107        | 7 216 548               | 20 037 056        | 15 152 017        | -                      | 45 053 728        |
| - <i>Trading derivatives</i>                                      | 684 009          | 1 029 500               | 514 100           | 1 942 877         | -                      | 4 170 486         |
| Other liabilities   | 13 039           | -                       | -                 | -                 | -                      | 13 039            |
| Tax liabilities   | 64               | -                       | -                 | -                 | -                      | 64                |
| <b>Total liabilities</b>  | <b>3 361 892</b> | <b>8 277 659</b>        | <b>20 599 156</b> | <b>17 094 894</b> | <b>-</b>               | <b>49 333 601</b> |

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10.5.3. The fair values together with the carrying amounts shown in the interim statement of financial position are as follows:

| <b>30.06.2019 - EUR' 000</b>                                      | <b>Carrying amount</b> | <b>Fair value</b> |
|---|------------------------|-------------------|
| Cash and cash equivalents   | 92 164                 | 92 164            |
| <b>Financial assets at fair value through profit or loss</b>      |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 51 712 386             | 51 712 386        |
| - <i>Trading derivatives</i>                                      | 3 598 402              | 3 598 402         |
| Loans and receivables *   | 50 049                 | 52 324            |
| Other assets  | 12 072                 | 12 072            |
| <b>Total</b>  | <b>55 465 073</b>      | <b>55 467 348</b> |
| <b>Financial liabilities at amortised cost *</b>                  | <b>67 950</b>          | <b>70 225</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 51 704 692             | 51 704 692        |
| - <i>Trading derivatives</i>                                      | 3 622 675              | 3 622 675         |
| Other liabilities   | 10 601                 | 10 601            |
| Tax liabilities   | 87                     | 87                |
| <b>Total</b>  | <b>55 406 005</b>      | <b>55 408 280</b> |
| <b>31.12.2018 - EUR' 000</b>                                      | <b>Carrying amount</b> | <b>Fair value</b> |
| Cash and cash equivalents   | 79 584                 | 79 584            |
| <b>Financial assets at fair value through profit or loss</b>      |                        |                   |
| - <i>Mandatorily at fair value through profit or loss</i>         | 45 062 134             | 45 062 134        |
| - <i>Trading derivatives</i>                                      | 4 168 362              | 4 168 362         |
| Loans and receivables *   | 52 570                 | 54 993            |
| <b>Total</b>  | <b>49 362 650</b>      | <b>49 365 073</b> |
| <b>Financial liabilities at amortised cost *</b>                  | <b>96 284</b>          | <b>98 451</b>     |
| <b>Financial liabilities at fair value through profit or loss</b> |                        |                   |
| - <i>Designated at fair value through profit or loss</i>          | 45 053 728             | 45 053 728        |
| - <i>Trading derivatives</i>                                      | 4 170 486              | 4 170 486         |
| Other liabilities   | 13 039                 | 13 039            |
| Tax liabilities   | 64                     | 64                |
| <b>Total</b>  | <b>49 333 601</b>      | <b>49 335 768</b> |

\* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris).

Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

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10.5.4. The fair value hierarchy of IFRS 13

As at 30 June 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

| 30.06.2019 - EUR' 000   | Level 1 | Level 2           | Level 3           | Total             |
|---|---------|-------------------|-------------------|-------------------|
| <b>Financial assets at fair value through profit or loss</b>      |         |                   |                   |                   |
| - <b>Mandatorily at fair value through profit or loss</b>         | -       | <b>23 376 690</b> | <b>28 335 696</b> | <b>51 712 386</b> |
| <i>Commodities instruments</i>                                    | -       | 1 053 248         | 15 403            | 1 068 651         |
| <i>Credit derivatives/securities</i>                              | -       | 1 238 585         | 4 926 440         | 6 165 025         |
| <i>Equity and index securities</i>                                | -       | 16 943 347        | 18 036 519        | 34 979 866        |
| <i>Foreign exchange instruments/securities</i>                    | -       | 1 694 892         | 819 926           | 2 514 818         |
| <i>Interest rate instruments/securities</i>                       | -       | 2 332 615         | 3 122 212         | 5 454 827         |
| <i>Other financial instruments</i>                                | -       | 114 003           | 1 415 196         | 1 529 199         |
| - <b>Trading derivatives</b>                                      | -       | <b>3 339 841</b>  | <b>198 561</b>    | <b>3 598 402</b>  |
| <i>Equity and Index instruments</i>                               | -       | 3 081 133         | 162 233           | 3 243 366         |
| <i>Other financial instruments</i>                                | -       | 318 708           | 36 328            | 355 036           |
| <b>Financial liabilities at fair value through profit or loss</b> |         |                   |                   |                   |
| - <b>Designated at fair value through profit or loss</b>          | -       | <b>23 373 363</b> | <b>28 331 329</b> | <b>51 704 692</b> |
| <i>Commodities instruments</i>                                    | -       | 1 053 248         | 15 403            | 1 068 651         |
| <i>Credit derivatives/securities</i>                              | -       | 1 238 180         | 4 925 442         | 6 163 622         |
| <i>Equity and index securities</i>                                | -       | 16 940 816        | 18 033 305        | 34 974 121        |
| <i>Foreign exchange instruments/securities</i>                    | -       | 1 694 440         | 819 850           | 2 514 290         |
| <i>Interest rate instruments/securities</i>                       | -       | 2 332 611         | 3 122 170         | 5 454 781         |
| <i>Other financial instruments</i>                                | -       | 114 068           | 1 415 159         | 1 529 227         |
| - <b>Trading derivatives</b>                                      | -       | <b>3 420 668</b>  | <b>202 007</b>    | <b>3 622 675</b>  |
| <i>Equity and Index instruments</i>                               | -       | 3 099 613         | 164 928           | 3 264 541         |
| <i>Other financial instruments</i>                                | -       | 321 055           | 37 079            | 358 134           |



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As at 31 December 2018, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

| <b>31.12.2018 - EUR' 000</b>   | <b>Level 1</b> | <b>Level 2</b>    | <b>Level 3</b>    | <b>Total</b>      |
|--|----------------|-------------------|-------------------|-------------------|
| <b><i>Financial assets at fair value through profit or loss</i></b>      |                |                   |                   |                   |
| <b>- Mandatorily at fair value through profit or loss</b>                | -              | <b>20 606 194</b> | <b>24 455 940</b> | <b>45 062 134</b> |
| <i>Commodities instruments</i>   | -              | 1 160 486         | 40 872            | 1 201 358         |
| <i>Credit derivatives/securities</i>                                     | -              | 1 509 044         | 4 490 176         | 5 999 220         |
| <i>Equity and index securities</i>                                       | -              | 15 226 349        | 15 031 332        | 30 257 681        |
| <i>Foreign exchange instruments/securities</i>                           | -              | 793 456           | 779 644           | 1 573 100         |
| <i>Interest rate instruments/securities</i>                              | -              | 1 626 581         | 2 624 148         | 4 250 729         |
| <i>Other financial instruments</i>                                       | -              | 290 278           | 1 489 768         | 1 780 046         |
| <b>- Trading derivatives</b>   | -              | <b>4 050 694</b>  | <b>117 668</b>    | <b>4 168 362</b>  |
| <i>Equity and Index instruments</i>                                      | -              | 3 573 416         | 94 142            | 3 667 557         |
| <i>Other financial instruments</i>                                       | -              | 477 278           | 23 526            | 500 805           |
| <b><i>Financial liabilities at fair value through profit or loss</i></b> |                |                   |                   |                   |
| <b>- Designated at fair value through profit or loss</b>                 | -              | <b>20 599 491</b> | <b>24 454 237</b> | <b>45 053 728</b> |
| <i>Commodities instruments</i>   | -              | 1 160 486         | 40 872            | 1 201 358         |
| <i>Credit derivatives/securities</i>                                     | -              | 1 508 480         | 4 488 869         | 5 997 349         |
| <i>Equity and index securities</i>                                       | -              | 15 221 303        | 15 031 014        | 30 252 317        |
| <i>Foreign exchange instruments/securities</i>                           | -              | 792 379           | 779 568           | 1 571 947         |
| <i>Interest rate instruments/securities</i>                              | -              | 1 626 565         | 2 624 147         | 4 250 712         |
| <i>Other financial instruments</i>                                       | -              | 290 278           | 1 489 767         | 1 780 045         |
| <b>- Trading derivatives</b>   | -              | <b>4 052 818</b>  | <b>117 668</b>    | <b>4 170 486</b>  |
| <i>Equity and Index instruments</i>                                      | -              | 3 574 563         | 94 142            | 3 668 705         |
| <i>Other financial instruments</i>                                       | -              | 478 255           | 23 526            | 501 781           |

