

Equity Solutions WATCHER



Will investors ever get tired of tyres?

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BUILDING TEAM SPIRIT TOGETHER

 **SOCIETE GENERALE**
Private Banking

Editorial (1/2)

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Data & recommendations as of
28 March, 2016 close

Will investors ever get tired of tyres?

Man's greatest invention? The wheel! Anthropology professor David Anthony points out in *The Horse, the Wheel and Language* (2007, Princeton University Press) that wheeled vehicles did not exist before 4,000 BCE. Another few thousand years of wobbling and bobbling went by before Charles Goodyear discovered the vulcanisation process, transforming sticky raw rubber into a firm and pliable material that was perfect for tyres.

Yet, Goodyear died bankrupt, and Robert W. Thomson first patented the air-filled tyre. But this pneumatic tyre too was ahead of its time and failed to be a commercial success. Then in 1888, John Boyd Dunlop, claiming to have no knowledge of Thomson's invention, became the second 'inventor' of the pneumatic tyre. Thanks to bicycles becoming popular, this time around the market was ready for lighter tyres, and then in 1948, the first steel-belted radial tyres were introduced in Europe.

As per Freedonia, the global tyre market is set to show a CAGR of 4.1% from ~2.5 bn units in 2014 to ~3.0 bn units in 2019. Motor vehicles, which accounted for ~70% of volumes in 2015 (~75% replacement/~25% OEM), will remain the dominant segment, but motorcycles and other applications are expected to show the highest growth rates, reaching ~1 bn units in 2019 (~33% of volumes). Asia dominates the global tyre market, with China accounting for ~25% of global demand. This is expected to continue in future, given the importance of bicycles and motorcycles in the region, coupled with its growing car ownership.

When considering only automotive and truck tyres, Michelin's FY15 annual report shows that in 2015, Asia (ex India), Europe and North America accounted for resp. 32%, 28% and 24% of the total market volumes. In 2014–2020, Michelin expects the demand for car tyres (~90% of volumes) and truck tyres (~10%) to grow annually by resp. ~2.5% (FY16: 2–3%) and ~1.5% (FY16: 0–2%). Longer term, Michelin is banking on annual demand growth of 1–2% in mature markets and of 5–10% in emerging economies.

In September 2015, tyre Business estimated the 2014 global tyre market value at USD 180 bn, and Freedonia's forecast of this reaching USD 258 bn in 2019 implies a 2014–2019 CAGR of ~7.5%. According to Allied Market Research, radial tyres account for ~70% of the worldwide tyre market by value, with cross-ply tyres accounting for the rest. Michelin estimates that in 2014, light



Kristof De Graeve
Equity Expert

Editorial (2/2)

vehicle and truck tyres represented resp. ~60% and ~30% of the global tyre market value, implying an average price of ~USD 72 for a light-vehicle tyre and ~USD 294 for a truck tyre. The remaining 10% of the market in value terms is spread over cheaper two-wheeler tyres and the expensive, high-margin specialty tyres for aircrafts, earthmovers and agricultural vehicles. Although a geographic breakdown of the global tyre market in value terms is not readily available, we think it is fair to assume that for the light-vehicle and truck segment, Europe and North America each account for $\geq 30\%$ while Asia contributes $< 30\%$.

Volume-wise, the main drivers for the global tyre market are the rise in both light vehicles and trucks (OEMs) and the increasing number of miles driven per vehicle. Further, the growing popularity of SUVs and crossovers, the overall trend to larger wheel sizes, and the growing consumer awareness that tyres are an essential part of car safety, comfort and fuel consumption should all be beneficial to growth in value. Smithers Rapra, an expert in the rubber and plastics industry, estimates that the share of high-performance tyres in the light-vehicle tyre market will increase from 13.6% in 2013 to 15.9% in 2020.

The global tyre industry is an oligopoly with three large players – Bridgestone (2014 market share of 14.5%), Michelin (13.7%) and Goodyear (9.1%) – dominating the market. The rest is split between a few mid-sized tyre makers, each with a 2–6% market share (27.6% cumulative), and many smaller manufacturers, each with a $< 2\%$ share (35.1% cumulative). This makes the sector a very competitive one with low entry barriers in the low-end segment and high barriers in the high-end segment.

Raw material accounts for $> 50\%$ of the total manufacturing cost, with natural and synthetic rubber and steel cord accounting for resp. ~28%, ~26% and ~10% of the raw material cost. Manufacturers usually succeed in passing on cost increases through price hikes, albeit with a delay. However, their pricing power virtually disappears in a scenario of declining raw material costs.

In recent years, the three large players have significantly increased their margins (average FY15 gross, EBITDA and EBIT margin of resp. 33.2%, 16.8% and 11.4%). The average expected EV/EBITDA (4.3x) and P/E (10.4x) are in line with their average 10-year medians (resp. 5.0x and 10.6x), but the premium on EV/sales (0.8x vs. average 10-year median of 0.6x) indicates the market is expecting the current record margins to stick. Yet, history shows that the tyre industry is a highly cyclical one, and we would thus advise investors to be highly selective.

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FOCUS: BRIDGESTONE CORP (5108 JP)

BUY– SGPB TARGET PRICE: JPY 5,660.00

Company Description

Bridgestone is a leading producer and distributor of tyres globally. It manufactures and distributes tyres for passenger automobiles, commercial vehicles, construction and mining vehicles, and aircraft among others. The company operates through two business segments: Tyres (accounted for 91.4% of FY15 operating profits) and Diversified Products (8.6%). Geographically, the Americas accounted for 43.7% of operating profits in FY15, Japan 38.7%, Europe 4.2% and Other markets 13.4%.

