Press release - Half-year 2021 results

Paris, 15 September 2021

Record first half-year results across all three businesses supported by strong market conditions

- **Business performance**:
  - **Global Advisory:** record first half-year revenue, up 57% to €833 million (H1 2020: €529 million), and profit before tax of €168 million[1], up 105% (H1 2020: €82 million), reflecting very strong activity levels across our whole business.
  - **Wealth and Asset Management**: very strong first half-year revenue, up 9% to €274 million (H1 2020: €252 million) and profit before tax of €58 million, up 31% (H1 2020: €44 million). Assets under Management (AuM) reached €87.5 billion (+12% versus December 2020) thanks to strong Net New Assets (NNA) of €3.4 billion combined with a significant positive market performance impact of €6.0 billion.
  - **Merchant Banking**: exceptional first half-year revenue, up 345% to €235 million (H1 2020: €53 million) and profit before tax of €185 million (H1 2020: €10 million), as a result of substantial realised and unrealised investment gains, combined with further growth in recurring revenues. AuM continues to grow and reached €17.1 billion (+9%).
- **Revenue** increased by 61% to €1,350 million (H1 2020: €838 million).
- **Net income - Group share excluding exceptionals[2]** : €346 million (H1 2020: €65 million).
- **Earnings per share (EPS) excluding exceptionals[2]:** €4.78 (H1 2020: €0.88).
- Foreign exchange translation effects reduced revenue by €12 million and Net income – Group share by €1 million.
- Subject to the lifting of regulatory restrictions, exceptional interim dividend in October 2021 of €1.04 per share to compensate for the difference between the dividend actually paid in respect of 2019 and 2020 and the dividend that would have been paid in accordance with our distribution policy, absent regulatory restrictions.
- Considering strong 2021 performance, the Group intends to launch of a share buyback programme of an amount up to €70 million over a 12-month period, subject to ACPR approval

Alexandre de Rothschild, Executive Chairman, commented:

"I would like to thank all of our colleagues who have worked so hard to contribute to our best performance ever. Our success is due to exceptional performances in all three of our businesses.

"Our Global Advisory business recorded its highest first half-year revenue ever, with strong activity across all our markets and different product offerings, reflecting our clients' confidence in our trusted advice on a wide variety of strategic opportunities. The second half of the year has started well with our pipeline for the remainder of the year at peak levels.

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[1] Excluding ongoing investment in the development of our North American M&A franchise
[2] Exceptional items are presented in Appendix B

“In Wealth and Asset Management, AuM grew significantly across all our businesses thanks to record net inflows in Wealth Management, and this, combined with a strong market performance, drove the increase in profit. The acquisition of Banque Pâris Bertrand in Switzerland completed in July, consolidates our position in the Swiss market, in line with our European growth strategy for this business.

“Our Merchant Banking business benefitted from significant investment and performance revenue, in addition to robust growth in recurring revenues, resulting in an outstanding increase in both revenues and profits. The division is reaping the benefits of a measured investment strategy centred on creating long-term value, which is also allowing it to continue to raise new capital to increase AuM even further.

“As a financial services group we can use our influence to help address environmental, social and governance issues at scale and act as a catalyst for change. The continued integration of ESG considerations in our business lines is a critical enabler in the Group’s strategy.

“We are proud of all that we have achieved and conversations with our clients suggest that we should remain optimistic for the second half of the year, provided the current market conditions prevail.”

“Finally, if regulatory restrictions are lifted, we will be pleased to pay an exceptional dividend in October. In addition, thanks to the strong performance of the year, we intend to launch a share buyback programme of an amount up to €70 million, subject to regulatory approval.

1. Summary Consolidated income statement

Rothschild & Co Supervisory Board met on 15 September 2021 and reviewed the half-year summary consolidated financial statements[3] for the period from 1 January to 30 June 2021.

(in € million)	Page	H1 2021	H1 2020	*Var*	*Var %*
Revenue	**3 - 8**	**1,350**	**838**	***512***	***61%***
Staff costs	8	(693)	(523)	*(170)*	*33%*
Administrative expenses	8	(119)	(122)	*3*	*(2)%*
Depreciation and amortisation	8	(34)	(34)	*0*	*0%*
Cost of risk	8	2	(8)	*10*	*(125)%*
Operating Income		**506**	**151**	***355***	***235%***
Other income / (expense) (net)	9	4	(1)	*5*	*(500)%*
Profit before tax		**510**	**150**	***360***	***240%***
Income tax	9	(58)	(28)	*(30)*	*107%*
Net income		**452**	**122**	***330***	***270%***
Non-controlling interests	9	(106)	(62)	*(44)*	*71%*
Net income - Group share		**346**	**60**	***286***	***477%***
Adjustments for exceptionals	12	0	5	*(5)*	*(100)%*
Net income - Group share excl. exceptionals		**346**	**65**	***281***	***432%***
*Earnings per share**		*4.78 €*	*0.82 €*	*3.96 €*	*483%*
EPS excl. exceptionals		***4.78 €***	***0.88 €***	***3.90 €***	***443%***
Return On Tangible Equity (ROTE)		*31.8%*	*6.3%*		
ROTE excl. exceptionals		***31.8%***	***6.8%***		