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The following table describes the variation in Level 3 by financial instruments

| <b>Financial liabilities at fair value through profit or loss</b> | <b>Balance at 01.01.2019</b> | Acquisitions      | Change in fair value | Reimbursements/<br>Other | Transfers from Level 2 to Level 3 | Transfers from Level 3 to Level 2 | Offsetting of the assets and liabilities | <b>Balance 30.06.2019</b> |
|---|------------------------------|-------------------|----------------------|--------------------------|-----------------------------------|-----------------------------------|--|---------------------------|
| <b><i>Designated at fair value through profit or loss</i></b>     | <b>24 454 237</b>            | <b>21 693 529</b> | <b>4 258 082</b>     | <b>(6 982 740)</b>       | <b>401 684</b>                    | <b>(2 297 952)</b>                | <b>(13 195 511)</b>                      | <b>28 331 329</b>         |
| Equity and index instrument                                       | 15 031 014                   | 18 559 296        | 3 293 959            | (5 629 676)              | 269 139                           | (1 855 195)                       | (11 635 232)                             | 18 033 305                |
| Commodity instruments   | 40 872                       | 93                | 1 366                | (29 379)                 | -                                 | -                                 | 2 451                                    | 15 403                    |
| Credit derivatives  | 4 488 869                    | 1 338 946         | 429 010              | (416 004)                | 37 917                            | (311 154)                         | (642 142)                                | 4 925 442                 |
| Foreign exchange instruments                                      | 779 568                      | 117 881           | 16 389               | (71 615)                 | -                                 | (10 259)                          | (12 114)                                 | 819 850                   |
| Interest rate instruments   | 2 624 147                    | 1 449 474         | 421 111              | (390 001)                | 75 488                            | (116 628)                         | (941 421)                                | 3 122 170                 |
| Other financial instruments                                       | 1 489 767                    | 227 839           | 96 247               | (446 065)                | 19 140                            | (4 716)                           | 32 947                                   | 1 415 159                 |
| <b><i>Trading derivatives</i></b>                                 | <b>117 668</b>               | <b>87 209</b>     | <b>10 448</b>        | <b>(22 461)</b>          | <b>15 930</b>                     | <b>(1 479)</b>                    | <b>(4 768)</b>                           | <b>202 007</b>            |
| Equity and index instruments                                      | 94 142                       | 79 264            | 1 265                | (18 901)                 | 15 930                            | (1 479)                           | (4 753)                                  | 164 928                   |
| Other financial instruments                                       | 23 526                       | 7 945             | 9 183                | (3 560)                  | -                                 | -                                 | (15)                                     | 37 079                    |

***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...).

**Notes to the condensed interim financial statements**

as at 30 June 2019

- continued -

**10.6. 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), collecting 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.

**Notes to the condensed interim financial statements**  
as at 30 June 2019  
- continued -

**NOTE 11 – SUBSEQUENT EVENTS**

There were no subsequent events which could have a significant impact on the condensed interim financial statements as at 30 June 2019.

### **APPENDIX III**

#### **REPRODUCTION OF THE PRESS RELEASE DATED 6 NOVEMBER 2019 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

The information set out below is a reproduction of the press release dated 6 November 2019 containing the Guarantor's consolidated financial results for the third quarter ended 30 September 2019.

# RESULTS AT SEPTEMBER 30<sup>TH</sup> 2019

## Press release

Paris, November 6<sup>th</sup> 2019

### **SUBSTANTIAL INCREASE IN THE CAPITAL RATIO (CET1 AT 12.5%)**

- Increase in CET1 of 46 basis points to 12.5% vs. June 30<sup>th</sup>, 2019, nearly 250 basis points above regulatory requirements (Maximum Distributable Amount). The Tier 1 ratio stands at 15.2%
- Organic capital generation amounting to 28 basis points in 9M 19, including a dividend provision of EUR 1.65 per share (corresponding to 75% of EUR 2.20 per share)
- Target of reducing Global Banking & Investor Solutions' risk-weighted assets by EUR 10 billion achieved
- Finalisation of the disposals of Societe Generale Serbia, Societe Generale Montenegro and Mobiasbanca Societe Generale for an impact of +10bp in Q3 19, taking the cumulative impact of the finalised disposals to +38bp
- Increase in the leverage ratio to 4.4%
- Tangible net asset value up 7.9% vs. September 30<sup>th</sup>, 2018 (tangible net asset value per share: +1.9%)

### **SATISFACTORY PROGRESS IN THE ADAPTATION OF THE BUSINESSES AND THE BUSINESS MODEL, RESILIENT PROFITABILITY (ROTE<sup>(1)</sup> OF 8.1% IN 9M 19)**

- Good level of profitability in French Retail Banking and International Retail Banking & Financial Services, within the target of 2020 objectives
- Execution of Global Banking & Investor Solutions' restructuring plan in line with objectives: increase in Structured Financing revenues, decline in Global Markets' revenues incorporating the effects of business closures
- Further decline in the Group's underlying operating expenses: -1.3%<sup>(1)</sup> in Q3 19 vs. Q3 18, -1.2%<sup>(1)</sup> in 9M 19 vs. 9M 18, with in particular an excellent performance in Global Banking & Investor Solutions (-3.1%<sup>(2)</sup> in 9M 19 vs. 9M 18)
- Cost of risk contained at 24 basis points in 9M 19 (26 basis points in Q3 19)
- Underlying Group net income of EUR 855m in Q3 19 and EUR 3,183m in 9M 19

### **SOCIETE GENERALE CONFIRMED AS A LEADING BANK IN COMBATING CLIMATE CHANGE**

- No. 1 bank globally on Environmental issues and No. 6 across all CSR criteria (2019 RobecoSAM ranking)
- New objective for Societe Generale's contribution to the financing of the energy transition of EUR 120 billion between 2019 and 2023

#### **Frédéric Oudéa, the Group's Chief Executive Officer, commented:**

*"Once again this quarter, we have achieved results very much in line with our objectives and priorities. In terms of capital, there was a further substantial increase in the CET1 ratio to 12.5%. Retail banking and financial services posted robust commercial and financial performances. Global Banking & Investor Solutions delivered resilient net income in an unfavourable environment, without yet benefiting from the positive effects of the ongoing restructuring which is ahead of its 2020 objectives. The cost of risk remained low for all the businesses, reflecting the quality of the loan portfolio. Finally, Societe Generale has confirmed its role as a committed and responsible player and leading international bank in terms of financing the energy transition. The Group, with the strong commitment of its teams, is confident of its ability to deliver, in an ever more restrictive environment in Europe."*

The footnote \* in this document corresponds to data adjusted for changes in Group structure and at constant exchange rates.

(1) Underlying data. See methodology note 5 for the transition from accounting data to underlying data.

(2) Operating expenses restated for restructuring costs and integration costs in respect of EMC activities

## 1. GROUP CONSOLIDATED RESULTS

| <i>In EUR m</i>                                | Q3 19          | Q3 18          | Change        |                | 9M 19           | 9M 18           | Change        |                |
|--|----------------|----------------|---------------|----------------|-----------------|-----------------|---------------|----------------|
| <b>Net banking income</b>                      | <b>5,983</b>   | <b>6,530</b>   | <b>-8.4%</b>  | <b>-7.7%*</b>  | <b>18,458</b>   | <b>19,278</b>   | <b>-4.3%</b>  | <b>-4.0%*</b>  |
| <b>Operating expenses</b>                      | <b>(4,165)</b> | <b>(4,341)</b> | <b>-4.1%</b>  | <b>-3.3%*</b>  | <b>(13,224)</b> | <b>(13,473)</b> | <b>-1.8%</b>  | <b>-1.4%*</b>  |
| <i>Underlying operating expenses(1)</i>        | <i>(4,317)</i> | <i>(4,374)</i> | <i>-1.3%</i>  | <i>-0.5%*</i>  | <i>(12,816)</i> | <i>(12,968)</i> | <i>-1.2%</i>  | <i>-0.7%*</i>  |
| <b>Gross operating income</b>                  | <b>1,818</b>   | <b>2,189</b>   | <b>-16.9%</b> | <b>-16.5%*</b> | <b>5,234</b>    | <b>5,805</b>    | <b>-9.8%</b>  | <b>-10.0%*</b> |
| <i>Underlying gross operating income(1)</i>    | <i>1,666</i>   | <i>2,156</i>   | <i>-22.7%</i> | <i>-22.4%*</i> | <i>5,642</i>    | <i>6,310</i>    | <i>-10.6%</i> | <i>-10.8%*</i> |
| <b>Net cost of risk</b>                        | <b>(329)</b>   | <b>(264)</b>   | <b>+24.6%</b> | <b>+26.1%*</b> | <b>(907)</b>    | <b>(642)</b>    | <b>+41.3%</b> | <b>+44.6%*</b> |
| <i>Underlying net cost of risk (1)</i>         | <i>(329)</i>   | <i>(264)</i>   | <i>+24.6%</i> | <i>+26.1%*</i> | <i>(889)</i>    | <i>(642)</i>    | <i>+38.5%</i> | <i>+41.6%*</i> |
| <b>Operating income</b>                        | <b>1,489</b>   | <b>1,925</b>   | <b>-22.6%</b> | <b>-22.3%*</b> | <b>4,327</b>    | <b>5,163</b>    | <b>-16.2%</b> | <b>-16.6%*</b> |
| <i>Underlying operating income(1)</i>          | <i>1,337</i>   | <i>1,892</i>   | <i>-29.3%</i> | <i>-29.1%*</i> | <i>4,753</i>    | <i>5,668</i>    | <i>-16.1%</i> | <i>-16.5%</i>  |
| <b>Net profits or losses from other assets</b> | <b>(71)</b>    | <b>2</b>       | <i>n/s</i>    | <i>n/s</i>     | <b>(202)</b>    | <b>(39)</b>     | <i>n/s</i>    | <i>n/s</i>     |
| Income tax                                     | (389)          | (464)          | -16.2%        | -15.1%*        | (1,034)         | (1,229)         | -15.9%        | -16.6%*        |
| <b>Reported Group net income</b>               | <b>854</b>     | <b>1,309</b>   | <b>-34.8%</b> | <b>-34.8%*</b> | <b>2,594</b>    | <b>3,436</b>    | <b>-24.5%</b> | <b>-24.8%*</b> |
| <i>Underlying Group net income(1)</i>          | <i>855</i>     | <i>1,327</i>   | <i>-35.6%</i> | <i>-35.6%*</i> | <i>3,183</i>    | <i>3,917</i>    | <i>-18.7%</i> | <i>-18.9%*</i> |
| ROE  | 5.3%           | 9.3%           |               |                | 5.5%            | 8.1%            |               |                |
| ROTE   | 6.1%           | 10.9%          |               |                | 6.7%            | 9.6%            |               |                |
| <b>Underlying ROTE (1)</b>                     | <b>6.1%</b>    | <b>11.0%</b>   |               |                | <b>8.1%</b>     | <b>11.0%</b>    |               |                |