SGPB Thinks:

- In our view, the key positives for Bridgestone are strong demand momentum in its key markets (US and Japan) and low raw material prices (rubber and oil), which should strengthen performance. Further, we believe that demand for ultra-large mining tyres would improve in FY16 as inventory corrections come to an end, helping the company to improve its operating margins.
- Driving distances in the developed world are rising (more miles driven per vehicle) as a result of lower gasoline prices. This should boost replacement tyre demand, along with growing car ownership in emerging markets. We believe that strong and sustainable demand for replacement tyres globally should be an additional growth driver for the company over the medium to long term.
- For FY15, operating profit of JPY 517.2 bn came slightly below the company's guidance of JPY 524 bn as performance was impacted by weaker sales for mining tyres and a fall in snow tyres amid mild winter in Japan and Europe. For FY16, the company targets a 2.5% YoY increase in operating profits to JPY 520.0 bn, despite expectations of negative impact of stronger JPY (relative to USD), which we view as positive.
- The stock is trading at an FY16E P/E of 9.9x, which seems attractive considering its industry-leading earnings growth and healthy shareholder returns (FY16E dividend yield of 3.4%). We believe that in a currently uncertain macro-environment, Bridgestone's strengths (leadership position in its key markets, strong brand recognition and industry-leading operating margins) are more resilient than of its peers.

Risks To Our Investment Case:

- As the company derives ~80% of its operating profits from Japan and America, an unexpected slowdown in these markets can lead to a negative earnings surprise.
- Increasing competition from global tyre manufacturers can lead to a decline in Bridgestone's market share.

Description	Current
Currency	Japanese Yen
Market Cap (bn)	3,309.10
Price	4,225.00
52 Wk Low	3,561.00
52 Wk High	5,182.00
Profitability	2016(e)
Profit Margin	8.49
ROA	8.02
ROE	13.21
ROC *	10.68
Valuation	
PE Ratio 2016(e)	10.11
Price/Sales 2016(e)	0.86
Price/Book 2016(e)	1.34
Dividend Yield	
Dividend Yield 2016(e)	3.34

* Data as of (current year - 1)

Sources: SGPB, Bloomberg & FactSet

Market Dashboard & Conviction-list Performance

Conviction Lists² & Benchmarks

03/28/2016	Inception Date		Weekly	YTD
Global CL	09/14/2009	45.1%	-1.0%	-5.4%
Developed Asia-Pacific CL	02/22/2016	6.1%	1.3%	6.1% ¹
European CL	03/10/2010	27.3%	-1.3%	-8.4%
US CL	03/10/2010	43.4%	-0.8%	-1.2%
Emerging CL	02/22/2016	8.8%	-0.9%	8.8% ¹
Dividend CL	02/05/2015	-4.0%	-1.7%	-4.4%
MSCI AC World	09/14/2009	38.2%	-1.1%	-1.7%
MSCI Pacific Index	02/22/2016	5.8%	0.1%	-4.2%
MSCI Europe	03/10/2010	25.9%	-1.7%	-8.3%
SPX Index	03/10/2010	77.8%	-0.7%	-0.3%
MSCI Emerging Markets	02/22/2016	8.5%	-1.9%	2.4%
MSCI World High Dividend Yield	02/05/2015	-2.6%	-1.0%	2.3%

Sources: Bloomberg & Société Générale Private Banking

MSCI World AC Group Ranked Returns

03/28/2016	Weekly	YTD	52 Week Rolling	
			Low	High
MSCI AC World	-1.1%	-1.7%	11.8%	-11.6%
Energy	-2.3%	4.0%	24.7%	-26.2%
Telecom Services	-0.7%	4.8%	13.4%	-8.2%
Utilities	-0.1%	5.9%	12.1%	-4.4%
Cons. Staples	-0.4%	2.7%	12.7%	-0.8%
Financials	-2.4%	-6.8%	14.1%	-18.4%
Cons. Discretionary	-0.6%	-2.4%	13.5%	-8.3%
Materials	-1.8%	3.8%	22.1%	-21.3%
Industrials	-0.9%	1.8%	14.9%	-8.4%
Info Technology	-0.6%	-0.9%	14.6%	-5.6%
Healthcare	-0.1%	-8.2%	5.5%	-15.7%

Source: Bloomberg

Global Style Counselling³

03/28/2016	Weekly	YTD	52 Week Rolling	
			Low	High
MSCI AC WORLD	-1.1%	-1.7%	11.8%	-11.6%
MSCI World Value	-1.4%	-1.6%	11.2%	-12.0%
MSCI World Growth	-0.6%	-2.6%	10.4%	-8.3%
MSCI World Small Cap	-1.2%	-1.9%	13.5%	-11.0%
MSCI World Large Cap	-1.1%	-1.8%	11.4%	-11.7%

Source: Bloomberg

¹ Performance since 02/22/2016.

² Conviction lists' content is detailed on the following pages.

³ Each style is defined according to MSCI standards, detailed in the glossary.

Past performance is not a reliable indicator of the future performance. The amounts indicated above do not include any fees, duties or other charges which may be added in case of conclusion of an operation.

Global Conviction List...

List Definition

- List comprises Societe Generale Private Banking Equity Experts' convictions with exclusively buy rated listed companies.
- The selection derives from Societe Generale Private Banking investment universe.
- Any update in the list is announced through a "Conviction List Change" publication.

U.S.

Alphabet Inc (GOOGL US)
 Apple Inc (AAPL US)
 Check Point Software Technologies Ltd (CHKP US)
 Citigroup Inc (C US)
 Oracle Corp (ORCL US)
 Thermo Fisher Scientific Inc (TMO US)
 United Technologies Corp (UTX US)
 Walt Disney Co (DIS US)

EUROPE

BNP Paribas SA (BNP FP)
 Bayer AG (BAYN GR)
 Cie de St-Gobain SA (SGO FP)
 ING Groep NV (INGA NA)
 LVMH SE (MC FP)
 Pernod Ricard SA (RI FP)
 Schneider Electric SE (SU FP)
 WPP Plc (WPP LN)

ASIA

Alibaba Group Holding Ltd (BABA US)
 China Construction Bank Corp (939 HK)
 Japan Airlines (9201 JP)
 Japan Tobacco Inc (2914 JP)
 Mitsubishi UFJ Financial Group (8306 JP)
 Samsung Electronics Co Ltd (SMSN LI)