* *Diluted EPS is €4.71 (H1 2020: €0.82)*

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

[3] Figures have been rounded. Rounding differences may exist, including for percentages.

2. Business activities

2.1 Global Advisory

Our Global Advisory business focuses on providing advice in the areas of Strategic Advisory and M&A, Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory, as well as Investor Advisory where we advise clients around engaging with shareholders on a variety of topics including activism, sustainability and governance.

Revenue for the three months to June 2021 was €439 million, up 68% compared to Q2 2020 (€260 million) and up 11% versus Q1 2021 (€395 million).

Revenue for the six months to June 2021 was a record high of €833 million, up 57% (H1 2020: €529 million), reflecting very strong activity levels across the whole business. For the last twelve months to June 2021, we ranked 5th globally by financial advisory revenue[4].

Profit before tax for the six months to June 2021, excluding ongoing investment in the development of our North American M&A franchise, was **up 105% to €168 million** (H1 2020: €82 million) representing a profit before tax margin of 20.1% (H1 2020: 15.4%). Including the effect of ongoing investment in senior hiring in North America, profit before tax was €165 million (H1 2020: €75 million) with an operating margin of 19.8% (H1 2020: 14.1%).

Our **M&A** revenue for the six months to June 2021 was €573 million, up 49% (H1 2020: €385 million), based on increased deal activity by volume and by value within our main geography and sector franchises, across both corporate and financial sponsor clients. We ranked 3rd globally by number of completed transactions for the first half of 2021[5]. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than 15 years[5].

Financing Advisory revenue for the six months to June 2021 was €260 million, up 80% (H1 2020: €144 million), driven by demand from existing and new clients for advice around restructurings, balance sheet repair and liquidity matters, as well as acquisition finance, refinancing and ECM advisory. We ranked 1st in Europe by number of completed restructuring transactions for the first half of 2021[5], and we advised on more European equity assignments than any other independent financial adviser over the same period[6]. Global Advisory advised clients on innovative sustainability linked financing transactions and sustained its leading role in raising financing for renewable energy projects.

During the first half of 2021, we continued our ongoing strategic investment in North America with the recruitment of a new Managing Director in the North America Financial Sponsors Group. In addition, in early September we welcomed another new MD into our Financial Sponsors Group and announced the opening of a new office in Boston.

Global Advisory advised the following clients on significant selected assignments that completed in H1 2021:

- ***Coca-Cola European Partners*** *on its recommended offer for Coca-Cola Amatil from public shareholders and The Coca-Cola Company (US$8.4 billion, UK, Australia and United States)*
- ***Alstom*** *on its acquisition of Bombardier Transportation and cornerstone investment from CDPQ (€7.5 billion, France and Canada)*
- ***Walmart*** *on its sale of Asda to Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)*
- ***Hertz*** *on its Chapter 11 restructuring (adviser to Ad Hoc Group of European Noteholders - US$19.1 billion, United States and Netherlands)*
- ***Vodafone*** *on its carve-out IPO of Vantage Towers (c.€2.3 billion, United Kingdom and Germany)*

[4] Source: Company filings
[5] Source: Refinitiv
[6] Source: Dealogic

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

- ***Suez** on the recommended tender offer from Veolia (€26.0 billion, France)*
- ***Macquarie Infrastructure and Real Assets Europe** on its acquisition of Autostrade per l'Italia (€9.6 billion, Italy)*
- ***Morrisons** on its recommended offers from CD&R (£7.0 billion, United Kingdom and United States)*
- ***HELLA Family Pool** on the sale of its 60% stake in HELLA to Faurecia (€6.7 billion, Germany and France)*
- ***Pierre & Vacances Center Parcs** on its restructuring (€1.2 billion, France)*

For further examples of Global Advisory assignments completed during the first half of 2021, please refer to Appendix F.

2.2 Wealth and Asset Management

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

2021 was expected to show a strong economic recovery boosted by mass vaccination and a return to normality. However, the pandemic crisis did not end due to new variants and delays in the completion of the vaccination programs across the world. Nevertheless, as central banks continued to provide liquidity to the markets and governments continue to support the local economies, the equity markets remained very positive, which supported the strong performance of the business in the first half of 2021.

