Rothschild & Co

Press release

Half year 2019 results

Paris, 17 September 2019

Robust results despite less favourable market conditions

- Strong underlying business performance as evidenced by:
  - Global Advisory: number one adviser in Europe and number two globally by number of deals
  - Wealth & Asset Management: strong net new assets of €2.0 billion, providing 6% growth of AUM, on an annualised basis, from 31/12/2018
  - Merchant Banking: 14% growth in assets under management on an annualised basis
- **Revenue decreased by 11%** to €898 million (H1 2018: €1,007 million)
- **Net income - Group share excluding exceptionals**[1] reached €124 million, **down 24%** (H1 2018: €164 million) and Net income - Group share including exceptionals: €134 million (H1 2018: €161 million), down 17%
- **Earnings per share (EPS) excluding exceptionals[1]: €1.73, down 21%** (H1 2018: €2.18) and EPS including exceptionals: €1.88, down 12% (H1 2018: €2.14)
- Positive foreign exchange translation effects of €12 million on revenue but nil on Net income – Group share

Alexandre de Rothschild, Executive Chairman, commented:

"Given the record year that we enjoyed in 2018, we are pleased to deliver such robust results in less favourable market conditions, proof of the resilience of our underlying strategy.

"Our Global Advisory business has held up well. In Europe, we maintain our leadership position on advising on more transactions than any other adviser, giving us a deep understanding of the markets and geographies in which we operate.

"We are pleased that our Wealth & Asset Management business has seen excellent growth in net new assets, driven by the performance of our European Wealth Management business despite being penalised by the low interest rate environment.

"Merchant Banking's strategy is proving to be highly successful, as evidenced by the 14% annualised growth in assets and the continuing strong results.

"The Group is in good shape and well positioned to grow thanks to our diversified business model. We are confident that we will achieve solid results for the full year 2019 albeit at a lower level than 2018."

– ENDS –

[1] Exceptional items are presented in Appendix B

1. Summary Consolidated Income Statement

The Supervisory Board of Rothschild & Co SCA met on 17 September 2019 to review the consolidated financial statements from 1 January 2019 to 30 June 2019; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

(in €m)	Page	H1 2019	H1 2018	*Var*	*Var %*
Revenue	**3 - 6**	**898**	**1,007**	***(109)***	***(11)%***
Staff costs	6	(520)	(583)	*63*	*(11)%*
Administrative expenses	6	(134)	(150)	*16*	*(11)%*
Depreciation and amortisation	7	(31)	(14)	*(17)*	*121%*
Impairments	7	2	1	*1*	*100%*
Operating Income		**215**	**261**	***(46)***	***(18)%***
Other income / (expense) (net)	7	18	1	*17*	*N/A*
Profit before tax		**233**	**262**	***(29)***	***(11)%***
Income tax	7	(36)	(36)	*0*	-
Consolidated net income		**197**	**226**	***(29)***	***(13)%***
Non-controlling interests	7	(63)	(65)	*2*	*(3)%*
Net income - Group share		**134**	**161**	***(27)***	***(17)%***
Adjustments for Exceptionals	10	(10)	3	*(13)*	*(433)%*
Net income - Group share excl. exceptionals		**124**	**164**	***(40)***	***(24)%***
Earnings per share [1]		*1.88 €*	*2.14 €*	*(0.26) €*	*(12)%*
EPS excl. exceptionals		***1.73 €***	***2.18 €***	***(0.45) €***	***(21)%***
Return On Tangible Equity (ROTE)		*15.2%*	*19.0%*		
ROTE excl. exceptionals		***14.0%***	***19.4%***		

[1] *Diluted EPS is €1.85 (H1 2018: €2.10)*

An analysis of Exceptional items and a presentation of Alternative Performance Measures are shown respectively in Appendix B and Appendix G.

2. Business activities

2.1 Global Advisory

Our Global Advisory business focuses on providing advice in the areas of M&A and strategic advisory and Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory.

Revenue for H1 2019 was €545 million, down 14% compared to the same period in 2018 (€636 million) which was our record first half year for revenue. For the twelve months to June 2019**, we ranked 6th globally by financial advisory revenue**[2], compared to 5th for the twelve months to March 2019.