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...& Historical Performance

Global Conviction List

03/28/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
BABA US	Alibaba Group Holding Ltd	76.48	-21%	95.00	24%	Information Technology	01/19/2015
GOOGL US	Alphabet Inc	753.28	23%	850.00	13%	Information Technology	08/25/2015
AAPL US	Apple Inc	105.19	15%	160.00	52%	Information Technology	06/19/2014
BAYN GR	Bayer AG	102.61	-14%	119.00	16%	Health Care	09/09/2015
BNP FP	BNP Paribas	43.42	9%	66.00	52%	Financials	04/04/2013
CHKP US	Check Point Software Technologies Ltd	83.14	8%	98.00	18%	Information Technology	02/11/2015
939 HK	China Construction Bank Corp	4.86	-25%	8.75	80%	Financials	01/03/2012
SGO FP	Cie de St-Gobain	36.82	-8%	51.00	39%	Industrials	04/29/2015
C US	Citigroup	41.92	-18%	69.00	65%	Financials	10/16/2013
INGA NA	ING Groep NV	10.88	0%	16.70	53%	Financials	06/10/2014
9201 JP	Japan Airlines Co Ltd	4,248.00	2%	4,950.00	17%	Industrials	09/11/2015
2914 JP	Japan Tobacco Inc	4,708.00	82%	5,300.00	13%	Consumer Staples	01/08/2013
MC FP	LVMH SE	147.20	-10%	190.00	29%	Consumer Discretionary	06/04/2015
8306 JP	Mitsubishi UFJ Financial	538.10	14%	720.00	34%	Financials	01/10/2013
ORCL US	Oracle Corp	40.62	35%	49.00	21%	Information Technology	06/24/2013
RI FP	Pernod Ricard SA	99.98	-3%	120.00	20%	Consumer Staples	01/19/2015
SMSN LI	Samsung Electronics Co Ltd	543.50	-14%	720.00	32%	Information Technology	02/09/2015
SU FP	Schneider Electric SE	53.56	-14%	73.00	36%	Industrials	06/30/2015
TMO US	Thermo Fisher Scientific Inc	138.53	10%	151.00	9%	Health Care	02/11/2015
UTX US	United Technologies Corp	98.91	40%	118.00	19%	Industrials	09/22/2010
DIS US	Walt Disney Co	98.09	-1%	120.00	22%	Consumer Discretionary	01/08/2016
WPP LN	WPP Plc	1,596.00	124%	1,630.00	2%	Consumer Discretionary	07/27/2011

List Performance Since Inception: 45.1%

List Potential Upside: 43.8%

Sources: SGPB & Bloomberg

* Price Return Since Inception

** Target price is a 12-month forecast price defined by SGPB Equity Experts

Weekly Comment

- The Global Conviction List declined 1.0% last week, broadly in-line with the MSCI AC World Index, which retreated 1.1%.
- The week's best performer was Japan Airlines, which gained 3.8%, followed by Japan Tobacco (up 3.2%) and WPP Plc (up 0.8%). On the other hand, the week's worst performing stock, BNP Paribas, fell 3.9%.
- The List offers an average upside of 43.8%, based on our Equity Experts' target prices.

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Dividend Conviction List

List Definition

- List comprises Societe Generale Private Banking Equity Experts' convictions with exclusive buy rating and an attractive dividend yield.
- The selection aims at generating dividend income.
- The selection derives from Societe Generale Private Banking investment universe.
- Any update in the list is announced through a "Conviction List Change" publication.

03/28/2016

Bloomberg Code	Company Name	Dividend Yield*	Last Price	Perf.**	Target Price***	Upside	Industry	Entry Date
CS FP	AXA SA	5.8%	20.64	0%	29.00	41%	Financials	02/05/2015
BA/ LN	BAE Systems Plc	4.3%	498.50	-3%	570.00	14%	Industrials	02/05/2015
CVX US	Chevron Corp	4.6%	94.68	-5%	112.00	18%	Energy	06/23/2015
KO US	Coca-Cola	3.0%	45.80	10%	48.00	5%	Consumer Staples	02/05/2015
ENEL IM	Enel SpA	4.6%	3.91	-1%	4.64	19%	Utilities	08/25/2015
ENGI FP	Engie SA	7.4%	13.43	-30%	21.00	56%	Utilities	02/05/2015
GSK LN	GlaxoSmithKline Plc	5.8%	1,389.50	-7%	1,530.00	10%	Health Care	02/05/2015
INGA NA	ING Groep NV	6.5%	10.88	-17%	16.70	53%	Financials	10/06/2015
LLOY LN	Lloyds Banking Group Plc	6.6%	68.05	-7%	86.00	26%	Financials	11/26/2015
RDSA NA	Royal Dutch Shell Plc	7.7%	21.33	-23%	31.60	48%	Energy	05/19/2015
SU FP	Schneider Electric SE	3.9%	53.56	-14%	73.00	36%	Industrials	06/30/2015
VIE FP	Veolia Environnement SA	3.9%	20.35	23%	25.00	23%	Utilities	02/05/2015
DG FP	Vinci SA	3.1%	65.00	31%	77.00	18%	Industrials	02/05/2015

List Performance Since Inception: -4.0%

List Potential Upside: 27.1%

Sources: SGPB & Bloomberg

* Estimated annual dividend yield for the next 12 months (average of the estimates given by the contributors to the Bloomberg consensus)

** Price Return Since Inception

*** Target price is a 12-month forecast price defined by SGPB Equity Experts

Dividend Yield	%
Bovespa Index	3.7%
Euro Stoxx50	3.9%
FTSE 100	4.5%
SMI	3.7%
Straits Times Index	4.2%
S&P 500	2.2%
Nikkei 225	1.9%

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Emerging Markets Overview

Conviction List

03/28/2016

Code	ADR/GDR*	Company Name	Last Price	Perf.**	Target Price ***	Upside	Industry	Entry Date
BABA US	BABA US	Alibaba Group Holding Ltd	76.48	11%	95.00	24%	Information Technology	02/22/2016
BBDC4 BZ	BBD US	Banco Bradesco SA	27.54	32%	26.00	-6%	Financials	02/22/2016
BBL-R TB	-	Bangkok Bank PCL	174.00	10%	240.00	38%	Financials	02/22/2016
939 HK	-	China Construction Bank Corp	4.86	4%	8.75	80%	Financials	02/22/2016
012330 KS	-	Hyundai Mobis	248,500.00	-4%	320,000.00	29%	Consumer Discretionary	02/22/2016
SMSN LI	SMSN LI	Samsung Electronics Co Ltd	543.50	13%	720.00	32%	Information Technology	02/22/2016
2330 TT	TSM US	TSMC	159.00	5%	172.00	8%	Information Technology	02/22/2016