Net New Assets (NNA) for the six months to June 2021 were €3.4 billion. Excluding outflows of €0.7 billion from our North American Asset management business (AM US), NNA in Europe were €4.1 billion. This is due to strong NNA across all our European locations despite travel restrictions, more than double compared to H1 2020 (€1.7 billion). This result confirms the strength of our business model as well as the quality of our offerings, services and teams, which continue to attract new clients.

For the six months to June 2021, AuM grew by 12% at €87.5 billion as at 30 June 2021 (31 December 2020: €78.1 billion).

The table below presents the progress in AuM:

	Quarter ended			6 months to June	
In € billion	**30/06/2021**	**31/03/2021**	**30/06/2020**	**2021**	**2020**
AuM opening	**83.6**	**78.1**	**66.7**	**78.1**	**76.0**
of which Wealth Management	*60.9*	*55.8*	*46.6*	*55.8*	*50.5*
of which AM Europe	*14.5*	*14.1*	*10.0*	*14.1*	*15.4*
of which AM US	*8.2*	*8.2*	*10.1*	*8.2*	*10.1*
Net new assets	**1.5**	**1.9**	**(0.3)**	**3.4**	**0.3**
of which Wealth Management	*1.3*	*2.4*	*0.5*	*3.7*	*1.8*
of which AM Europe	*0.3*	*0.1*	*-*	*0.4*	*(0.1)*
of which AM US	*(0.1)*	*(0.6)*	*(0.8)*	*(0.7)*	*(1.4)*
Market and exchange rate	**2.4**	**3.6**	**4.9**	**6.0**	**(5.0)**
AuM closing	**87.5**	**83.6**	**71.3**	**87.5**	**71.3**
of which Wealth Management	*63.7*	*60.9*	*49.9*	*63.7*	*49.9*
of which AM Europe	*15.3*	*14.5*	*13.9*	*15.3*	*13.9*
of which AM US	*8.5*	*8.2*	*7.5*	*8.5*	*7.5*
% var / AuM opening	*5%*			*12%*	

As planned, we completed the acquisition of Banque Pâris Bertrand at the beginning of July, a renowned private bank headquartered in Switzerland, which will be merged with our existing Swiss bank (Rothschild & Co Bank AG) by the end of the year, bringing around €6 billion of additional AuM to our Wealth and Asset Management division in Switzerland and Luxembourg.

We also received the final regulatory approval for the opening of our new office in Madrid, which will start operating in September, extending further our geographical presence in Europe.

Revenue for the three months to June 2021 was €140 million, up 15% compared to Q2 2020 (€121 million) and up 4% versus Q1 2021 (€134 million).

Revenue for the six months to June 2021 was a very strong half-year of €274 million, up 9% (H1 2020: €252 million). In line with the growing AuM base, fees and commissions from our managed and advisory portfolios increased by 11% to €232 million (H1 2020: €209 million) and represent now 85% of our total revenue. As expected, net interest income was down 15% to €25 million (H1 2020: €29 million), due to the impact of the USD and GBP interest rate cuts in March 2020, as well as negative EUR and CHF rates which continue to penalise our treasury revenue. This was partly offset by a 13% (+€0.5 billion) growth of the private client lending book, especially in the Lombard loan book (+€0.3 billion). Globally the lending book remains well collateralised.

Excluding AM US**, Profit before tax for the six months to June 2021 was up 39% at €58 million** (H1 2020: €41 million), representing an operating margin of 22.0% (H1 2020: 17.5%). We do not expect to maintain this level of operating margin for the full year as first-half revenue benefited from the positive market momentum and some costs were still lower than budgeted due to travel restrictions and working from home. Globally costs remain well controlled despite some integration costs in Switzerland related to Pâris Bertrand acquisition.

The business entities continued their efforts in the application of the groupwide Responsible Investment framework and are focused on implementing procedures to support the stated objective of ensuring that more than 85% of Wealth Management discretionary assets and more than 95% of Asset Management Europe open-ended funds eligible to SFDR ("Sustainable Finance Disclosure Regulation") will be classified as article 8 or 9 by the end of 2021.

2.3 Merchant Banking

Merchant Banking is the investment arm of Rothschild & Co which manages capital in private equity and private debt for the firm and third parties.

Revenue for the three months to June 2021 was a record of €131 million, up 309% compared to Q2 2020 (€32 million).