Operating income for H1 2019, excluding ongoing investment in the development of our North American M&A franchise, was €93 million (H1 2018: €117 million), representing an **operating income margin of 17.0%** (H1 2018: 18.4%) and continues to be at the top end of our target range over the cycle. Including the effect of ongoing investment in senior hiring in North America, operating income was €83 million (H1 2018: €107 million) with an operating income margin of 15.2% (H1 2018: 16.8%).

Our M&A business remains well positioned, ranking **2nd globally by number of completed transactions** for the twelve months to June 2019[3]. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than a decade[4]. M&A advisory revenue for H1 2019 was €437 million, down 11% compared to H1 2018 (€490 million), which is broadly consistent with the trend in global completed M&A transactions over the same period and follows a record H1 2018 for M&A revenue.

Financing Advisory revenue for H1 2019 was €108 million, down 26% compared to H1 2018 (€146 million). This reflected lower activity in equity capital markets and in restructuring situations. Despite this, we continued to be highly active, **ranking 2nd in Europe by numbers of completed restructuring transactions**[4] during the twelve months to June 2019 and maintaining our position as adviser on more European equity capital market assignments than any other independent financial adviser[4].

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. During H1 2019, we promoted 19 new MDs across the business, demonstrating our focus on growing talent from within. In addition, we recruited three new MDs into both our German and Asian businesses, as well as a new Co-Head of Shareholder Engagement to support our Investor Advisory practice. We also continued our ongoing strategic investment in North America during the period, with the recently announced recruitment of 2 new MDs focusing respectively on clients in the Financial Institutions sector and the Infrastructure, Power and Renewables space.

Global Advisory advised the following clients on significant assignments completed in the six months to June 2019:

- **RPC Group** on its sale to Berry Global Group (£4.7 billion, UK and United States)
- **Jardine Matheson** on the recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan (£4.3 billion, Hong Kong, UK and United States)
- **The Coca-Cola Company** on its acquisition of Costa Coffee (US$5.1 billion, United States and UK)
- **BC Partners** on its sale of Antelliq to Merck (€3.25 billion, UK and United States)
- **Volkswagen** on its carve out IPO of TRATON on Frankfurt Stock Exchange and Nasdaq Stockholm (€1.6 billion, Germany)

In addition, we continue to work on some of the largest and most complex announced transactions globally, including acting as financial adviser to:

- **Mubadala** on its disposal of a 30% to 40% stake in CEPSA, to the Carlyle Group (US$12 billion, Spain)
- **Asahi Group Holdings** on its acquisition of Carlton & United Breweries from Anheuser-Busch InBev (US$11.3 billion, Japan, Australia and Belgium)
- **EQT, ADIA and PSP Investments** on its acquisition of Nestle Skin Health (CHF10.2 billion, Switzerland)
- **BTG** on the recommended cash offer by Boston Scientific (£3.3 billion, UK and United States)
- **Cobham** on its recommended cash offer from Advent International (£4.2 billion, UK)
- **Nyrstar** (advisor to shareholders) on its restructuring (US$3.6 billion, Belgium)

For further examples of Global Advisory assignments completed during 2019, please refer to Appendix F.

---

[2] Company filings

[3] Refinitiv, completed transaction, Excludes accountancy firms

[4] Dealogic

2.2 Wealth & Asset Management

Wealth & Asset Management is made up of our Wealth Management businesses in France, Switzerland, UK, Belgium, Germany, Monaco and Italy and our Asset Management activity in Europe. In addition, we operate an Asset Management business in North America.

The sale of our worldwide wealth planning and trust services business was completed in February 2019. All financials for 2018 and 2019 for the Wealth & Asset Management business have therefore been restated to exclude this activity which has been reclassified in "Other businesses" at Group level.

The business model, based on organic growth thanks to synergies between our three businesses, continues to flourish. As a result, **Net New Assets (NNA) was strong at €2.0 billion**, providing 6% growth of AUM (on an annualised basis) from the opening asset position. All European countries in Wealth Management have seen positive net inflows, with a record half year level in France. Asset Management achieved net inflows of €0.1 billion.

Assets under Management (AuM) increased by 10.4% (or €6.7 billion) to €71.5 billion as at 30 June 2019 (31 December 2018: €64.8 billion). The growth was driven both by strong NNA as well as more favourable market conditions, which recovered during H1 2019 following the decline in the fourth quarter of 2018.