List Performance Since Inception: 8.8%

List Upside: 31.7%

Sources: SGPB & Bloomberg

* When available, ADR/GDR most liquid. ** Price Return since Inception

*** Target price is a 12-month forecast price defined by SGPB Equity Experts

Market Performances

03/28/2016	EM Index	Weekly	YTD
MXEF Index	MSCI Emerging (USD)	-1.9%	2.4%
MSEUEMEA Index	MSI EMEA (USD)	-4.0%	6.5%
MXLA index	MSCI LATAM (USD)	-1.3%	16.1%
MXMS Index	MSCI Emerging Asia (USD)	-1.5%	-0.8%
MXRU Index	MSCI Russia	-4.1%	11.9%
MXBR Index	MSCI Brazil	-1.5%	26.0%
MXIN Index	MSCI India	-1.0%	-4.0%

Sources: SGPB & Bloomberg

Convictions Highlights

The EM Conviction List declined 0.9% last week, outperforming the MSCI EM Index, which fell 1.9%. China Construction Bank fell the most as it gave up 2.2%, followed by Alibaba, which lost 2.1%. Conversely, Bangkok Bank PCL was the List's best performing stock as it gained 1.2%.

MSCI Emerging Markets Index (USD)



Sources: SGPB & Bloomberg

Macroeconomic Views

South Africa: CPI rises in February

South Africa's consumer price index (CPI) accelerated to 7.0% YoY in February from 6.2% in January 2016, slightly ahead of the 6.8% consensus. It was the fastest pace of increase since June 2009, driven mainly by higher food prices and transportation costs.

Brazil: Inflation slows down in March

Retail Brazil's inflation as measured by the IPCA-15 Index decelerated in March for the first time in 16 months to 9.95% YoY, less than the median Bloomberg forecast of 10.08%, and much lower than 10.84% reported in February. The slowdown was mainly driven by lower food, transport and housing prices.

Source: Bloomberg

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Regional Conviction Lists

List Definition

- List comprises Societe Generale Private Banking Equity Experts' convictions with exclusively buy rated listed companies.
- The selection derives from Societe Generale Private Banking investment universe.
- Any update in the list is announced through a "Conviction List Change" publication.



Developed Asia-Pacific

03/28/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
1299 HK	AIA Group	41.85	5%	60.00	43%	Financials	02/22/2016
4503 JP	Astellas Pharma Inc.	1,588.00	1%	2,210.00	39%	Health Care	02/22/2016
5108 JP	Bridgestone	4,225.00	6%	5,660.00	34%	Consumer Discretionary	02/22/2016
9201 JP	Japan Airlines Co Ltd	4,248.00	1%	4,950.00	17%	Industrials	02/22/2016
2914 JP	Japan Tobacco Inc	4,708.00	4%	5,300.00	13%	Consumer Staples	02/22/2016
8306 JP	Mitsubishi UFJ Financial	538.10	13%	720.00	34%	Financials	02/22/2016
8801 JP	Mitsui Fudosan	2,789.50	5%	4,000.00	43%	Financials	02/22/2016
OCBC SP	Oversea-Chinese Banking Corp Ltd	8.83	11%	12.10	37%	Financials	02/22/2016

List Performance Since Inception: 6.1%
List Potential Upside: 34.3%

Sources: SGPB & Bloomberg

* Price Return Since Inception

** Target price is a 12-month forecast price defined by SGPB Equity Experts

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Europe

03/28/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
ADEN VX	Adecco SA	61.30	-9%	78.00	27%	Industrials	12/17/2015
AGN NA	Aegon NV	4.92	-21%	8.00	63%	Financials	10/29/2014
AIR FP	Airbus Group SE	59.77	6%	69.00	15%	Industrials	08/25/2015
BAYN GR	Bayer AG	102.61	-14%	119.00	16%	Health Care	09/09/2015
BNP FP	BNP Paribas	43.42	9%	66.00	52%	Financials	04/04/2013
CA FP	Carrefour SA	23.51	-7%	30.00	28%	Consumer Staples	01/08/2016
SGO FP	Cie de St-Gobain	36.82	-8%	51.00	39%	Industrials	04/29/2015
EOAN GR	E.ON SE	8.16	-15%	12.00	47%	Utilities	10/13/2015
ENG SM	Enagas SA	26.54	4%	31.00	17%	Utilities	01/08/2016
ENEL IM	Enel SpA	3.91	-1%	4.64	19%	Utilities	08/25/2015
FME GY	Fresenius Medical Care AG	75.98	-3%	90.00	18%	Health Care	01/08/2016
INGA NA	ING Groep NV	10.88	0%	16.70	53%	Financials	06/10/2014
ERICB SS	LM Ericsson Telefon AB	78.00	-8%	100.00	28%	Information Technology	10/06/2015
MC FP	LVMH SE	147.20	-10%	190.00	29%	Consumer Discretionary	06/04/2015
RI FP	Pernod Ricard SA	99.98	-3%	120.00	20%	Consumer Staples	01/19/2015
PUB FP	Publicis Groupe	60.61	0%	70.00	15%	Consumer Discretionary	12/01/2015
SU FP	Schneider Electric SE	53.56	-14%	73.00	36%	Industrials	06/30/2015
TUI1 GR	TUI AG	12.48	-24%	20.90	67%	Consumer Discretionary	03/25/2015
VIE FP	Veolia Environnement SA	20.35	13%	25.00	23%	Utilities	04/08/2015
WDI GY	Wirecard AG	32.54	-16%	50.00	54%	Information Technology	05/08/2015
WIZZ LN	Wizz Air Holdings Plc	1,796.00	1%	2,150.00	20%	Industrials	11/06/2015
WPP LN	WPP Plc	1,596.00	124%	1,630.00	2%	Consumer Discretionary	07/27/2011