(1) Adjusted for exceptional items and linearisation of IFRIC 21

As from January 1<sup>st</sup> 2019, in accordance with the amendment to IAS 12 "Income Tax", the tax saving related to the payment of coupons on undated subordinated and deeply subordinated notes, previously recorded in consolidated reserves, is now recognised in income on the "income tax" line; 2018 comparative data have been restated.

Societe Generale's Board of Directors, which met on November 5<sup>th</sup>, 2019 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q3 and 9M 2019.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 9.5).

### **Net banking income: EUR 5,983m (-8.4% vs. Q3 18), EUR 18,458m (-4.3% vs. 9M 18)**

When restating the revaluation of Euroclear securities in Q3 18 for EUR 271 million, the Group's net banking income was down -4.4% (-3.7%\*) vs. Q3 18 and -2.9% (-2.6%\*) vs. 9M 18. In terms of the businesses, revenues were 2.9%\* lower than in Q3 18 (-1.3%\* vs. 9M 18). The growth in International Retail Banking & Financial Services and the stable revenues in French Retail Banking were more than offset by the decline in revenues in Global Banking & Investor Solutions, against the backdrop of the restructuring of activities and an adverse market environment for Global Markets and Investment Banking.

### **Operating expenses: EUR -4,165m (-4.1% vs. Q3 18), EUR -13,224m (-1.8% vs. 9M 18)**

Underlying operating expenses were down -1.3% in Q3 19 and -1.2% in 9M 19, reflecting rigorous cost control across all the businesses. More than 55% of the programme to reduce costs by EUR 1.1 billion by 2020 has been achieved. Global Banking & Investor Solutions' operating expenses were lower in Q3 19, against a backdrop of restructuring. Operating expenses were slightly higher in French Retail Banking. In International Retail Banking & Financial Services, operating expenses supported the growth in activity, with a positive jaws effect.

**Cost of risk: EUR -329m (26bp), EUR -907m (24bp)**

The Group's commercial cost of risk (expressed as a fraction of outstanding loans) remained low and amounted to 26 basis points in Q3 19 (22 basis points in Q3 18 and 25 basis points in Q2 19). The cost of risk amounted to 24 basis points in 9M 19; it was 18 basis points in 9M 18. The Group anticipates a cost of risk of between 25 and 30 basis points in 2019.

The gross doubtful outstandings ratio amounted to 3.4% at September 30<sup>th</sup>, 2019 (stable vs. June 30<sup>th</sup>, 2019). The Group's gross coverage ratio for doubtful outstandings stood at 55%<sup>(1)</sup> at September 30<sup>th</sup>, 2019 (stable vs. June 30<sup>th</sup>, 2019).

**Net profits or losses from other assets: EUR -71m in Q3 19, EUR -202m in 9M 19**

Net profits or losses from other assets totalled EUR -71 million in Q3 19, including EUR -113 million corresponding to the effect of the application of IFRS 5 as part of the implementation of the Group's refocusing plan.

**Group net income: EUR 854m (-34.8% vs. Q3 18), EUR 2,594m (-24.5% vs. 9M 18)**

| In EURm                                    | Q3 19 | Q3 18 | 9M 19 | 9M 18 |
|--|-------|-------|-------|-------|
| Reported Group net income                  | 854   | 1,309 | 2,594 | 3,436 |
| Underlying Group net income <sup>(2)</sup> | 855   | 1,327 | 3,183 | 3,917 |

| In %                           | Q3 19 | Q3 18 | 9M 19 | 9M 18 |
|--------------------------------|-------|-------|-------|-------|
| ROTE (reported)                | 6.1%  | 10.9% | 6.7%  | 9.6%  |
| Underlying ROTÉ <sup>(2)</sup> | 6.1%  | 11.0% | 8.1%  | 11.0% |

Earnings per share amounts to EUR 2.49 in 9M 19 (EUR 3.62 in 9M 18). The dividend provision amounts to EUR 1.65 per share in 9M 19.

(1) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings.

(2) Adjusted for exceptional items and effect of the linearisation of IFRIC 21.



## 2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 63.7 billion at September 30<sup>th</sup>, 2019 (EUR 61.0 billion at December 31<sup>st</sup>, 2018). Net asset value per share was EUR 63.6 and tangible net asset value per share was EUR 55.5 (an increase of 1.9% vs. September 30<sup>th</sup>, 2018).

The **consolidated balance sheet** totalled EUR 1,411 billion at September 30<sup>th</sup>, 2019 (EUR 1,309 billion at December 31<sup>st</sup>, 2018). The net amount of customer loan outstandings at September 30<sup>th</sup>, 2019, including lease financing, was EUR 425 billion (EUR 421 billion at December 31<sup>st</sup>, 2018) – excluding assets and securities received under repurchase agreements. At the same time, customer deposits amounted to EUR 407 billion, vs. EUR 399 billion at December 31<sup>st</sup>, 2018 (excluding assets and securities sold under repurchase agreements).

At end-September 2019, the parent company had issued EUR 32.7 billion of medium/long-term debt, having an average maturity of 4.5 years and an average spread of 49 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 1.7 billion. At September 30<sup>th</sup>, 2019, the Group had issued a total of EUR 34.4 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 136% at end-September 2019 vs. 129% at end-December 2018. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-September 2019. At end-September 2019, the Group had achieved 100% of its long-term financing programme scheduled for 2019.

The Group's **risk-weighted assets** (RWA) amounted to EUR 353.5 billion at September 30<sup>th</sup>, 2019 (vs. EUR 376.0 billion at end-December 2018) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 81.6% of the total, at EUR 288.5 billion, down -4.7% vs. December 31<sup>st</sup>, 2018.

At September 30<sup>th</sup>, 2019, the Group's fully-loaded **Common Equity Tier 1** ratio stood at 12.5%<sup>(1)</sup>, up 46 basis points vs. June 30<sup>th</sup>, 2019. This increase includes, in particular, the reduction in Global Markets' risk-weighted assets for +10 basis points, the effect of securitisation transactions for a cumulative impact of +15 basis points, the finalisation of the disposals of Societe Generale Serbia, Societe Generale Montenegro and Mobiasbanca Societe Generale for an impact of 10 basis points. The Tier 1 ratio stood at 15.2% at end-September 2019 (13.7% at end-December 2018) and the total capital ratio amounted to 18.5% (16.7% at end-December 2018).

With a level of 27.0% of RWA and 7.7% of leveraged exposure at end-September 2019, the Group's TLAC ratio is above the FSB's requirements for 2019. At September 30<sup>th</sup>, 2019, the Group was also above its MREL requirements of 8% of the TLOF<sup>(2)</sup> (which, at end-December 2016, represented a level of 24.4% of RWA), which were used as a reference for the SRB calibration.

The **leverage ratio** stood at 4.4% at September 30<sup>th</sup>, 2019, an increase of 11 basis points vs. end-December 2018 and 7 basis points vs. June 30<sup>th</sup>, 2019.