The table below presents the progress in Assets under Management.

In € billion	H1 2019	H1 2018	12m to June 2019
AuM opening	**64.8**	**67.3**	**68.9**
Net new assets	2.0	2.0	1.5
of which Wealth Management	*1.9*	*1.9*	*2.2*
of which Asset Management	*0.1*	*0.1*	*(0.7)*
Market and exchange rate	4.7	(0.4)	1.1
AuM closing (30 June)	**71.5**	**68.9**	**71.5**

Revenue for H1 2019 was €239 million (H1 2018: €241 million), down 1% over the period penalised by the low interest rate environment in our French and Swiss businesses. The flat revenue reflects two opposing factors: an increase in commissions supported by positive market performance during H1 2019 and excellent net asset inflows; offset by lower income on our treasury activity and the increasing impact of negative interest rates on higher European Central Bank deposits as a result of the strong asset inflows which increased clients' cash balances. This has impacted our net interest income by around 14% between H1 2019 and H1 2018.

Operating income for H1 2019 was €38 million (H1 2018: €48 million pre Martin Maurel integration costs, or €43 million including these costs), representing an **operating margin of 16.1%** (H1 2018: 19.7% pre Martin Maurel integration costs, or 17.7% including these costs). This mainly reflects higher costs in the period relating to additional personnel costs (recruitment of client advisers and opening of Dusseldorf office) as well as higher compliance and IT applications costs.

2.3 Merchant Banking

Merchant Banking is the investment arm of the Group deploying the firm's and third parties' capital in private equity and private debt opportunities. The division continued to perform well during H1 2019, generating **revenue of €110 million, up 5%** (H1 2018: €105 million). When compared to the average first half year revenue for the last three years, revenue is up 38%. Revenue comprises two main sources:

- Recurring revenue (management fees net of placement fees) of €41 million, up 16% (H1 2018: €36 million),
- Investment performance related revenue of €69 million, in line with last year (H1 2018: €69 million) comprising:
  - €33 million of carried interest (H1 2018: €24 million, up 38%), and
  - €36 million of realised and unrealised investment gains and dividends (H1 2018: €45 million, down 20%).

The carried interest in H1 2019 was significantly higher than last year as several funds, including the division's flagship private equity fund, Five Arrows Principal Investments II (FAPI II), achieved their respective carried interest accrual thresholds (or "hurdle rates") in the period. The combined contribution of carried interest and investment income demonstrates the continued strong performance of Merchant Banking's funds in H1 2019.

Merchant Banking's strategy is to steadily increase its recurring revenue stream through the expansion of its Assets under Management ("AuM") through the launch of new funds, whilst maintaining its absolute focus on delivering excellent investment performance within its existing funds. The execution of this strategy has been evidently successful to date: recurring revenue has increased almost threefold over the last five years and now represents 37% of total revenue. Through its Merchant Banking business, the Group deploys its capital into a diversified range of assets in terms of securities, geographic markets and currencies, offering strong downside protection and an attractive risk-reward profile.

Operating income was €68 million in H1 2019, slightly below H1 2018 (€71 million), representing a 62% operating margin (H1 2018: 68%). The decline in operating margin is mainly related to a more conservative approach to certain expense accruals in H1 2019.

A critical indicator to measure the performance of Merchant Banking is Return On Risk Adjusted Capital ("RORAC"), a ratio between adjusted profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 30 June 2019, **RORAC was 28%,** in line with last year and well above the division's stated target (above 15% through the cycle).

The alignment of interests between the Group and third-party investors remains a key differentiator for this business. During H1 2019 the Group's share of the investments made by the division amounted to €59 million, deployed across multiple corporate and secondary private equity funds and direct lending funds. Proceeds for the Group of €71 million were generated primarily by the disposals of Karnov (a leading provider of legal, tax and accounting information) by FAPI II, (generation a 3.1x MOIC[5]), and of Pirum (a specialised post-trade service provider to capital markets operators) by FAPI I (delivering a 2.7x MOIC).