Revenue for the six months to June 2021 was a record half-year of €235 million, up 345% (H1 2020: €53 million) due to significant realised gains on investment disposals, material unrealised value accretion across the entire portfolio and year-on-year growth in recurring revenue. When compared to the average first half-year revenue of the last three years, H1 2021 revenue is up 163%. The table below illustrates the progression in revenue compared to last year.

In € million	H1 2021	H1 2020	% Var
Recurring revenue	58.6	53.1	*10%*
Investment performance revenue	176.1	(0.3)	*n/a*
of which carried interest	*63.6*	*(0.8)*	*n/a*
of which realised and unrealised investments gains and dividends	*112.5*	*0.5*	*n/a*
Total revenue	**234.7**	**52.8**	***345%***
% recurring / total revenue	*25%*	*101%*	

Note: investment and performance revenue comprises c. €50 million, out of a total of €176.1 million, related to investment income earned following valuation uplifts achieved through realisations from the private equity portfolio.

The strong revenue increase in H1 2021 continues the momentum seen with the positive results achieved in the first quarter and is driven by the combination of two positive effects:

- an increase in recurring revenue of 10% (+€5.5 million) compared to H1 2020, in line with the steady growth trajectory achieved as a result of the consistently expanding AuM base; and
- a record-high contribution from investment and performance revenue of €176.1 million, representing a positive variance of €176.4 million compared to H1 2020.

  It is worth noting that, in H1 2020, investment and performance revenue was marginally negative at €0.3 million due to the lack of material valuation uplifts in the private equity positions and negative mark-to-market movements in some of the Credit Management products.

  This H1 2021 performance was the result of:
  - valuation uplifts achieved through successful exits from the private equity portfolio;
  - unrealised valuation gains across multiple private equity portfolios in Europe and the US; and
  - accrued income and positive mark-to-market movements in the Group's private debt positions.

As pointed out in our 2021 first quarter announcement, the investment and performance revenue generated to date in 2021 represents a strong validation of our investment approach and confirms that our portfolios have continued to create value for our investors notwithstanding the challenges posed by the pandemic. The resilience of the three industry sectors we focus on (Data & Software, Healthcare and Technology-Enabled Business Services), the high quality of our assets and our effective portfolio value creation initiatives, translated into higher valuations for our private equity portfolios were the main drivers behind the successful realisations completed in 2021.

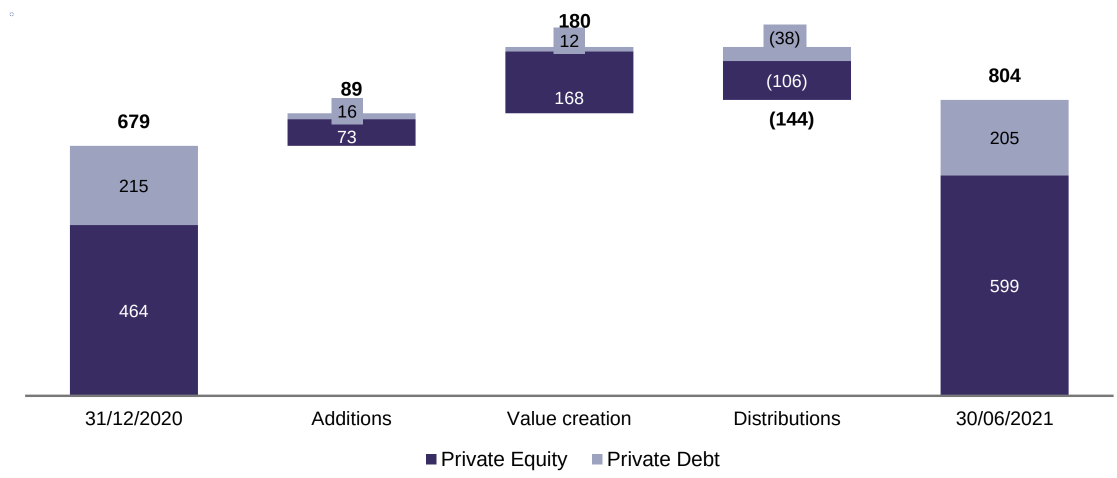
Profit before tax for the six months to June 2021 was €185.3 million, significantly exceeding the result of H1 2020 (€9.5 million) thanks to strong revenue generation combined with careful cost management. This represents an operating margin of 79%, considerably above H1 2020 (18%).

The profit margin of Merchant Banking's fund management activities (which excludes investment and performance revenue) remained robust reaching 16% (H1 2020: 18%). The slight year-on-year decline is mainly driven by higher personnel costs as the division's headcount increased to support new fund launches, larger portfolios and growing AuM.