The Group is rated by five rating agencies: (i) DBRS - long-term rating (senior preferred debt) "A (high)", positive trends, short-term rating "R-1 (middle)"; (ii) FitchRatings - long-term rating "A", stable outlook, senior preferred debt rating "A+", short-term rating "F1"; (iii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iv) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (v) S&P Global Ratings - long-term rating (senior preferred debt) "A", positive outlook, short-term rating "A-1".

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(1) Pro forma for the announced disposals (+9 basis points) and the integration of EMC (-5 basis points), the CET1 ratio amounts to 12.5%

(2) TLOF: Total Liabilities and Own Funds

### 3. FRENCH RETAIL BANKING

| <i>In EUR m</i>                             | <b>Q3 19</b> | <b>Q3 18</b> | <b>Change</b> | <b>9M 19</b> | <b>9M 18</b> | <b>Change</b> |
|---|--------------|--------------|---------------|--------------|--------------|---------------|
| Net banking income                          | 1,879        | 1,949        | -3.6%         | 5,789        | 5,948        | -2.7%         |
| <i>Net banking income excl. PEL/CEL</i>     | 1,945        | 1,942        | +0.2%         | 5,894        | 5,913        | -0.3%         |
| Operating expenses                          | (1,375)      | (1,358)      | +1.3%         | (4,209)      | (4,199)      | +0.2%         |
| <b>Gross operating income</b>               | <b>504</b>   | <b>591</b>   | <b>-14.7%</b> | <b>1,580</b> | <b>1,749</b> | <b>-9.7%</b>  |
| <i>Gross operating income excl. PEL/CEL</i> | 570          | 584          | -2.3%         | 1,685        | 1,714        | -1.7%         |
| Net cost of risk                            | (95)         | (119)        | -20.2%        | (318)        | (346)        | -8.1%         |
| <b>Operating income</b>                     | <b>409</b>   | <b>472</b>   | <b>-13.3%</b> | <b>1,262</b> | <b>1,403</b> | <b>-10.0%</b> |
| <b>Reported Group net income</b>            | <b>311</b>   | <b>320</b>   | <b>-2.8%</b>  | <b>901</b>   | <b>955</b>   | <b>-5.7%</b>  |
| RONE  | <b>11.0%</b> | <b>11.4%</b> |               | <b>10.6%</b> | <b>11.3%</b> |               |
| <b>Underlying RONE (1)</b>                  | <b>12.0%</b> | <b>10.6%</b> |               | <b>11.7%</b> | <b>11.3%</b> |               |

(1) Adjusted for the linearisation of IFRIC 21, PEL/CEL provision

French Retail Banking delivered a solid performance in Q3 19 against the backdrop of a low interest rate environment and the transformation of the French networks. Underlying RONE stood at 12.0% in Q3.

French Retail Banking's three brands (Societe Generale, Crédit du Nord and Boursorama) enjoyed a healthy commercial momentum during the quarter and strengthened their customer franchise.

Boursorama consolidated its position as the leading online bank in France, with more than 2 million clients at end-September 2019.

French Retail Banking expanded its business among mass affluent and wealthy clients, with the number of customers increasing by 3% vs. Q3 18. Net inflow for wealthy clients remained robust at EUR 1.1 billion in Q3 19, taking assets under management to EUR 68 billion (including Crédit du Nord) at end-September 2019.

The commercial momentum remained robust for Corporate clients, with the number of clients rising by 1% vs. Q3 18.

Bancassurance continued to enjoy buoyant activity: life insurance experienced net inflow of EUR 395 million (+9% vs. Q3 18). Outstandings were up +1.7% vs. Q3 18 at EUR 95 billion, with the unit-linked share accounting for 25% of outstandings.

Average loan outstandings climbed +5.7% vs. Q3 18 (to EUR 198 billion): in particular, outstanding loans to individuals were 5.3% higher at EUR 117 billion while medium-term corporate loan outstandings rose 6.9% vs. Q3 18 to EUR 70 billion.

Average outstanding balance sheet deposits were 4.4% higher than in Q3 18 (at EUR 210 billion), still driven by sight deposits (+8.7% vs. Q3 18, including currency-denominated deposits).

As a result, the average loan/deposit ratio stood at 94.3% in Q3 19 (up 1.2 points vs. Q3 18).

The Group continued to adapt its operational set-up, in parallel with the digital transformation process. It closed 23 Societe Generale branches in Q3 19, and now has 1,821 branches nationwide. Societe Generale continued to roll out its specific facilities for the corporate sector and professionals. At end-September 2019, Societe Generale had 16 regional business centres, 110 "Pro Corners" (espaces pro) in branches and 10 dedicated "Pro Corners".

**Net banking income excluding PEL/CEL: EUR 1,945m (+0.2% vs. Q3 18), EUR 5,894m (-0.3% vs. 9M 18)**

**Q3 19:** Although still adversely affected by the low interest rate environment, there was an improvement in net interest income (excluding PEL/CEL) with an increase of 2.9% vs. Q3 18, underpinned by robust

loan production and improved margins. Commissions (including insurance revenues) were 4.2% lower than in Q3 18, impacted in particular by the banking industry's commitments in relation to vulnerable populations.

**9M 19:** Net interest income (excluding PEL/CEL) was 0.4% higher, while commissions (including insurance revenues) were 2.3% lower than in 9M 18.

The Group has confirmed that it expects revenues to evolve between 0% and -1% in 2019 vs. 2018, after neutralising the impact of PEL/CEL provisions.

**Operating expenses: EUR -1,375m (+1.3% vs. Q3 18), EUR -4,209m (+0.2% vs. 9M 18)**

**Q3 19:** Operating expenses were 1.3% higher than in Q3 18, reflecting primarily investments in the transformation process. **9M 19:** Operating expenses were stable (+0.2% vs. 9M 18).

The cost to income ratio stood at 71.0% in 9M 19 (excluding PEL/CEL provision and after linearisation of the IFRIC 21 charge).

The Group expects an increase in operating expenses of between 1% and 2% in 2019 vs. 2018.

**Cost of risk: EUR -95m (-20.2% vs. Q3 18), EUR -318m (-8.1% vs. 9M 18)**

**Q3 19:** The commercial cost of risk remained low and amounted to 19 basis points (27 basis points in Q2 19 and 25 basis points in Q3 18), reflecting the quality of the portfolio.

**9M 19:** The cost of risk stood at 22 basis points; it was 25 basis points in the first nine months of 2018.

**Contribution to Group net income: EUR 311m (-2.8% vs. Q3 18), EUR 901m (-5.7% vs. 9M 18)**

RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at the robust level of 12.0% in Q3 19 (vs. 10.6% in Q3 18) and 11.7% in 9M 19 (vs. 11.3% in 9M 18).

## 4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

| <i>In EUR m</i>                         | Q3 19        | Q3 18        | Change       |               | 9M 19        | 9M 18        | Change       |               |
|---|--------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| Net banking income                      | 2,096        | 2,092        | +0.2%        | +3.7%*        | 6,296        | 6,156        | +2.3%        | +5.4%*        |
| Operating expenses                      | (1,091)      | (1,100)      | -0.8%        | +3.0%*        | (3,440)      | (3,381)      | +1.7%        | +5.4%*        |
| <b>Gross operating income</b>           | <b>1,005</b> | <b>992</b>   | <b>+1.3%</b> | <b>+4.5%*</b> | <b>2,856</b> | <b>2,775</b> | <b>+2.9%</b> | <b>+5.3%*</b> |
| Net cost of risk                        | (169)        | (124)        | +36.3%       | +38.8%*       | (430)        | (290)        | +48.3%       | +56.3%*       |
| <b>Operating income</b>                 | <b>836</b>   | <b>868</b>   | <b>-3.7%</b> | <b>-0.5%*</b> | <b>2,426</b> | <b>2,485</b> | <b>-2.4%</b> | <b>-0.4%*</b> |
| Net profits or losses from other assets | 1            | 2            | -50.0%       | -35.7%        | 2            | 6            | -66.7%       | -60.9%*       |
| <b>Reported Group net income</b>        | <b>513</b>   | <b>532</b>   | <b>-3.6%</b> | <b>+0.2%*</b> | <b>1,492</b> | <b>1,502</b> | <b>-0.7%</b> | <b>+1.7%*</b> |
| RONE                                    | 18.7%        | 18.9%        |              |               | 17.8%        | 17.6%        |              |               |
| <b>Underlying RONE (1)</b>              | <b>18.1%</b> | <b>18.2%</b> |              |               | <b>18.2%</b> | <b>17.9%</b> |              |               |

(1) Adjusted for the linearisation of IFRIC 21 and the restructuring provision of EUR 29 million

**In International Retail Banking**, outstanding loans totalled EUR 89.5 billion at end-June 2019. They rose +6.4%\* vs. Q3 18 when adjusted for changes in Group structure and at constant exchange rates (-2.2% at current structure and exchange rates), given the disposals finalised during the first nine months of 2019 (SG Albania, Express Bank in Bulgaria, Societe Generale Montenegro, Eurobank in Poland, Societe Generale Serbia and Mobiasbanca in Moldova). Outstanding deposits were up +6.8%\* (-1.6% at current structure and exchange rates) vs. Q3 18, at EUR 80.8 billion, with a healthy momentum in all regions.