Merchant Banking's AuM were €11.8 billion as at 30 June 2019 (31 December 2018: €11.1 billion), up 7%, mainly due to the growth of the AuM base of the Credit Management business (new investment mandates in the Oberon strategy and new CLO vehicles). This growth trajectory should continue in H2 2019 with the anticipated closings of new secondary and multi-manager funds and CLO vehicles.

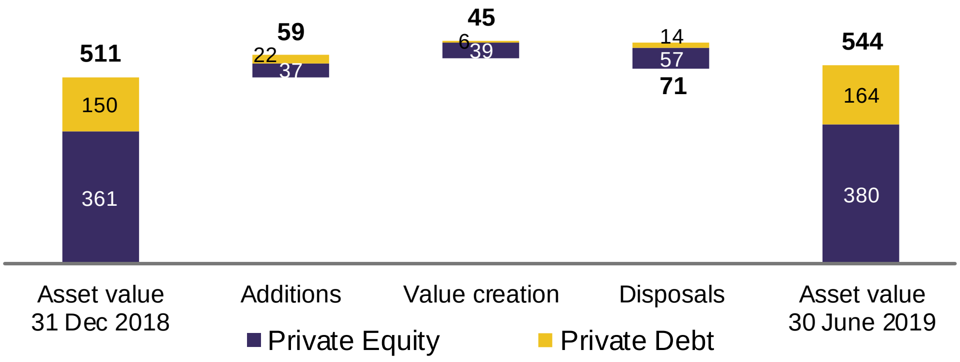
During H1 2019, the main events for the private equity strategies were:

- The final closing of FAPI III, the third-generation fund of Merchant Banking's flagship European mid-market private equity strategy, raising in excess of €1.25 billion. The fund has started to deploy its capital and has completed two investments in its target sectors of healthcare and tech-enabled business services,
- The end of FAPI II's investment period and the start of the monetisation phase of its portfolio with the Karnov IPO,
- The completion of the third investment by Five Arrows Capital Partners ("FACP", our private equity fund focused on the US market) with the acquisition of Zenith American Solutions, a leading administrator of benefit plans in the US, recently followed by a fourth transaction in the healthcare services industry,
- The end of Five Arrows Secondary Opportunities IV's (FASO IV, secondary private equity fund) investment period following the completion of its last two portfolio acquisitions in Germany and Italy. The team is now focusing on the fundraising of FASO V, the first closing of which was held at the end of July 2019.

The Direct Lending business also enjoyed a very active H1 2019: Five Arrows Credit Solutions ("FACS"), our junior debt-focused direct lending fund, completed its sixth and final transaction bringing its investment period to a close. The fund has now also secured seven full exits, generating attractive returns in line with or exceeding its targets. Meanwhile, Five Arrows Direct Lending ("FADL") completed four transactions new investments and is now more than 90% committed.

[5] MOIC stands for Multiple On Invested Capital

Evolution in Net asset value of the Group's investments in Merchant Banking products (in millions of euros)



3. Consolidated financial results

3.1 Revenue

For H1 2019, revenue was €898 million (H1 2018: €1,007 million), representing a decrease of €109 million or 11%. This was largely due to Global Advisory where revenue decreased by €91 million. The translation effect of exchange rate fluctuations impacted revenue positively by €12 million.

3.2 Operating expenses

Staff costs

For H1 2019, staff costs were €520 million (H1 2018: €583 million), representing a decrease of €63 million, largely due to lower variable compensation accruals in connection with lower revenues in Global Advisory. The translation impact of exchange rate fluctuations resulted in an increase in staff costs of €10 million.

The year-on-year staff costs comparison has been negatively impacted by €21 million due to the deferred bonus accounting (bonus charges in respect of prior periods higher than those deferred into future periods in H1 2019 and vice versa in H1 2018); H1 2019 represented a net charge of €13 million, whereas H1 2018 was a net credit of €8 million.

The adjusted compensation ratio, as defined in the Appendix G on Alternative Performance Measures, was 62.8% as at 30 June 2019 (31 December 2018: 62.0% and 30 June 2018: 62.2%). When adjusting for the effects of senior hiring in the US for the advisory business, the UK guaranteed minimum pension provision and exchange rates; the ratio is 61.4% (31 December 2018: 60.8% and 30 June 2018: 61.1%), in line with our financial target ("Low to mid 60s through the cycle").