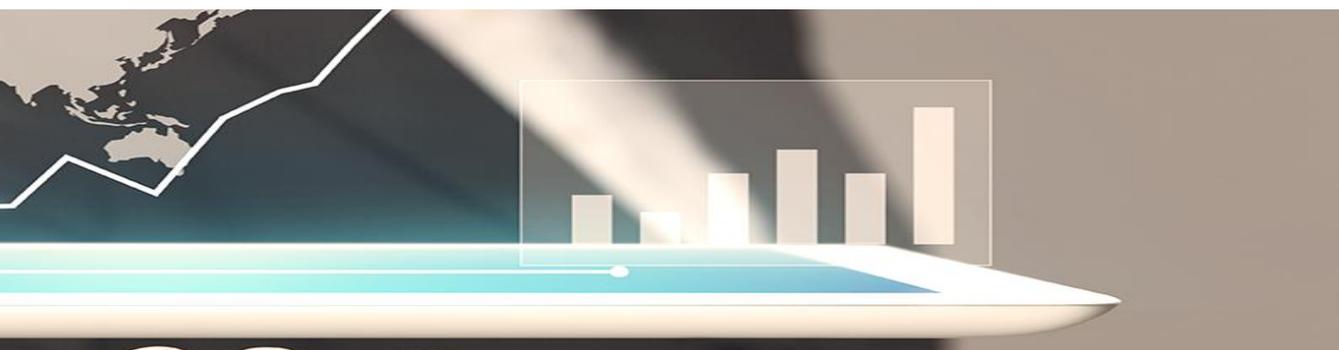
List Performance Since Inception: 27.3%

List Upside: 39.9%

Sources: SGPB & Bloomberg

* Price Return Since Inception

** Target price is a 12-month forecast price defined by SGPB Equity Experts



United States

03/28/2016

Code	Company Name	Last Price	Perf.*	Target Price **	Upside	Industry	Entry Date
GOOGL US	Alphabet Inc	753.28	23%	850.00	13%	Information Technology	08/25/2015
AAPL US	Apple Inc	105.19	15%	160.00	52%	Information Technology	06/19/2014
CHKP US	Check Point Software Technologies Ltd	83.14	8%	98.00	18%	Information Technology	02/11/2015
C US	Citigroup	41.92	-18%	69.00	65%	Financials	10/16/2013
KO US	Coca-Cola	45.80	23%	48.00	5%	Consumer Staples	10/04/2013
CVS US	CVS Health Corp	101.84	3%	117.00	15%	Consumer Staples	09/25/2015
GILD US	Gilead Sciences Inc	92.46	15%	125.00	35%	Health Care	06/12/2014
ORCL US	Oracle Corp	40.62	35%	49.00	21%	Information Technology	06/24/2013
TMO US	Thermo Fisher Scientific Inc	138.53	10%	151.00	9%	Health Care	02/11/2015
UTX US	United Technologies Corp	98.91	40%	118.00	19%	Industrials	09/22/2010
DIS US	Walt Disney Co	98.09	-1%	120.00	22%	Consumer Discretionary	01/08/2016

List Performance Since Inception: 43.4%

List Upside: 34.7%

Sources: SGPB & Bloomberg

* Price Return Since Inception

** Target price is a 12-month forecast price defined by SGPB Equity Experts

Past performance is not a reliable indicator of the future performance. The amounts indicated above do not include any fees, duties or other charges which may be added in case of conclusion of an operation

Convictions By Sectors

	Name	Bloomberg Code
Consumer Discretionary	Bridgestone Corp	5108 JP
	Hyundai Mobis Co Ltd	012330 KS
	LVMH SE	MC FP
	Publicis Groupe	PUB FP
	TUI AG	TUI1 GR
	Walt Disney Co	DIS US
	WPP PLC	WPP LN
Consumer Staples	Carrefour SA	CA FP
	Coca-Cola	KO US
	CVS Health Corp	CVS US
	Japan Tobacco Inc	2914 JP
	Pernod Ricard SA	RI FP
Energy	Chevron Corp	CVX US
	Royal Dutch Shell Plc	RDSA NA
Financials	Aegon NA	AGN NA
	AIA Group Ltd	1299 HK
	AXA SA	CS FP
	Banco Bradesco SA	BBDC4 BZ
	Bangkok Bank PCL	BBL-R TB
	BNP Paribas SA	BNP FP
	China Construction Bank Corp	939 HK
	Citigroup Inc	C US
	ING Groep NV	INGA NA
	Lloyds Banking Group Plc	LLOY LN
	Mitsubishi UFJ Financial Group Inc	8306 JP
	Mitsui Fudosan Co Ltd	8801 JP
	Oversea-Chinese Banking Corp Ltd	OCBC SP
Healthcare	Astellas Pharma Inc.	4503 JP
	Bayer AG	BAYN GR
	Fresenius Medical Care & Co KGaA	FME GY
	Gilead Sciences Inc	GILD US
	GlaxoSmithKline Plc	GSK LN
	Thermo Fisher Scientific Inc	TMO US
Industrials	Adecco SA	ADEN VX
	Airbus Group SE	AIR FP
	BAE Systems Plc	BA/ LN
	Cie de St-Gobain	SGO FP
	Japan Airlines Co Ltd	9201 JP
	Schneider Electric SE	SU FP
	United Technologies Corp	UTX US
	Vinci SA	DG FP
	Wizz Air Holdings Plc	WIZZ LN
Information Technology	Alibaba Group Holding Ltd	BABA US
	Alphabet Inc	GOOG US
	Apple Inc	AAPL US
	Check Point Software Technologies Ltd	CHKP US
	LM Ericsson Telefon AB	ERICB SS
	Oracle Corp	ORCL US
	Samsung Electronics Co Ltd	SMSN LI
	TSMC	2330 TT
	Wirecard AG	WDIGY
Utilities	E.ON SE	EOAN GR
	Enagas SA	ENG SM
	Enel SpA	ENEL IM
	Engie SA	GSZ FP
	Veolia Environment SA	VIE FP

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Rating System

Investment Rating Definition:

- Buy** | Company from SGPB Conviction Lists, expected return above 10% or more over a 12-month investment horizon based on our experts' assumption.
- Add** | Company outside SGPB Conviction List. Proposition to reinforce or invest in companies benefiting from positive fundamentals with a positive return expected over a 12-month investment horizon, based on our experts' assumption.