For the Europe scope, outstanding loans were up +6.0%\* vs. Q3 18, at EUR 56.6 billion (-8.7% at current structure and exchange rates), driven by the excellent momentum in Western Europe (+11.0%, +11.0%\*) and robust growth in Romania (+3.7%\*, -2.4%) and the Czech Republic (+3.0%\*, +2.6%). Outstanding deposits were up +4.8%\* (-10.1% at current structure and exchange rates), notably in the Czech Republic (+6.1%\*, +5.8%).

In Russia, commercial activity was robust in a buoyant banking market. At end-September 2019, outstanding loans were up +7.6%\* at constant exchange rates (+15.4% at current exchange rates) while outstanding deposits climbed +18.3%\* (+26.5% at current exchange rates).

In Africa, Mediterranean Basin and Overseas Territories, commercial activity was generally healthy especially in Sub-Saharan Africa. Outstanding loans rose +6.9%\* (+9.4%) vs. Q3 18, with a good commercial momentum both in the individual and business customer segments. Outstanding deposits were up +5.7%\* (+8.4%).

**In the Insurance business**, the life insurance savings business saw outstandings increase +4.6%\* vs. Q3 18. The share of unit-linked products in outstandings was 28% at end-September 2019, up +0.8 points vs. Q3 18. Personal Protection and Property/Casualty insurance enjoyed robust growth, with premiums increasing by respectively +8.8%\* and +8.4%\* vs. Q3 18.

**Financial Services to Corporates** enjoyed a good commercial momentum in Q3 19. Operational Vehicle Leasing and Fleet Management saw an increase in its vehicle fleet (+6.7% vs. end of Q3 18) to 1.7 million vehicles at end-September 2019, primarily through organic growth. Equipment Finance's outstanding loans were up +3.8%\* in Q3 19 vs. Q3 18 at EUR 18.3 billion (excluding factoring), driven by a good level of new business whose margin has improved.

**Net banking income: EUR 2,096m, +3.7%\* (+0.2%) vs. Q3 18, EUR 6,296m, +5.4%\* (+2.3%) vs. 9M 18**

Net banking income totalled EUR 2,096 million in Q3 19, up +3.7%\* (+0.2%) vs. Q3 18. Revenues amounted to EUR 6,296 million in 9M 19, up +5.4%\* (+2.3%) vs. 9M 18.

**In International Retail Banking**, net banking income totalled EUR 1,401 million in Q3 19, up +4.8%\* (-1.2%) vs. Q3 18, driven by the excellent momentum in Africa, Mediterranean Basin and Overseas Territories (+10.0%\*, +12.4%) and robust growth in Europe (+2.1%\*, -10.4%) and for SG Russia<sup>(1)</sup> (+3.2%\*, +9.7%).

There was further confirmation of this trend in 9M 19. Net banking income amounted to EUR 4,200 million, up +6.6%\* excluding the structure and exchange rate effect (+1.7%) vs. 9M 18.

**The Insurance business** posted a good financial performance in Q3 19, with net banking income increasing +4.6% to EUR 227 million in Q3 19 (+4.4%\*). Net banking income rose +3.6% (+3.6%\*) in 9M 19 to EUR 687 million.

**Financial Services to Corporates'** net banking income rose +2.4% (+0.4%\*) in Q3 19 vs. Q3 18 to EUR 468 million. Net banking income came to EUR 1,409 million in 9M 19, up +3.5% (+2.8%\*) vs. 9M 18.

**Operating expenses: EUR -1,091m, +3.0%\* (-0.8%) vs. Q3 18, EUR -3,440m, +5.4%\* (+1.7%) vs. 9M 18**

Operating expenses were up +3.0%\* (-0.8%) in Q3 19. They increased +5.4%\* (+1.7%) in 9M 19, including the restructuring provision (EUR 29 million) related to the simplification of the head office structure. The cost to income ratio stood at 52.1% in Q3 19 and 54.6% in 9M 19. When restated for the provision, operating expenses experienced a contained increase of +4.5%\*, generating a positive jaws effect.

**In International Retail Banking**, the contained increase in operating expenses, up +2.5%\* (-3.3%) vs. Q3 18 and +4.4%\* (-0.8%) vs. 9M 18, resulted in a positive jaws effect.

In the **Insurance** business, operating expenses rose +9.1% (+8.8%\*) vs. Q3 18 to EUR 84 million and +5.9% (+5.8%\*) vs. 9M 18, in conjunction with the Insurance business' commercial expansion ambitions.

In **Financial Services to Corporates**, operating expenses rose +4.3% (+2.6%\*) vs. Q3 18 and +5.0% (+4.4%\*) vs. 9M 18.

**Cost of risk: EUR -169m, +38.8%\* (+36.3%) vs. Q3 18, EUR -430m, +56.3%\* (+48.3%) vs. 9M 18**

**Q3 19:** The commercial cost of risk remained low at 49 basis points (37 basis points in Q3 18 and 38 basis points in Q2 19), primarily in conjunction with the normalisation of the cost of risk in the Czech Republic and a slight deterioration in Africa. In Romania, there was a net write-back of EUR 14 million in the cost of risk which included an insurance payout in Q3 19.

**9M 19:** The cost of risk stood at 42 basis points; it was 29 basis points in 9M 18.

**Contribution to Group net income: EUR 513m, +0.2%\* (-3.6%) vs. Q3 18, EUR 1,492m, +1.7%\* (-0.7%) vs. 9M 18**

Underlying RONE stood at the high level of 18.1% in Q3 19, vs. 18.2% in Q3 18, and 18.2% in 9M 19, vs. 17.9% in 9M 18.

(1) SG Russia encompasses the entities Rosbank, Delta Credit Bank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries

## 5. GLOBAL BANKING & INVESTOR SOLUTIONS

| In EUR m                         | Q3 19       | Q3 18       | Change        |                | 9M 19       | 9M 18        | Change        |                |
|----------------------------------|-------------|-------------|---------------|----------------|-------------|--------------|---------------|----------------|
| Net banking income               | 2,013       | 2,178       | -7.6%         | -8.5%*         | 6,518       | 6,805        | -4.2%         | -5.9%*         |
| Operating expenses               | (1,638)     | (1,710)     | -4.2%         | -4.7%*         | (5,579)     | (5,462)      | +2.1%         | +1.1%*         |
| <b>Gross operating income</b>    | <b>375</b>  | <b>468</b>  | <b>-19.9%</b> | <b>-21.9%*</b> | <b>939</b>  | <b>1,343</b> | <b>-30.1%</b> | <b>-33.2%*</b> |
| Net cost of risk                 | (65)        | (15)        | x 4.3         | x 4.6          | (140)       | 5            | n/s           | n/s            |
| <b>Operating income</b>          | <b>310</b>  | <b>453</b>  | <b>-31.6%</b> | <b>-33.5%*</b> | <b>799</b>  | <b>1,348</b> | <b>-40.7%</b> | <b>-43.4%*</b> |
| <b>Reported Group net income</b> | <b>253</b>  | <b>345</b>  | <b>-26.7%</b> | <b>-28.7%*</b> | <b>667</b>  | <b>1,018</b> | <b>-34.5%</b> | <b>-37.4%*</b> |
| RONE                             | 6.9%        | 8.7%        |               |                | 5.7%        | 8.9%         |               |                |
| <b>Underlying RONE (1)</b>       | <b>5.1%</b> | <b>6.9%</b> |               |                | <b>7.7%</b> | <b>9.5%</b>  |               |                |

(2) Adjusted for the linearisation of IFRIC 21 and the restructuring cost of EUR 227 million

Global Banking & Investor Solutions continued with the successful implementation of its plan for the adaptation of its operational set-up.

The target of reducing risk-weighted assets (RWA) by EUR 10 billion by 2020 (including EUR 8 billion in Global Markets) was already achieved in Q3 19. Overall, Global Banking & Investor Solutions' RWA declined by EUR 20 billion in the first nine months of the year.

The voluntary departure plan was launched in France on July 1<sup>st</sup> and reductions in the workforce outside France had already been initiated during the second quarter. At end-September, 55% of the announced reductions in the workforce had been achieved globally. The other cost-cutting initiatives have also been introduced and are well under way.

Q3 19 also saw the continued integration of Equity Markets & Commodities (EMC).

The division's net income fell in Q3 19 in a challenging market environment for Global Markets and investment banking and following the discontinuation of the OTC commodities business and the proprietary trading subsidiary.

It remained robust in structured financing and transaction banking.