The critical indicator used to measure the performance across the investment cycle is **Return On Risk Adjusted Capital** ("RORAC"), a ratio comparing the profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 30 June 2021, RORAC was 27% (30/06/2020: 25%), well above the target ("above 15% over the cycle"). The use of a three-year rolling average to calculate this metric has reduced the impact of the profit variance in 2020 and 2021 – and we believe that this methodology provides a fairer representation of the underlying performance of the business.

The alignment of interests between the Group and our third-party investors continues to represent a key differentiator for Merchant Banking. In H1 2021 Rothschild & Co's investments totalled €89 million and disposals and distributions generated proceeds of €144 million for the Group.

Evolution in Net Asset Value of the Group's investments in Merchant Banking products (in € million)



Merchant Banking's total AuM as at 30 June 2021 were €17.1 billion, up 9% versus 31 December 2020 (€15.7 billion), of which Rothschild & Co's share was €1.5 billion.

For a detailed description of the Investment activities and business development of Merchant Banking in the first half of 2021, please refer to appendix G.

3. Consolidated financial results

3.1 Revenue[7]

For H1 2021, revenue was €1,350 million (H1 2020: €838 million), representing an increase of €512 million or 61%. This was largely due to Global Advisory and Merchant Banking where revenue increased by €486 million. The translation effect of exchange rate fluctuations reduced revenue by €12 million.

3.2 Operating expenses

Staff costs

For H1 2021, staff costs were €693 million, up 33% or €170 million (H1 2020: €523 million), which reflects the good underlying performance of our businesses. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €9 million.

The adjusted compensation ratio, as defined in Appendix H on Alternative Performance Measures, was 57.3% as at 30 June 2021 (30 June 2020: 68.0%). When adjusting for the effects of senior hiring in the US for the advisory business and exchange rates, the ratio is 57.2% (30 June 2020: 67.2%). Further, if adjusted for the deferred bonus effect, the ratio is 58.9% (30 June 2020: 66.2%).

The H1 2021 compensation ratio has been positively impacted by higher investment and performance revenue from Merchant Banking on which bonuses are not payable.

Overall Group headcount as at 30 June 2021 was 3,797, up 3% versus 31 December 2020 (3,675). Due to a change of definition, headcount figures have now been restated.

Administrative expenses

For H1 2021, administrative expenses were €119 million (H1 2020: €122 million) representing a decrease of €3 million. The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €1 million.

The administrative expenses reduction continues to reflect the impact of COVID-19, which resulted in savings, mainly in travel and entertaining.

Depreciation and amortisation

For H1 2021, depreciation and amortisation were €34 million (H1 2020: €34 million). The translation impact of exchange rate fluctuations had no significant impact on depreciation and amortisation.

Cost of risk

For H1 2021, cost of risk was a credit of €2 million (H1 2020: charge of €8 million) reflecting the reversal of previous impairment provisions. Last year's charge reflected our conservative approach given the highly uncertain environment.

[7] Net Banking Income under IFRS

3.3 Other income / (expenses)

For H1 2021, other income and expenses resulted in a net income of €4 million (H1 2020: net expense of €1 million) reflecting increases in the value of legacy assets.

3.4 Income tax

For H1 2021, the income tax charge was €58 million (H1 2020: €28 million) comprising a current tax charge of €71 million and a deferred tax credit of €13 million, giving an effective tax rate of 11.4% (H1 2020: 18.8%).

3.5 Non-controlling interests

For H1 2021, the charge for Non-controlling interests was €106 million (H1 2020: €62 million). This mainly comprises interest on perpetual subordinated debt and profit share (*préciput*) payable to French partners in line with the strong performance of the French Global Advisory and Wealth and Asset Management businesses.

4. Financial structure

Rothschild & Co, as a financial holding company (*compagnie financière holding*), is supervised by the ACPR on a consolidated basis. The Group has a solid balance sheet with Group shareholder's equity – Group share as at 30 June 2021 of €2.7 billion (31 December 2020: €2.3 billion). The increase in Group shareholders' equity reflects the retained profit for the period as well as positive movements in reserves relating to actuarial valuations and exchange rate fluctuations, partially offset by dividends and the share buyback.

The CET 1 ratio was 21.3%[8] as at 30 June 2021 which increased from prior year (31 December 2020: 20.1%). The Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The solvency ratios are presented pro forma for current profits[9], net of dividends, for the current financial year, unless specified otherwise.