Overall Group headcount decreased to 3,491 as at 30 June 2019 (31 December 2018: 3,633), following the sale of the Trust business.

Administrative expenses

For H1 2019, administrative expenses were €134 million (H1 2018: €150 million) representing a decrease of €16 million. The translation impact of exchange rate fluctuations resulted in an increase in administrative expenses of €2 million. Last year's number included €5 million of costs related to the Martin Maurel integration.

In accordance with IFRS 16 adopted in January 2019, leased assets relating to significant items are capitalised as Right Of Use assets (ROU assets) with the rental cost replaced by interest expense and depreciation. This resulted in the reclassification of €18 million of property leasing costs from Administrative expenses to Depreciation for €16 million and to Interest cost for €2 million. Therefore, the real variation of the administrative expenses is an increase of €2 million due to higher IT application costs, market data costs as well as compliance costs.

Depreciation and amortisation

For H1 2019, depreciation and amortisation was €31 million (H1 2018: €14 million), representing an increase of €17 million, of which €16 million is explained by the first time application of IFRS 16 (leases) which resulted in a shift of property leasing costs from administrative expenses to depreciation as described above.

The translation impact of exchange rate fluctuations resulted in an increase in depreciation and amortisation of €1 million.

Impairment charges and loan provisions

For H1 2019, impairment charges and loan provisions were a credit of €2 million (H1 2018: credit of €1 million) due to a reassessment of certain credit risks, which resulted in a reduction of certain loan provisions.

3.3 Other income / (expenses)

For H1 2019, other income and expenses, which include results from equity accounted companies and gains / losses on disposal of subsidiaries and associates, resulted in a net income of €18 million (H1 2018: income of €1 million). In H1 2019, Other income comprises net capital gains on property transactions and on legacy assets including the sale of Trust.

3.4 Income tax

For H1 2019, the income tax charge was €36 million (H1 2018: €36 million) comprising a current tax charge of €35 million and a deferred tax charge of €1 million, giving an effective tax rate of 15.6% (H1 2018: 13.8%).

3.5 Non-controlling interests

For H1 2019, the charge for Non-controlling interests was €63 million (H1 2018: €65 million). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners that decreased over the period in line with the performance of the French Global Advisory business.

4. Financial structure

The Group is regulated by the French Prudential and Resolution Authority (ACPR: *Autorité de Contrôle Prudentiel et de Résolution*) as a financial company (*Compagnie Financière*). The Group continues to maintain a high level of liquidity. As at 30 June 2019, total liquid assets as a percentage of total assets was 60% (31/12/2018: 60%).

The CET 1 ratio was 20.1%[6] as at 30 June 2019 (31/12/2018: 20.4%). The common equity tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules with no transitory provisions. The solvency ratios are presented with the inclusion of earnings[7] for the current financial year. The ratios set out below, under full application of the Basel 3 rules, are comfortably above the minimum requirement:

	30/06/2019	31/12/2018	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	20.1%	20.4%	7.0%
Global solvency ratio	20.1%	20.4%	10.5%

[6] The ratio submitted to ACPR as at 30 June 2019 was 18.9% which excluded the half-year profit

[7] Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013

5. Brexit

The United Kingdom’s exit from Europe is scheduled for 31 October 2019. It is possible, given the complexity of the issues at stake and lack of progress to date, that there could be a period of extended uncertainty beyond this date.

Our multiple location model is resilient and very few changes to our legal and operating structure will be required as a consequence of Brexit. Changes that are being or have been implemented are minor and largely concentrated in our wealth and asset management activities. For example, the Milan branch of our UK Wealth Management business is now a wholly owned subsidiary of R&Co Wealth Management UK Ltd and is authorised and regulated in its own right by the Bank of Italy and Consob. Other changes, such as shifting investment management activities to existing EU entities will be undertaken depending upon the terms of the UK’s departure from the EU. The situation is further eased as a consequence of the decision made jointly by the European Securities and Markets Authority (ESMA) and European securities regulators on 1 February 2019 to agree Memoranda of Understanding with the UK Financial Conduct Authority (FCA). These memoranda, which come into effect in the event of a no deal Brexit, concern the exchange of information in the supervision of credit rating agencies, as well as supervisory cooperation, enforcement and information exchange between EU regulators and the FCA. This allows activities like fund management outsourcing and delegation to continue to be carried out in the UK on behalf of EEA counterparties.