### **Net banking income: EUR 2,013m (-7.6% vs. Q3 18), EUR 6,518m (-4.2% vs. 9M 18)**

When adjusted for the effects of restructuring (activities in the process of being closed or scaled back) and the disposal of Private Banking in Belgium, net banking income was down **-3.2% vs. Q3 18** and **-2.0% vs. 9M 18**.

**Global Markets & Investor Services'** revenues were down -9.2% vs. Q3 18, at EUR 1,191 million. Revenues totalled EUR 3,910 million in 9M 19, down -8.3% vs. 9M 18.

Q3 19 was impacted by the full effect of revenue attrition following the scaling back and discontinuation of certain market activities. When restated for these items, Q3 19 revenues were down -3.8% vs. Q3 18 and -6.6% vs. 9M 18.

At EUR 520 million, the revenues of Fixed Income, Currencies & Commodities were 1.0% higher in Q3 19 than in Q3 18. Rate and Credit activities, as well as Financing activities posted good results in Q3 19, offsetting the impact on revenues of the restructuring in Global Markets.

Equities and Prime Services' revenues were down -20.1% vs. Q3 18 at EUR 505 million, against a backdrop of lower volumes and adverse market conditions, particularly in August.



Securities Services' assets under custody amounted to EUR 4,247 billion at end-September 2019, an increase of EUR 89 billion (+2.1%) vs. end-June 2019. Over the same period, assets under administration were slightly higher at EUR 632 billion. Revenues were slightly higher (+0.6%) in Q3 19 vs. Q3 18 at EUR 166 million.

**Financing & Advisory's** revenues totalled EUR 604 million in Q3 2019, down -4.4% vs. Q3 2018. When adjusted for the measures to reduce RWA, revenues were 1.9% lower. Revenues were 5.3% higher in 9M 2019 than in 9M 2018 (+8.5% when restated).

Structured Financing and Transaction Banking posted revenues up +6.8% vs. Q3 18. Asset Financing and Structured Financing continued to enjoy robust commercial activity, with a number of significant transactions. The increase in Transaction Banking earnings reflects the successful implementation of this growth initiative.

Investment Banking revenues were lower than in Q3 18, during which Investment Banking benefited from several major transactions. Corporate Banking revenues were also lower, impacted by the measures implemented to reduce RWA.

**Asset and Wealth Management's** net banking income totalled EUR 218 million in Q3 19, down -6.8% vs. Q3 18 and -3.0% when adjusted for the sale of the Private Banking activities in Belgium.

Net banking income amounted to EUR 704 million in 9M 2019, down -4.1% vs. 9M 2018, and slightly lower (-1.0%) when adjusted for the sale of the Private Banking activities in Belgium.

At end-September 2019, Private Banking's assets under management were 3.3% higher than in June 2019, at EUR 117 billion. Net banking income was down -10.3% in Q3 19 vs. Q3 18, at EUR 165 million. Inflow remained buoyant in France while the business' revenues were impacted by the sale in Belgium.

Lyxor's assets under management came to EUR 138 billion at end-September 2019, 2.5% higher than in June 2019. Revenues totalled EUR 48 million in Q3 19, up +6.7% vs. Q3 18.

**Operating expenses: EUR -1,638m (-4.2% vs. Q3 18), EUR -5,579m (+2.1% vs. 9M 18)**

**Q3 19:** Global Banking & Investor Solutions' operating expenses were down -4.2% vs. Q3 18, reflecting the initial visible cost savings and resulting from the adaptation of the operational set-up and the departures recorded during the quarter.

**9M 19:** Operating expenses were 2.1% higher than in 9M 18 and include restructuring costs and integration costs in respect of EMC activities.

When restated for these items, operating expenses were down -3.1% vs. 9M 18.

**Net cost of risk: EUR -65m (EUR -15m in Q3 18), EUR -140m (write-back in 9M 18)**

The net cost of risk remains low: 16 basis points in Q3 19 and 11 basis points in 9M 19.

**Contribution to Group net income: EUR 253m (-26.7% vs. Q3 18), EUR 667m (-34.5% vs. 9M 18)**

When restated for IFRIC 21 and the restructuring provision, the pillar's RONE stood at 7.7% in 9M 19 (vs. 9.5% in 9M 18).

## 6. CORPORATE CENTRE

| <i>In EUR m</i>                         | <b>Q3 19</b> | <b>Q3 18</b> | <b>9M 19</b> | <b>9M 18</b> |
|---|--------------|--------------|--------------|--------------|
| Net banking income                      | (5)          | 311          | (145)        | 369          |
| Operating expenses                      | (61)         | (173)        | 4            | (431)        |
| <b>Gross operating income</b>           | <b>(66)</b>  | <b>138</b>   | <b>(141)</b> | <b>(62)</b>  |
| Net cost of risk                        | 0            | (6)          | (19)         | (11)         |
| Net profits or losses from other assets | (115)        | 1            | (249)        | (31)         |
| <b>Reported Group net income</b>        | <b>(223)</b> | <b>112</b>   | <b>(466)</b> | <b>(39)</b>  |

Figures for Q3 18 and 9M 18 restated for the implementation of the amendment to IAS 12. See Appendix 1.

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 and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR -5 million in Q3 19 vs. EUR +311 million in Q3 18 (which included the revaluation of Euroclear securities for EUR +271 million) and EUR -145 million in 9M 19 vs. EUR +369 million in 9M 18.

Operating expenses totalled EUR -61 million in Q3 19 vs. EUR -173 million in Q3 18 (which included an allocation to the provision for disputes of EUR -136 million) and EUR +4 million in 9M 19 vs. EUR -431 million in 9M 18.

Net profits or losses from other assets totalled EUR -115 million and included, with regard to the application of IFRS 5 as part of the implementation of the Group's refocusing plan, an expense amounting to EUR -113 million in respect primarily of the finalisation of the disposals in Q3 19 of Societe Generale Serbia, Mobiasbanca Societe Generale in Moldova and Societe Generale Montenegro.

The Corporate Centre's contribution to Group net income was EUR -223 million in Q3 19 vs. EUR +112 million in Q3 18 and EUR -466 million in 9M 19 vs. EUR -39 million in 9M 18.



## 7. 2019/2020 FINANCIAL CALENDAR

### 2019/2020 Financial communication calendar

|                                 |  |
|---------------------------------|--|
| February 6 <sup>th</sup> , 2020 | Fourth quarter and FY 2019 results         |
| May 6 <sup>th</sup> , 2020      | First quarter 2020 results                 |
| August 3 <sup>rd</sup> , 2020   | Second quarter and first half 2020 results |
| November 5 <sup>th</sup> , 2020 | Third quarter and nine-month 2020 results  |

**The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.**

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.

These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.

These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:

- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.

More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Registration Document filed with the French Autorité des Marchés Financiers.

Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

## 8. APPENDIX 1: FINANCIAL DATA

### GROUP NET INCOME AFTER TAX BY CORE BUSINESS

| In EUR m   | Q3 19 | Q3 18 | Change | 9M 19 | 9M 18 | Change |
|--|-------|-------|--------|-------|-------|--------|
| <b>French Retail Banking</b>                               | 311   | 320   | -2.8%  | 901   | 955   | -5.7%  |
| <b>International Retail Banking and Financial Services</b> | 513   | 532   | -3.6%  | 1,492 | 1,502 | -0.7%  |
| <b>Global Banking and Investor Solutions</b>               | 253   | 345   | -26.7% | 667   | 1,018 | -34.5% |
| <b>Core Businesses</b>                                     | 1,077 | 1,197 | -10.0% | 3,060 | 3,475 | -11.9% |
| <b>Corporate Centre</b>                                    | (223) | 112   | n/s    | (466) | (39)  | n/s    |
| <b>Group</b>   | 854   | 1,309 | -34.8% | 2,594 | 3,436 | -24.5% |

### TABLE FOR THE TRANSITION FROM PUBLISHED DATA TO DATA RESTATED FOR THE APPLICATION OF THE AMENDMENT TO IAS 12

|              | Income Tax |               |          | Group Net Income |               |          |
|--------------|------------|---------------|----------|------------------|---------------|----------|
|              | Reported   | IAS 12 impact | Adjusted | Reported         | IAS 12 impact | Adjusted |
| <b>2017</b>  | (1,708)    | <b>198</b>    | (1,510)  | 2,806            | <b>198</b>    | 3,004    |
| <b>Q1 18</b> | (370)      | <b>53</b>     | (317)    | 850              | <b>53</b>     | 903      |
| <b>Q2 18</b> | (516)      | <b>68</b>     | (448)    | 1,156            | <b>68</b>     | 1,224    |
| <b>Q3 18</b> | (539)      | <b>75</b>     | (464)    | 1,234            | <b>75</b>     | 1,309    |
| <b>9M 18</b> | (1,425)    | <b>196</b>    | (1,229)  | 3,240            | <b>196</b>    | 3,436    |
| <b>Q4 18</b> | (136)      | <b>61</b>     | (75)     | 624              | <b>61</b>     | 685      |
| <b>2018</b>  | (1,561)    | <b>257</b>    | (1,304)  | 3,864            | <b>257</b>    | 4,121    |
| <b>Q1 19</b> | (310)      | <b>55</b>     | (255)    | 631              | <b>55</b>     | 686      |