Product Risk Rating

Product Category Risk Rating:

The product category of single equity, stock, share is rated at '4'.

In order to draw the attention of investors to the risk linked to each investment solution, Societe Generale Private Banking has ranked each product according to its own specific risk scale from the lowest risk (class 0) to the highest risk (class 4). The risk classification in 5 levels, is a Societe Generale Private Banking internal risk indicator. These internal indicators are based on the Value at Risk 95% 1 year (VaR). The VaR corresponds to the maximum amount that the portfolio being considered could lose in normal market conditions over a given period with a given probability (past performances and simulations of performance shall not be considered as a reliable indicator of future performance). If the VaR 95% 1 year is y%, this means that there is a 95% probability that the portfolio will not lose more than y% of its value in one year.

Equity Risk Classification: 4

Risk Levels	Losses
0 - Lowest Risk	There is a 95% probability that the product will not depreciate in value in one year.
1 - Low Risk	There is a 95% probability that the product will not lose more than 5% of its value in one year.
2 - Medium Risk	There is a 95% probability that the product will not lose more than 15% of its value in one year.
3 - High Risk	There is a 95% probability that the product will not lose more than 30% of its value in one year.
4 - Highest Risk	There is a minimum of 5% probability that the product will lose more than 30% of its value in one year.

Calculation Methodology

Performance Calculation

At the time of inception of the conviction list, all members are based at 100. Each stock is equally weighted, so that every member has the same probability to add value to the list. The selection is made using a bottom-up approach and may not be read as a portfolio construction.

Performance of Conviction Lists and the members is calculated every week based on Monday's closing price or last trading day in case of a holiday. Rebased level for Conviction List members is obtained by applying the change in the share price (current price/last week price) to the previous rebased level. Rebased level for the Conviction Lists is obtained by averaging the rebased levels for all the conviction list members.

Conviction List Change

Performance is also calculated as mentioned above at the time of any change in Conviction Lists such as inclusion of a new member or removal of an existing member. For inclusion or removal of a member, closing price on the day prior to the announcement is used. In addition, all members are equally weighted again by applying the last rebased level of the Conviction List.

Performance Measurement

Weekly: % change in the current rebased level over previous week's rebased level.
YTD: % change in the current rebased level over the rebased level at the beginning of the year.

Since inception: % change in the current rebased level over the base value (100).

Since inclusion (Conviction List Members): % change in the current rebased level over the rebased level at the time of inclusion.

Potential Upside Calculation

Of Members: is obtained by ascertaining the % difference between the current price and target price.

Of Conviction Lists: is obtained by rebasing the upside potential of members and then averaging these rebased upside potential levels.

Corporate Actions

Dividend payment : the performance methodology does not take into account the impact of dividend payment. Therefore, the lists' performance is purely based on price return calculation.

Stock Split : to adjust the effect a stock split, we adjust the target price by the same ratio as that of the stock split.

Benchmarking

Performance of Conviction Lists is compared with the following relative benchmarks to ascertain the outperformance/underperformance

Global CL (Conviction List) : MSCI AC World

Asian CL : MSCI AC Asia Pacific

European CL : MSCI Europe

US CL : S&P 500

Emerging CL : MSCI Emerging Markets

High Dividend CL : MSCI World High Dividend Yield

Glossary (1/4)

Societe Generale Private Banking Investment Universe

Societe Generale Private Banking defines and maintains an investment universe, aiming at ensuring the liquidity and the meaningful coverage of companies subject to potential investments.

This investment universe complies with rules defined as follows:

-Issuers are constituents of MSCI indices: The constituents of the indices retained cover developed and emerging countries with increased precision (average market capitalisation) for Germany, Belgium, France, the UK and Switzerland.

-Market Capitalisation: To avoid the inclusion of securities whose market capitalisation could be too low in light of the potential investments by clients and/or managers, only securities whose market capitalisation is greater than €500 mn have been chosen.

-Liquidity: To ensure minimum liquidity for investments, only securities with a six-month average daily trading volume greater than EUR 300,000 are selected.

-Reliable Financial Information: Only securities tracked by at least three sell side financial analysts are included in the universe.

-Social and Environmental Responsibility Policy of SG Group: Societe Generale has defined a framework for Social and Environmental Responsibility. This framework sets out restrictions on listed securities identified by SG Group and deleted from the universe.

Financial Terms and Acronyms

ADR (American Depositary Receipt): is a negotiable certificate issued by a US bank representing a specified number of shares in a foreign stock that is traded on a US exchange. ADRs are denominated in US dollars, with the underlying security held by a US financial institution overseas.

BACKLOG: often refers to a company's sales orders waiting to be fulfilled. Even if it provides the revenue visibility, the companies usually try to avoid to have an extensive backlog because that creates the risk of unmet demand and thus can have negative impact on future earnings

BENCHMARK: is, generally, a broad market, market-segment stock or bond index that is used as a reference to evaluate the performance of a security, mutual fund or investment manager.

BV (Book Value): is the total value of net assets of a company. It consists of the firm's fixed assets plus its current assets, minus short-term liabilities, long-term creditors and any provisions.

BV/S (Book Value Per Share): is the total value of the net assets of a company divided by the total number of outstanding shares.

C/I (Cost Income Ratio): is used for valuing banks. It shows a company's costs in relation to its income. Formula: $(\text{Operating Costs}/\text{Operating Income}) \times 100$.

CAGR (Compound Annual Growth Rate): is a term used for the geometric progression ratio that provides a constant rate of return over a specific time period.

CAPEX (Capital Expenditure): is the fund used by the company to acquire or upgrade the physical assets such as property, industrial buildings or equipment. The most capital intensive industries include oil, telecom and utilities.

CAR (Capital Adequacy Ratio): is a measure of a bank's capital. It is expressed as a percentage of a bank's risk-weighted credit exposures. Formula: $(\text{Tier One Capital} + \text{Tier Two Capital})/\text{Risk Weighted Assets}$.

CET I (Common Equity Tier I Ratio): is a measure of the bank's common equity capital as a percentage of risk-weighted assets. It is generally compared to a defined benchmark stipulated by the regulatory authority to determine whether a bank is sufficiently capitalised.