	30/06/2021	31/12/2020	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio (CET 1)	21.3%	20.1%	7.0%
Global solvency ratio	21.3%	20.1%	10.5%

High levels of liquidity are maintained with cash and treasury assets accounting for 57% of the total assets of €15.6 billion (31 December 2020: 59%). Lending remains conservatively funded by customer deposits with a loan to deposit ratio of 38% as at 30 June 2021 (31 December 2020: 35%)

Operating cash flow[10] ("OCF") is normally negative in the first half of the financial year reflecting the payment of variable remuneration in respect of the previous year, although strongly positive on a full year basis. For the first half of 2021, the OCF was a positive inflow of €105 million (H1 2020: outflow of €178 million) reflecting the very strong H1 2021 performance.

Net book value per share was €37.31 (31 December 2020: €31.90) and net tangible book value per share was €32.98 (31 December 2020: €27.67).

[8] The ratio submitted to ACPR as at 30 June 2021 was 19.0%, which excludes the profit of the first half of the year
[9] Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013
[10] Alternative Performance Measure, please refer to Appendix H

5. Capital management and dividend

Rothschild & Co confirms its intention to pay an exceptional interim dividend in cash of €1.04 per share for the current 2021 financial year to compensate for the difference between the dividend actually paid in respect of 2019 and 2020 and the dividend that would have been paid in accordance with our distribution policy absent regulatory restrictions. This dividend payment is subject to the ACPR confirming the lifting of its restrictions on the payment of dividends as at 30 September 2021. The ex-dividend date is expected to be 18 October 2021 and the interim dividend will be paid on 20 October 2021.

In addition, considering the strong 2021 performance, Rothschild & Co intends to launch a share buyback programme of an amount up to €70 million over a 12-month period, subject to ACPR approval (and assuming no material adverse developments).

These buyback shares will be used either to meet requirements under the equity schemes and share based remuneration plans of Rothschild & Co, up to 1% of share capital, or will be cancelled.

This proposed share buyback programme is in addition to the buyback in June 2021 of a block of shares from the Jardine Matheson Group representing 1.6% of the share capital implemented for an amount of approximately €35 million.

6. Corporate responsibility

Corporate Responsibility and ESG integration continue to be key priorities for the Group.

The Group is a signatory to the UN Global compact and has actively engaged in dialogue with critical stakeholders and rating agencies.

Operationally our key areas of focus in the last year were on employee wellbeing and productivity in a remote working environment, gender and ethnic minority inclusion, with a clear ambition to increase female representation alongside other diverse profiles in our workforce, as well as a sustained reduction in operational greenhouse gas emissions.

All investment business lines have continued, as a business priority, to integrate considerations of ESG risk and opportunity and to develop dedicated responsible investment solutions.

7. Outlook

In **Global Advisory**, announced global M&A market activity for the first half of 2021 was at record levels. This trend is evident in our visible pipeline of business which is well diversified and significantly ahead of previous years at this stage. We expect activity levels to remain strong through the remainder of 2021 and we therefore remain very positive regarding the performance outlook for our business in 2021.

In **Wealth and Asset Management**, after an exceptionally robust first half-year, the outlook remains positive, as long as markets continue to be supportive thanks to our strong new business pipeline, combined with higher than budgeted AuM at the end of June. We are not expecting any changes in the low interest rate environment despite some inflation risks, as stated by the various central banks. The coming months will also be the opportunity to start leveraging the Pâris Bertrand acquisition as well as accelerating the recruitments of new client advisors.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base as we complete the fundraisings for our currently open funds, launch new initiatives, and deploy capital across all our strategies. Additionally, in line with the performance of our portfolios in the first half of 2021, we expect our investments to continue to fulfil their value creation potential, which will generate further investment performance related revenue for the Group, albeit we expect to see a much lower level of investment and performance revenues in the second half versus the first half of 2021. We are confident that our fundamental investing principles, centred around capital preservation and providing attractive risk-adjusted returns from our chosen sectors, represent a strong foundation for the ongoing development of Merchant Banking.

The current macro environment is still positive for our three core businesses. The clear strategies of each business line allow us to be optimistic for a continuing strong performance for the rest of the year, if the current momentum and market conditions persist.

Financial calendar:

- 9 November 2021: Third quarter 2021
- 28 February 2022 Full year results 2021

For further information:

Investor Relations - Marie-Laure Becquart	**Media Relations -** Caroline Nico
InvestorRelation@rothschildandco.com	Groupmediaenquiries@rothschildandco.com
	Media Contact: DGM - Olivier Labesse
	labesse@dgm-conseil.fr

About Rothschild & Co

Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years. With a team of c.3,600 talented financial services specialists on the ground in over 40 countries, Rothschild & Co's integrated global network of trusted professionals provides in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth and Asset Management, and Merchant Banking.