## CONSOLIDATED BALANCE SHEET

| <b>(ASSETS - In millions of euros)</b>                                     | <b>30.09.2019</b> | <b>31.12.2018</b> |
|--|-------------------|-------------------|
| Central banks  | 94,942            | 96,585            |
| Financial assets at fair value through profit or loss                      | 434,042           | 365,550           |
| Hedging derivatives  | 22,141            | 11,899            |
| Financial assets measured at fair value through other comprehensive income | 53,484            | 50,026            |
| Securities at amortised cost   | 12,193            | 12,026            |
| Due from banks at amortised cost   | 63,512            | 60,588            |
| Customer loans at amortised cost   | 445,011           | 447,229           |
| Revaluation differences on portfolios hedged against interest rate risk    | 617               | 338               |
| Investment of insurance activities   | 161,408           | 146,768           |
| Tax assets   | 5,396             | 5,819             |
| Other assets   | 78,282            | 67,446            |
| Non-current assets held for sale   | 5,175             | 13,502            |
| Investments accounted for using the equity method                          | 259               | 249               |
| Tangible and intangible assets (1)   | 29,979            | 26,751            |
| Goodwill   | 4,692             | 4,652             |
| <b>Total</b>   | <b>1,411,133</b>  | <b>1,309,428</b>  |

(1) As a result of the application of IFRS 16 "Leases" as from January 1<sup>st</sup>, 2019, the Group has recorded a right-of-use asset under "Tangible and intangible assets" that represents its rights to use the underlying leased assets.

| <b>(LIABILITIES - In millions of euros)</b>                             | <b>30.09.2019</b> | <b>31.12.2018</b> |
|---|-------------------|-------------------|
| Central banks   | 5,831             | 5,721             |
| Financial liabilities at fair value through profit or loss              | 415,385           | 363,083           |
| Hedging derivatives   | 11,921            | 5,993             |
| Debt securities issued  | 129,944           | 116,339           |
| Due to banks  | 99,372            | 94,706            |
| Customer deposits   | 415,051           | 416,818           |
| Revaluation differences on portfolios hedged against interest rate risk | 10,040            | 5,257             |
| Tax liabilities(1)  | 1,402             | 1,157             |
| Other liabilities(2)  | 89,962            | 76,629            |
| Non-current liabilities held for sale                                   | 4,089             | 10,454            |
| Liabilities related to insurance activities contracts                   | 140,026           | 129,543           |
| Provisions  | 4,569             | 4,605             |
| Subordinated debts  | 14,924            | 13,314            |
| <b>Total liabilities</b>  | <b>1,342,516</b>  | <b>1,243,619</b>  |
| <b>SHAREHOLDERS' EQUITY</b>   |                   |                   |
| <b>Shareholders' equity, Group share</b>                                |                   |                   |
| Issued common stocks, equity instruments and capital reserves           | 31,109            | 29,856            |
| Retained earnings*  | 29,820            | 28,085            |
| Net income*   | 2,594             | 4,121             |
| <b>Sub-total</b>  | <b>63,523</b>     | <b>62,062</b>     |
| Unrealised or deferred capital gains and losses                         | 192               | (1,036)           |
| <b>Sub-total equity, Group share</b>                                    | <b>63,715</b>     | <b>61,026</b>     |
| Non-controlling interests   | 4,902             | 4,783             |
| <b>Total equity</b>   | <b>68,617</b>     | <b>65,809</b>     |
| <b>Total</b>  | <b>1,411,133</b>  | <b>1,309,428</b>  |

\* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes".

(1) Since January 1<sup>st</sup>, 2019, provisions for income tax adjustments are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments".

(2) As a result of the application of IFRS 16 "Leases" as from January 1<sup>st</sup>, 2019, the Group has recorded a lease liability under "Other Liabilities" that represents the obligation to make lease payments.

## **9. APPENDIX 2: METHODOLOGY**

**1 - The financial information presented in respect of Q3 and 9M 2019 was examined by the Board of Directors on November 5<sup>th</sup>, 2019 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 40 of Societe Generale's 2019 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 31<sup>st</sup>, 2018 (pages 416 et seq. of Societe Generale's 2019 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses. The Cost/Income Ratio is defined on page 40 of Societe Generale's 2019 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.

## 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:

| Q3 19 (in EURm)            | Operating Expenses | Net cost of risk | Net profit or losses from other assets | Group net income | Business         |
|----------------------------|--------------------|------------------|--|------------------|------------------|
| <b>Reported</b>            | <b>(4,165)</b>     | <b>(329)</b>     | <b>(71)</b>                            | <b>854</b>       |                  |
| (+) IFRIC 21 linearisation | (152)              |                  |  | (110)            |                  |
| (-) Group refocusing plan* |                    |                  | (113)                                  | (111)            | Corporate Centre |
| <b>Underlying</b>          | <b>(4,317)</b>     | <b>(329)</b>     | <b>42</b>                              | <b>855</b>       |                  |

| Q3 18 (in EURm)             | Operating Expenses | Net cost of risk | Net profit or losses from other assets | Group net income | Business         |
|-----------------------------|--------------------|------------------|--|------------------|------------------|
| <b>Reported</b>             | <b>(4,341)</b>     | <b>(264)</b>     | <b>2</b>                               | <b>1,309</b>     |                  |
| (+) IFRIC 21 linearisation  | (169)              |                  |  | (118)            |                  |
| (-) Provision for disputes* | (136)              |                  |  | (136)            | Corporate Centre |
| <b>Underlying</b>           | <b>(4,374)</b>     | <b>(264)</b>     | <b>2</b>                               | <b>1,327</b>     |                  |

| 9M 19 (in EURm)              | Operating Expenses | Net cost of risk | Net profit or losses from other assets | Group net income | Business                           |
|------------------------------|--------------------|------------------|--|------------------|------------------------------------|
| <b>Reported</b>              | <b>(13,224)</b>    | <b>(907)</b>     | <b>(202)</b>                           | <b>2,594</b>     |                                    |
| (+) IFRIC 21 linearisation   | 152                |                  |  | 110              |                                    |
| (-) Restructuring provision* | (256)              |                  |  | (192)            | GBIS (EUR -227m) / IBFS (EUR -29m) |
| (-) Group refocusing plan*   |                    | (18)             | (249)                                  | (287)            | Corporate Centre                   |
| <b>Underlying</b>            | <b>(12,816)</b>    | <b>(889)</b>     | <b>47</b>                              | <b>3,183</b>     |                                    |

| 9M 18 (in EURm)             | Operating Expenses | Net cost of risk | Net profit or losses from other assets | Group net income | Business         |
|-----------------------------|--------------------|------------------|--|------------------|------------------|
| <b>Reported</b>             | <b>(13,473)</b>    | <b>(642)</b>     | <b>(39)</b>                            | <b>3,436</b>     |                  |
| (+) IFRIC 21 linearisation  | 169                |                  |  | 118              |                  |
| (-) Provision for disputes* | (336)              |                  |  | (336)            | Corporate Centre |
| (-) Group refocusing plan*  |                    |                  | (27)                                   | (27)             | Corporate Centre |
| <b>Underlying</b>           | <b>(12,968)</b>    | <b>(642)</b>     | <b>(12)</b>                            | <b>3,917</b>     |                  |

\* Exceptional items

## 6 – Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 42 and 562 of Societe Generale’s 2019 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 EUR m)                | Q3 19     | Q3 18     | 9M 19     | 9M 18      |
|--|---------------------------|-----------|-----------|-----------|------------|
| <b>French Retail Banking</b>                               | Net Cost Of Risk          | 95        | 118       | 318       | 346        |
|  | Gross loan Outstandings   | 195,305   | 186,639   | 193,208   | 186,031    |
|  | <b>Cost of Risk in bp</b> | <b>19</b> | <b>25</b> | <b>22</b> | <b>25</b>  |
| <b>International Retail Banking and Financial Services</b> | Net Cost Of Risk          | 169       | 124       | 430       | 290        |
|  | Gross loan Outstandings   | 138,493   | 135,671   | 135,996   | 133,350    |
|  | <b>Cost of Risk in bp</b> | <b>49</b> | <b>37</b> | <b>42</b> | <b>29</b>  |
| <b>Global Banking and Investor Solutions</b>               | Net Cost Of Risk          | 65        | 16        | 140       | (5)        |
|  | Gross loan Outstandings   | 160,906   | 156,723   | 163,310   | 151,240    |
|  | <b>Cost of Risk in bp</b> | <b>16</b> | <b>4</b>  | <b>11</b> | <b>(0)</b> |
| <b>Corporate Centre</b>                                    | Net Cost Of Risk          | 0         | 6         | 19        | 11         |
|  | Gross loan Outstandings   | 9,944     | 8,100     | 9,299     | 7,266      |
|  | <b>Cost of Risk in bp</b> | <b>2</b>  | <b>29</b> | <b>27</b> | <b>20</b>  |
| <b>Societe Generale Group</b>                              | Net Cost Of Risk          | 329       | 264       | 907       | 642        |
|  | Gross loan Outstandings   | 504,647   | 487,133   | 501,813   | 477,887    |
|  | <b>Cost of Risk in bp</b> | <b>26</b> | <b>22</b> | <b>24</b> | <b>18</b>  |