Of course, there is still much uncertainty surrounding the terms of the UK’s departure from the EU, but our current assessment is that the biggest risk for our business is the impact of Brexit on the UK and European economic environment. We continue to monitor developments closely.

6. Outlook

In **Global Advisory**, following a robust first half revenue performance, our visible pipeline of business remains solid and well diversified due to our broad market reach. Accordingly, we anticipate that we will experience similar levels of activity during the second half of the financial year as compared to the first, albeit in the context of a record year in 2018, making comparatives challenging. It is notable, however, that publicly available data indicates that announced global M&A activity during the last twelve months has declined and, whilst we believe the general environment is still supportive for M&A and our market position, particularly in Europe, continues to be very strong, we remain alert to the signs of a more significant downturn in market activity which could adversely impact our business volumes.

Wealth and Asset Management has a solid base from which to grow and to continue to deliver strong net new assets in Wealth Management across all main geographies. The macro economic factors, however, are uncertain resulting in increased market volatility, and the low interest rate environment will continue to impact profitability.

Merchant Banking expects to continue growing its AuM and to maintain a significant contribution to the Group’s results. However, its contribution to profitability in the second half-year will be lower due to the carry “catch up” earned in the first half not being repeated. The division will be focused on the deployment of the recently launched funds, will look for attractive exit opportunities for some of the more mature investment positions and will continue its fundraising efforts, mainly in secondary private equity, direct lending and credit management. Our portfolios’ performance remains strong and we continue to apply our investment philosophy that is centred around cautious and disciplined capital deployment, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Despite potential headwinds in financial markets, we are confident that the high quality of our people, the long-term relationships we enjoy with our clients and our deep local knowledge will allow us to continue to generate good returns for our shareholders over the long term.

Financial calendar:

- 12 November 2019 Publication of Third quarter information 2019
- 10 March 2020 Publication of Full year results 2019

For further information:

Rothschild & Co	**Media Contact**
Investor Relations	DGM
Marie-Laure Becquart	Olivier Labesse - Tel: +33 1 40 70 11 89
Marie-laure.becquart@rothschildandco.com	labesse@dgm-conseil.fr
Media Relations	
Caroline Nico	
Caroline.nico@rothschildandco.com	

About Rothschild & Co

With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth & Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

Rothschild & Co is a French partnership limited by shares (*société en commandite par actions*) listed on Euronext in Paris, Compartment A with a share capital of €155,135,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Summary Consolidated Balance sheet

(in €bn)	30/06/2019	31/12/2018	*Var*
Cash and amounts due from central banks	5.2	4.7	*0.5*
Loans and advances to banks	1.8	2.0	*(0.2)*
Loans and advances to customers	3.1	2.9	*0.2*
of which Private client lending	*2.6*	*2.5*	*0.1*
Debt and equity securities	2.4	2.1	*0.3*
Other assets	1.6	1.5	*0.1*
Total assets	**14.1**	**13.2**	***0.9***
Due to customers	9.9	8.7	*1.2*
Other liabilities	1.7	2.0	*(0.3)*
Shareholders' equity - Group share	2.1	2.0	*0.1*
Non-controlling interests	0.4	0.5	*(0.1)*
Total capital and liabilities	**14.1**	**13.2**	***0.9***

The foreign exchange translation effect between 31 December 2018 and 30 June 2019 has no material effect on the balance sheet.

B. Exceptional items

(in €m)	HY 2019			HY 2018		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**233**	**134**	***1.88 €***	**262**	**161**	***2.14 €***
- Martin Maurel integration costs	-	-	-	(5)	(3)	*(0.04) €*
- Net profit on legacy assets	18	10	*0.15 €*	-	-	-
Total Exceptional (Costs) / Gains	**18**	**10**	***0.15 €***	**(5)**	**(3)**	***(0.04) €***
Excluding Exceptional	**215**	**124**	***1.73 €***	**267**	**164**	***2.18 €***

Net profit on legacy assets

This comprises net gains on property transactions and on legacy assets including the sale of the Trust business in February 2019. Exceptional items in H1 2019 are all included in “Other income / (expense)” in the P&L.