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 €155,395,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Summary consolidated balance sheet

(in € billion)	30/06/2021	31/12/2020	*Var*
Cash and amounts due from central banks	4.9	4.7	*0.2*
Loans and advances to banks	2.2	2.3	*(0.1)*
Loans and advances to customers	4.0	3.5	*0.5*
of which private client lending	*3.6*	*3.1*	*0.5*
Debt and equity securities	2.9	2.7	*0.2*
Other assets	1.6	1.5	*0.1*
Total assets	**15.6**	**14.7**	***0.9***
Due to customers	10.4	9.9	*0.5*
Other liabilities	2.1	2.1	*0.0*
Shareholders' equity - Group share	2.7	2.3	*0.4*
Non-controlling interests	0.4	0.4	*0.0*
Total capital and liabilities	**15.6**	**14.7**	***0.9***

The foreign exchange translation effect between 30 June 2021 and 31 December 2020 had no material effect on the balance sheet.

B. Exceptional income and expenses

(in €m)	H1 2021			H1 2020		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**510**	**346**	***4.78 €***	**150**	**60**	***0.82 €***
- IT transition costs	0	0	- €	(6)	(5)	*(0.06) €*
Total exceptional (charges) / profits	**0**	**0**	**- €**	**(6)**	**(5)**	***(0.06) €***
Excluding exceptional	**510**	**346**	***4.78 €***	**156**	**65**	***0.88 €***

There were no exceptional items in H1 2021.

C. Performance by business

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	H1 2021
Revenue	**833**	**274**	**235**	**8**	**0**	**1,350**
Operating expenses	(668)	(217)	(50)	(31)	120	(846)
Impairments	0	1	0	0	1	2
Operating income	**165**	**58**	**185**	**(23)**	**121**	**506**
Other income / (expense)	0	0	0	0	4	4
Profit before tax	**165**	**58**	**185**	**(23)**	**125**	**510**
Exceptional (profits) / charges	0	0	0	0	0	0
PBT excluding exceptional charges / profits	**165**	**58**	**185**	**(23)**	**125**	**510**
Operating margin %	*20%*	*21%*	*79%*	-	-	*38%*

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	H1 2020
Revenue	**529**	**252**	**53**	**7**	**(3)**	**838**
Operating expenses	(454)	(206)	(43)	(28)	52	(679)
Impairments	0	(2)	0	0	(6)	(8)
Operating income	**75**	**44**	**10**	**(21)**	**43**	**151**
Other income / (expense)	0	0	0	0	(1)	(1)
Profit before tax	**75**	**44**	**10**	**(21)**	**42**	**150**
Exceptional (profits) / charges	0	0	0	0	6	6
PBT excluding exceptional charges / profits	**75**	**44**	**10**	**(21)**	**48**	**156**
Operating margin %	*14%*	*17%*	*19%*	-	-	*19%*

[*] *IFRS reconciliation mainly reflects: the treatment of profit share* (préciput) *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" or administrative expenses excluded from the management accounts; and reallocating cost of risk and certain operating income and expenses for presentational purposes.*

D. FX rates

P&L

Rates	H1 2021	H1 2020	*Var*
€ / GBP	0.8657	0.8773	*(1)%*
€ / CHF	1.0958	1.0642	*3%*
€ / USD	1.2014	1.1065	*9%*

Balance sheet

Rates	30/06/2021	31/12/2020	*Var*
€ / GBP	0.8583	0.8992	*(5)%*
€ / CHF	1.0962	1.0804	*1%*
€ / USD	1.1858	1.2281	*(3)%*

P&L rates are illustrative. P&L is translated at the rates of the month in which P&L is booked.

E. Quarterly progression of revenue

In € million		2021	2020	Var
Global Advisory	1st quarter	394.9	269.1	*47%*
	2nd quarter	438.5	260.3	*68%*
	Total	**833.4**	**529.4**	***57%***
Wealth & Asset Management	1st quarter	134.3	130.8	*3%*
	2nd quarter	139.9	121.4	*15%*
	Total	**274.2**	**252.2**	***9%***
Merchant Banking	1st quarter	103.4	20.7	*400%*
	2nd quarter	131.3	32.1	*309%*
	Total	**234.7**	**52.8**	***345%***
Other business and corporate centre	1st quarter	5.0	3.1	*61%*
	2nd quarter	3.1	4.0	*(23)%*
	Total	**8.1**	**7.1**	***14%***
IFRS reconciliation	1st quarter	(1.4)	(7.3)	*(81)%*
	2nd quarter	0.9	3.6	*(75)%*
	Total	**(0.5)**	**(3.7)**	***(86)%***
Total Group Revenue	**1st quarter**	**636.2**	**416.4**	***53%***
	2nd quarter	**713.7**	**421.4**	***69%***
	Total	**1,349.9**	**837.8**	***61%***

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in H1 2021.