**The gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default (“doubtful”).

## 7 – ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 42 and 43 of Societe Generale’s 2019 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 43 of Societe Generale’s 2019 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 overleaf:

## ROTE calculation: calculation methodology

| End of period   | Q3 19         | Q3 18         | 9M 19         | 9M 18         |
|---|---------------|---------------|---------------|---------------|
| <b>Shareholders' equity Group share</b>   | <b>63,715</b> | <b>60,149</b> | <b>63,715</b> | <b>60,149</b> |
| Deeply subordinated notes   | (9,739)       | (9,249)       | (9,739)       | (9,249)       |
| Undated subordinated notes  | (290)         | (276)         | (290)         | (276)         |
| Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations | (16)          | (169)         | (16)          | (169)         |
| OCI excluding conversion reserves   | (741)         | (300)         | (741)         | (300)         |
| Dividend provision  | (1,402)       | (1,451)       | (1,402)       | (1,451)       |
| <b>ROE equity end-of-period</b>   | <b>51,527</b> | <b>48,704</b> | <b>51,527</b> | <b>48,704</b> |
| <b>Average ROE equity</b>   | <b>51,243</b> | <b>48,327</b> | <b>50,309</b> | <b>47,845</b> |
| Average Goodwill  | (4,562)       | (5,033)       | (4,600)       | (5,044)       |
| Average Intangible Assets   | (2,259)       | (2,091)       | (2,215)       | (2,028)       |
| <b>Average ROTE equity</b>  | <b>44,422</b> | <b>41,203</b> | <b>43,494</b> | <b>40,773</b> |
| <b>Group net Income (a)</b>   | <b>854</b>    | <b>1,309</b>  | <b>2,594</b>  | <b>3,436</b>  |
| <b>Underlying Group net income (b)</b>  | <b>855</b>    | <b>1,327</b>  | <b>3,183</b>  | <b>3,917</b>  |
| Interest on deeply subordinated notes and undated subordinated notes (c)  | (180)         | (190)         | (537)         | (534)         |
| Cancellation of goodwill impairment (d)   | 7             |               | 115           | 22            |
| <b>Adjusted Group net Income (e) = (a)+ (c)+(d)</b>   | <b>681</b>    | <b>1,119</b>  | <b>2,172</b>  | <b>2,924</b>  |
| <b>Adjusted Underlying Group net Income (f)=(b)+(c)</b>   | <b>675</b>    | <b>1,137</b>  | <b>2,646</b>  | <b>3,383</b>  |
| <b>Average ROTE equity (g)</b>  | <b>44,422</b> | <b>41,203</b> | <b>43,494</b> | <b>40,773</b> |
| ROTE [quarter: (4*e/g), 9M: (4/3*e/g)]  | 6.1%          | 10.9%         | 6.7%          | 9.6%          |
| <b>Average ROTE equity (underlying) (h)</b>   | <b>44,422</b> | <b>41,212</b> | <b>43,693</b> | <b>41,013</b> |
| Underlying ROTE [quarter: (4*f/h), 9M: (4/3*f/h)]   | 6.1%          | 11.0%         | 8.1%          | 11.0%         |

## RONE calculation: Average capital allocated to Core Businesses (in EURm)

| In EUR m  | Q3 19  | Q3 18  | Change | 9M 19  | 9M 18  | Change |
|---|--------|--------|--------|--------|--------|--------|
| French Retail Banking                               | 11,321 | 11,192 | +1.2%  | 11,294 | 11,229 | +0.6%  |
| International Retail Banking and Financial Services | 10,946 | 11,287 | -3.0%  | 11,196 | 11,411 | -1.9%  |
| Global Banking and Investor Solutions               | 14,739 | 15,933 | -7.5%  | 15,622 | 15,238 | +2.5%  |
| Core Businesses                                     | 37,006 | 38,412 | -3.7%  | 38,112 | 37,878 | +0.6%  |
| Corporate Centre                                    | 14,237 | 9,916  | +43.6% | 12,197 | 9,967  | +22.4% |
| Group   | 51,243 | 48,327 | +6.0%  | 50,309 | 47,845 | +5.1%  |

## 8 – Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 45 of the Group's 2019 Universal Registration Document. The items used to calculate them are presented below:

| End of period   | 9M 19          | H1 19          | 2018           | 9M 18          |
|---|----------------|----------------|----------------|----------------|
| Shareholders' equity Group share  | 63,715         | 62,492         | 61,026         | 60,149         |
| Deeply subordinated notes   | (9,739)        | (9,861)        | (9,330)        | (9,249)        |
| Undated subordinated notes  | (290)          | (280)          | (278)          | (276)          |
| Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations | (16)           | (39)           | (14)           | (169)          |
| Bookvalue of own shares in trading portfolio  | 348            | 431            | 423            | 387            |
| <b>Net Asset Value</b>  | <b>54,018</b>  | <b>52,743</b>  | <b>51,827</b>  | <b>50,842</b>  |
| Goodwill  | (4,577)        | (4,548)        | (4,860)        | (5,033)        |
| Intangible Assets   | (2,292)        | (2,226)        | (2,224)        | (2,130)        |
| <b>Net Tangible Asset Value</b>   | <b>47,149</b>  | <b>45,969</b>  | <b>44,743</b>  | <b>43,679</b>  |
| <b>Number of shares used to calculate NAPS**</b>  | <b>849,665</b> | <b>844,026</b> | <b>801,942</b> | <b>801,942</b> |
| <b>Net Asset Value per Share</b>  | <b>63.6</b>    | <b>62.5</b>    | <b>64.6</b>    | <b>63.4</b>    |
| <b>Net Tangible Asset Value per Share</b>   | <b>55.5</b>    | <b>54.5</b>    | <b>55.8</b>    | <b>54.5</b>    |

\*\* The number of shares considered is the number of ordinary shares outstanding as at September 30<sup>th</sup>, 2019, excluding treasury shares and buybacks, but including the trading shares held by the Group.  
In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.



## 9 – Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 44 of Societe Generale’s 2019 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. As specified on page 44 of Societe Generale’s 2019 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:

| <b>Average number of shares (thousands)</b>                                   | <b>9M 19</b>   | <b>H1 19</b>   | <b>2018</b>    | <b>9M 18</b>   |
|---|----------------|----------------|----------------|----------------|
| <b>Existing shares</b>  | <b>829,235</b> | <b>821,189</b> | <b>807,918</b> | <b>807,918</b> |
| <b>Deductions</b>   |                |                |                |                |
| Shares allocated to cover stock option plans and free shares awarded to staff | 4,087          | 4,214          | 5,335          | 5,231          |
| Other own shares and treasury shares  | 187            | 249            | 842            | 996            |
| <b>Number of shares used to calculate EPS**</b>                               | <b>824,961</b> | <b>816,726</b> | <b>801,741</b> | <b>801,691</b> |
| <b>Group net income</b>   | <b>2,594</b>   | <b>1,740</b>   | <b>4,121</b>   | <b>3,436</b>   |
| Interest on deeply subordinated notes and undated subordinated notes          | (537)          | (357)          | (719)          | (534)          |
| Capital gain net of tax on partial buybacks                                   |                |                |                |                |
| <b>Adjusted Group net income</b>  | <b>2,057</b>   | <b>1,383</b>   | <b>3,402</b>   | <b>2,902</b>   |
| <b>EPS (in EUR)</b>   | <b>2.49</b>    | <b>1.69</b>    | <b>4.24</b>    | <b>3.62</b>    |
| <b>Underlying EPS* (in EUR)</b>   | <b>3.24</b>    | <b>2.42</b>    | <b>5.00</b>    | <b>4.22</b>    |

\* Excluding exceptional items and including linearisation of the IFRIC 21 effect.

\*\* The number of shares considered is the number of ordinary shares outstanding as at September 30<sup>th</sup>, 2019, excluding treasury shares and buybacks, but including the trading shares held by the Group.

**10 – The Societe Generale Group’s Common Equity Tier 1 capital** is calculated in accordance with applicable CRR/CRD4 rules. The 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 calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website [www.societegenerale.com](http://www.societegenerale.com) in the "Investor" section.

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## Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 149,000 members of staff in 67 countries and supports on a daily basis 31 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking**, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates**, with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

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