C. Performance by business

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	H1 2019
Revenue	**545**	**239**	**110**	**14**	**(10)**	**898**
Operating expenses	(462)	(202)	(42)	(28)	49	(685)
Impairments	-	1	-	-	1	2
Operating income	**83**	**38**	**68**	**(14)**	**40**	**215**
Other income / (expense)	-	-	-	-	18	18
Profit before tax	**83**	**38**	**68**	**(14)**	**58**	**233**
Exceptional profits	-	-	-	-	(18)	(18)
PBT excluding exceptional charges / profits	**83**	**38**	**68**	**(14)**	**40**	**215**
Operating margin %	*15%*	*16%*	*62%*	-	-	*24%*

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	H1 2018
Revenue	**636**	**241**	**105**	**34**	**(9)**	**1,007**
Operating expenses	(529)	(200)	(34)	(47)	63	(747)
Impairments	-	2	-	-	(1)	1
Operating income	**107**	**43**	**71**	**(13)**	**53**	**261**
Other income / (expense)	-	-	-	-	1	1
Profit before tax	**107**	**43**	**71**	**(13)**	**54**	**262**
Exceptional charges	-	5	-	-	-	5
PBT excluding exceptional charges / profits	**107**	**48**	**71**	**(13)**	**54**	**267**
Operating margin %	*17%*	*20%*	*68%*	-	-	*27%*

The sale of our worldwide wealth planning and trust services business was completed in February 2019. All financials for the Wealth & Asset Management business have therefore been restated to exclude this activity which has been reclassified in "Other businesses" at Group level.

[1] IFRS reconciliation mainly reflects: the treatment of profit share paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; adding back non-operating gains and losses booked in "net income/(expense) from other assets"; removing realised gains on sales of investment securities where the unrealised gain was in the AFS reserve at 31 December 2017 before the introduction on IFRS 9; and reallocating impairments and certain operating income and expenses for presentational purposes.

D. FX rates

P&L

Rates	HY 2019	HY 2018	*Var*
€ / GBP	0.8715	0.8798	*(1)%*
€ / CHF	1.1274	1.1649	*(3)%*
€ / USD	1.1300	1.2062	*(6)%*

Balance sheet

Rates	30/06/2019	31/12/2018	*Var*
€ / GBP	0.8955	0.8938	*0%*
€ / CHF	1.1107	1.1288	*(2)%*
€ / USD	1.1382	1.1439	*(0)%*

E. Quarterly progression of revenue

In €m		H1 2019	H1 2018	Var
Global Advisory	1st quarter	292.5	261.7	*12%*
	2nd quarter	252.3	374.4	*-33%*
	Total	**544.8**	**636.1**	***-14%***
Wealth & Asset Management	1st quarter	118.5	119.7	*-1%*
	2nd quarter	120.7	121.2	*0%*
	Total	**239.2**	**240.9**	***-1%***
Merchant Banking	1st quarter	24.1	25.2	*-4%*
	2nd quarter	86.3	79.8	*8%*
	Total	**110.4**	**105.0**	***5%***
Other business and corporate centre	1st quarter	9.8	17.0	*-42%*
	2nd quarter	3.5	16.5	*-79%*
	Total	**13.3**	**33.5**	***-60%***
IFRS reconciliation	1st quarter	(1.0)	(3.6)	*-72%*
	2nd quarter	(9.2)	(5.3)	*74%*
	Total	**(10.2)**	**(8.9)**	***15%***
Total Group Revenue	**1st quarter**	443.9	420.0	*6%*
	2nd quarter	453.6	586.6	*-23%*
	Total	**897.5**	**1,006.6**	***-11%***

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in H1 2019.