DIVIDEND YIELD: Dividend per share (total dividend paid out divided by the total number of shares) expressed as a percentage of current stock price.

EBIT (Earnings Before Interest and Taxes): profit before taking into account interest payments and income taxes. Also referred to as operating income, it is calculated as a company's gross income minus all its operating expenses.

EBIT Margin: Ratio that expresses EBIT as a percentage of total sales $(\text{EBIT}/\text{Sales} \times 100)$; also referred to as operating margin.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): profit before taking into account interest payments, income taxes and non-cash operating expenses (depreciation and amortisation). It is calculated as a company's gross income minus its cash operating expenses only.

EPS (Earnings Per Share): is the division of total net profit by the number of shares.

Glossary (2/4)

EV (Enterprise Value) is a measure of a company's value, often used as an alternative to straightforward market capitalisation. It is calculated as (market cap + debt + minority interest + preferred shares) – total cash – cash equivalents.

EV/EBITDA: compares the total value of the company to its EBITDA.

EV/SALES: compares the total value of the company to its sales.

FCF (Free Cash Flow): represents the difference between operating cash flow and capital expenditures and shows the company's ability to generate shareholder's value after laying out the money required to maintain or expand its asset base. Without enough cash, it would be difficult for a company to develop new products, make acquisitions, pay dividends and reduce debt.

FFO (Funds from Operations): measures a REIT's operating performance. It is net income plus gains (minus losses) from property sale and purchase. Non-cash expenses like depreciation and amortisation are added back because value of real estate tends to rise over time rather than depreciating like other fixed assets and investments. FFO per share is often used in place of earnings per share when analysing REITs.

FY1 (Fiscal Year One): refers to the current fiscal year.

FY2 (Fiscal Year Two): refers to the next fiscal year.

GDR (Global Depositary Receipt): is very similar to an ADR. It is a bank certificate issued in more than one country for shares in a foreign company. The shares are held by a foreign branch of an international bank. The shares trade as domestic shares, but are offered for sale globally through the various bank branches.

GOODWILL: is an intangible asset that arises as a result of the acquisition of one company by another company for a premium value and can have as origin the value of a company's brand name, solid customer base, good customer relations, good employee relations and any patents or proprietary technology.

GROSS INCOME: gross profit calculated as a company's total sales minus its cost of goods sold (COGS) that corresponds to labour and production costs.

GROSS MARGIN: expresses gross income as a percentage of total sales (Gross Income/Sales*100).

IPO (Initial Public Offering): is the first sale of stock by a private company to the public to expand its growth or, sometimes, repay its debt.

LIKE FOR LIKE (LFL) GROWTH: is a measure of growth in sales, adjusted for new or divested businesses. This is a widely used indicator of retailers' performance. This adjustment is important in businesses that show a significant change through expansion, disposals or closures.

LTV (Loan-To-Value Ratio): is a financial term used to express the ratio of a loan to the value of an asset purchased. The term is commonly used by financial institutions and real estate companies to represent the ratio of the loan as a percentage of the total appraised value of real property.

NAV (Net Asset Value): is similar to book value and is also called per investment unit. NAV is the marked-to-market value of the company's property investments less liabilities.

ND (Net Debt): is calculated as a company's total debt minus cash and other similar liquid assets.

NET MARGIN: is a financial ratio which measures the profitability of the net income of a company. Formula: Net Profit/Sales.

NI (Net Income or Bottom Line): represents a company's total earnings (or profit) which is calculated by adjusting revenues for the costs, depreciation, interest, taxes and other expenses.

OPERATING MARGIN: See definition of EBIT Margin.

ORGANIC GROWTH: is the growth rate that a company can achieve by increasing its output and enhancing sales, excluding any profits or growth from takeovers or M&A activities.

P/E or PER (Price Earnings Ratio): reflects the trading price of a share in relation to the expected earnings. Formula: Share Price/Earnings Per Share.

P/TBVS (Price To Tangible Book Value): expresses the share price with regard to the accounting value of the company. Formula: Share Price/Tangible Book Value Per Share.

PAYOUT RATIO: is the proportion of earnings paid out as dividends to shareholders and typically expressed as a percentage. A lower payout ratio is generally preferable to a higher payout ratio. A ratio greater than 100% indicates the company is paying out more in dividends than it makes in net income.

Glossary (3/4)

PROFIT WARNING: is the announcement made by the company before its earnings release indicating the investors that its earnings would not meet the analysts' expectations.

RWA (Risk Weighted Assets): is a measure of the bank's assets, weighted according to their risk. It involves the risk weighting of both on and off-balance-sheet exposures. It is generally used to calculate risk-based capital ratio which is the ratio of a bank's capital to its risk weighted assets.

REVENUE GROWTH: Illustrates the growth of sales over a given period.

ROA (Return on assets): a financial ratio that is calculated as net income divided by total assets and shows how profitable a company is relative to its total assets

ROC (Return on invested capital): a profitability ratio which is calculated as net income minus dividends divided by total invested capital.

ROE (Return On Equity): The amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by disclosing how much profit a company generates with the money shareholders have invested.

SHARE BUYBACK (Share Repurchase): A program by which a company buys back its own shares from the marketplace, reducing the number of outstanding shares. It usually indicates that the company's shares are undervalued and pushes the share prices up.

SHAREHOLDER'S EQUITY: is the amount of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses).

STOCK SPLIT: is a corporate action in which the company divides its existing shares into multiple shares to make shares seem more affordable for small investors without changing the underlying value of the company.

TBV (Tangible Book Value): is the book value excluding intangible assets.

TBV/S (Tangible Book Value Per Share): allows to estimate the accounting value of a company by measuring its stockholders' equity per share. Formula: Re-valued Net Assets/Total Shares of Company.

WACC (Weighted Average Cost of Capital): also referred to as the firm's cost of capital, it is the rate that a company is expected to pay on an average to all its security holders to finance its assets.

WORKING CAPITAL: is the difference between a company's current assets and current liabilities and shows whether the company has sufficient short-term assets to cover its short-term debts.

Sources: FactSet, Bloomberg, SGPB

Indices

MSCI AC WORLD: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK, and the US (as of 2 June 2014).