M&A and strategic advisory

- The Coca-Cola Company, a beverage company, on its acquisition of Costa Coffee (US$5.1 billion, United States and UK)
- RPC Group, the designer and engineer of plastic products, on its sale to Berry Global Group (£4.7 billion, UK and United States)
- Jardine Matheson, the Asian-based diversified group, on the recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan (£4.3 billion, Hong Kong, UK and United States)
- A.P. Moller – Maersk, the transport and logistics company, on its demerger and listing of Maersk Drilling on the Nasdaq Copenhagen (US$3.5 billion, Denmark)
- Enagas together with Blackstone and GIC on its acquisition of 100% of class B shares and voting rights in Tallgrass Energy, the oil and natural gas pipeline company (US$3.3 billion, Spain and United States)
- BC Partners on its sale of Antelliq, a leader in animal identification and data solutions, to Merck (€3.25 billion, UK and United States)
- CVC Capital Partners on its acquisition of 51.8% of Recordati, a Pharmaceuticals company (€3 billion, Italy)
- BPCE and Natixis, the financial services groups, on the disposal of Natixis' specialised financing activities to BPCE (€2.7billion, France)
- Brambles, the provider of materials and services for the logistics industry, on its sale of IFCO to Triton/ADIA (US$2.51 billion, Australia and Germany)
- Sika, the specialty chemicals company, on its acquisition of the Parex Group from CVC Capital Partners (€2.2 billion, Switzerland and France)
- Caraustar Industries, the paperboard products manufacturer, on its cash sale to Greif (US$1.8 billion, United States)
- Faurecia, the automotive supplier, on its acquisition of Clarion (€1.2 billion, France and Japan)

Financing Advisory

- Ministry of Finance of Greece and Public Debt Management Agency on its 10-year bond issuance with 3.875% coupon (€2.5 billion, Greece)
- Southern Water, the water and sewerage company, on its strategic refinancing (£2 billion, United Kingdom)
- Volkswagen, the automotive manufacturing company, on its carve out IPO of TRATON on Frankfurt Stock Exchange and Nasdaq Stockholm (€1.6 billion, Germany)
- EG Group, the forecourt and convenience-store retailer, on its equivalent cross-border debut high-yield bond refinancing. (€1.6 billion, UK)
- Ferguson plc, the specialist trade distributor of plumbing and heating products, on its series of amendments to its US Private Placement notes ($1.5 billion, UK)
- Ministry of Finance of Ukraine on its EUR-denominated Eurobond issuance (€1 billion, Ukraine)
- Medacta Group, the orthopaedics company, on its IPO on SIX Swiss Exchange (€561 million, Switzerland)
- Watches of Switzerland, the multi-channel luxury watch retailer, on its IPO on the London Stock Exchange (£242 million, UK)

G. Alternative performance measures (APM) - Article 223-1 of the AMF's General Regulation

Alternative Performance Measures	Definition	Reason for use	Reference to the data in the Press release / Investor presentation
Net income – Group share excluding exceptionals	Net income attributable to equity holders excluding exceptional items	To measure Net result Group share of Rothschild & Co excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
EPS excluding exceptionals	EPS excluding exceptional items	To measure Earnings per share excluding exceptional items of a significant amount	In the Press release, please refer to Appendix B.
Adjusted compensation ratio	Ratio between adjusted staff costs divided by consolidated Net Banking Income of Rothschild & Co. Adjusted staff costs represent: 1. staff costs accounted in the income statement (which include the effects of accounting for deferred bonuses over the period in which they are earned as opposed to the "awarded" basis), 2. to which must be added the amount of profit share paid to the French partners, 3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS, - **which gives Total staff costs in calculating the basic compensation ratio** 4. from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, 5. from which the exceptional provision related to UK Guaranteed Minimum Pension 6. the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one, - **which gives the adjusted staff costs for compensation ratio**.	To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.	Please refer: in the Press release to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 24
Return on Tangible Equity (ROTE) excluding exceptional items	Ratio between Net income - Group share excluding exceptional items and average tangible equity group share over the period. Tangible equity corresponds to total equity group share less intangible assets and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2018 and 30 June 2019.	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business	In the Investor presentation release, please refer to slide 34
Business Operating margin	Each Business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items.	To measure business' profitability	Please refer to § 2
Return on Risk Adjusted Capital (RORAC)	Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis. The estimated amount of capital and debt which management believes would be reasonable to fund the group's investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this "risk-adjusted capital" (RAC) amounts to c. 70% of the group's investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, Merchant Banking profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the group's investments NAV), divided by the RAC. Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.	To measure the performance of the Merchant Banking business	In the Investor presentation release, please refer to slide 34