MSCI AC ASIA PACIFIC: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Pacific region. The MSCI AC Pacific Free Index consists of the following 12 developed and emerging market countries: Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, and Thailand (as of 2 June 2014).

MSCI EUROPE: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK (as of 2 June 2014).

MSCI EMERGING MARKETS: is a free float-adjusted market capitalisation index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and the UAE (as of 2 June 2014).

MSCI WORLD HIGH DIVIDEND YIELD: is based on the MSCI World Index, its parent index, and includes large- and mid-cap stocks across 23 Developed Markets (DM) countries (as of 31 March 2014). The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

Glossary (4/4)

MSCI WORLD VALUE: captures large- and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries (as of 31 March 2014). The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 853 constituents, the index targets 50% coverage of the free float-adjusted market capitalisation of the MSCI World Index.

MSCI WORLD GROWTH: captures large- and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries (as of 31 March 2014). The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

MSCI WORLD SMALL CAP: captures small cap representation across 23 Developed Markets (DM) countries (as of 31 March 2014). With 4,302 constituents, the index covers approximately 14% of the free float-adjusted market capitalisation in each country.

MSCI WORLD LARGE CAP: captures large-cap representation across 23 Developed Markets (DM) countries (as of 31 March 2014). With 737 constituents, the index covers approximately 70% of the free float-adjusted market capitalisation in each country.

MSCI EMEA: is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East and Africa. The MSCI EM EMEA Index consists of the following 10 emerging market country indexes: the Czech Republic, Greece, Hungary, Poland, Russia, Turkey, Egypt, South Africa, Qatar and the UAE.

MSCI LATAM: captures large- and mid-cap representation across five emerging market (EM) countries (as of 31 March 2014) in Latin America. With 137 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country.

MSCI EMERGING ASIA: captures large and mid-cap representation across eight EM countries (as of 31 March 2014). With 537 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in each country.

MSCI RUSSIA: is designed to measure the performance of the large- and mid-cap segments of the Russian market. With 22 constituents, the index covers approximately 85% of the free float-adjusted market capitalisation in Russia.

MSCI BRAZIL: is designed to measure the performance of the large- and mid-cap segments of the Brazilian market. With 70 constituents, the index covers about 85% of the Brazilian equity universe.

MSCI INDIA: is designed to measure the performance of the large- and mid-cap segments of the Indian market. With 64 constituents, the index covers approximately 85% of the Indian equity universe.

Euro Stoxx 50: is the leading blue-chip index for the eurozone and provides a blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries. The Index is licensed to financial institutions to serve as underlying for a wide range of investment products such as Exchange Traded Funds (ETF), Futures and Options and structured products.

FTSE 100: comprises the 100 most highly capitalised blue chip companies, representing approximately 81% of the UK market. It is used extensively as a basis for investment products, such as derivatives and exchange-traded funds.

S&P 500: includes 500 leading companies in the leading industries of the US economy. It is a core component of the US indices that could be used as building blocks for portfolio construction. It is also the US component of S&P Global 1200.

Nikkei 225: is the leading index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the US.

Sources: FactSet, Bloomberg, MSCI global equity indexes, SGPB

Important Disclosures

SG acted as co-manager in Adecco's bond issue (7.5 yr)
SG acted as joint bookrunner in Aegon's bond issue (RegS, EUR, 5yr).
SG acted as Sole Global Coordinator & Joint Bookrunner in Airbus' convertible bond issue (7yr).
SG acted as a joint bookrunner in Bayer's hybrid bond issue
SG acted as joint bookrunner in BNPP's bond issue (EUR, 10yr).
SG acted as joint bookrunner in Carrefour Banque's bond issue (EUR, 5yr).
SG acted as Global Coordinator and Joint bookrunner in Carrefour's disposal of treasury shares.
SG acted as co-manager in Chevron's bond issue.
SG acted as co-manager in Chevron's bond issue (USD, 2,3,5,10 yr)
SG acted as Co-manager in Citigroup's bond issue (10yr)
SG acted as Co-manager in Citigroup's bond issue.
SG acted as co-manager in Citigroup's bond issue (USD)
SG acted as co-manager in Citigroup's bond issue (USD 12y).
SG acted as co-manager in Citigroup's bond issue (5y SEC).
SG acted as co-manager in Citigroup's bond issue ((USD perpNC5).
SG is acting as co-manager in Citigroup's bond issue
SG acted as passive bookrunner for Enagas's bond issue (8y EUR).
SG makes a market in Enel warrants
SG acted as passive joint bookrunner in GDF Suez's bond issue.
SG acted as a lead structuring advisor in Engie's bond tender offer.
SG acted as a joint lead manager in ING Groep bond issue
SG acted as joint lead manager in ING Belgium's bond issue (EUR)
SG acted as joint bookrunner in Lloyds Bank bond issue (5y).
SG is acting as financing joint mandated lead manager with Royal Dutch Shell PLC for the acquisition of BG Group PLC.
SG acted as a joint lead manager in Royal Dutch Shell's bond issue.
SG acted as joint bookrunner in Schneider Electric's bond issue (EUR, 8yr).
SG acted as co-manager in United Technologies's new bond issue (USD)
SG acted as co-manager in United Technologies Corporation's bond issue (8yr, EUR).
SG acted as senior co-manager on UTX's bond issue (EUR 2y, 5y, 10y).
SG acted as senior co-manager on UTX's bond issue (EUR 2y, 5y, 10y).
SG acted as joint bookrunner in the Veolia Environnement's block trade sold by Groupama.
SG acted as joint bookrunner in Veolia Environnement's tender offer (ISIN:FR0010750489, FR0010918490, FR0010474239)
SG acted as global coordinator in Veolia Environnement's bond issue (EUR Long 12y)
SG acted as sole bookrunner in Qatar Holding's bloc disposal of Vinci shares

Important Disclaimer (1/5)

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Subject of the document

The present document has been prepared by the experts of the group Société Générale S.A. and more particularly of Société Générale Private Banking division, to provide you with information relating to some financial and economic data. The name and function of the people having prepared this document are indicated in the first pages of this document.

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Important Disclaimer (2/5)

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