M&A and strategic advisory

- Alstom, the railway services and equipment company, on its acquisition of Bombardier Transportation, and cornerstone investment from CDPQ (€7.5 billion, France and Canada)
- Walmart, the world's largest store-based retailer, on its sale of Asda to Issa Brothers and TDR Capital (£6.8 billion, United States and United Kingdom)
- Coca-Cola European Partners, the non-alcoholic beverages producer and distributor, on its recommended offer for Coca-Cola Amatil from public shareholders and The Coca-Cola Company (US$8.4 billion, UK, Australia and United States)
- Bankia, the Spanish retail bank, on its merger with CaixaBank (€17 billion, Spain)
- Webster Equity Partners on the sale of two of its healthcare portfolio companies, BayMark Health Services and PharmaLogic Holdings, to a continuation vehicle (United States)
- Euronext, the exchange operator, on its acquisition of Borsa Italiana (€4.3 billion, Netherlands, Italy)
- MetLife, one of the world's largest providers of insurance, annuities and employer benefit programmes, on the sale of its US Property and Casualty business to Zurich Farmers Group (c.US$4 billion, United States)
- Clearlake Capital on its take-private acquisition of Endurance International Group, an IT Services company (US$3 billion, United States)
- Jacobs Engineering, a technical professional services firm, on its acquisition of PA Consulting from The Carlyle Group (£1.8 billion, United States, United Kingdom)
- Astorg on its acquisition of Corialis, a leading designer and manufacturer of aluminium profiles for the construction sector, from CVC Capital (€1.6 billion, Belgium)
- WM Holding Co, the leading technology platform for the cannabis industry, on its merger with Silver Spike Acquisition Corp (US$1.5 billion, United States)

Financing Advisory

- Hertz, the global car rental business, on its Chapter 11 restructuring (adviser to Ad Hoc Group of European Noteholders - US$19.1 billion, United States and Netherlands)
- Chesapeake, one of the largest natural gas and crude oil producers in the United States, on its Chapter 11 restructuring (US$10.8 billion, United States)
- AccorInvest, the leading hotel owner & operator, on its debt restructuring, new State-Guaranteed Loan and capital increase (€5 billion, France)
- Vodafone on its carve-out IPO of Vantage Towers, Europe's largest telecoms tower company (c.€2.3 billion, United Kingdom and Germany)
- Europcar Mobility Group, a mobility services solutions company, on its debt restructuring and new money (€1.8 billion, €500 million, respectively, France)
- Allfunds, one of the world's leading B2B WealthTech platforms, on its IPO on Euronext Amsterdam (€2.2 billion, Spain)
- Benteler, a provider of products and services principally to the automotive and energy sectors, on its financial restructuring (€2 billion, Austria)
- Energias de Portugal, an integrated utility and global leader in renewable energy, on its capital increase by EDP Renováveis (€1.5 billion, Portugal)
- Whitbread, the owner of UK hotel and restaurant brands, on its inaugural Green bonds and amend & extend of its bank facility (£550 million and £950 million, respectively, United Kingdom)
- Just Eat Takeaway, a leading global online food delivery service provider, on its dual tranche convertible bond issuance and concurrent delta placing (€1.1 billion, United Kingdom)
- Starling Bank, one of the UK's fastest-growing banks, on its private capital raise led by Fidelity (£272 million, United Kingdom)

G. Investment activities and business development of Merchant Banking in the first half 2021

Private Equity

- Five Arrows Principal Investments I (**FAPI I**), the 1st generation European private equity fund, completed a final liquidity event for investors by selling its remaining assets to a Continuation Fund, still managed by the FAPI team.
- **FAPI II**, the 2nd generation fund, completed a number of successful liquidity events including iad (the leading digital network of independent real estate agents in Europe); Opus2 (the global leader in legal dispute management software and services); and White Clark Group (the leading automotive finance software vendor).
- FAPI II re-invested a portion of the exit proceeds from each of the above disposals into the new transactions to benefit from their continued value creation potential.
- **FAPI III**, the 3rd generation fund, invested in iad, alongside FAPI II, and made a new investment in Causeway (cloud-based construction software business).
- Five Arrows Secondary Opportunities V (**FASO V**), the 3rd generation secondaries fund, completed five portfolio acquisitions. The fund has now committed 60% of its capital across 13 transactions in Europe and the US, investing in 72 underlying portfolio companies.
- Five Arrows Minority Investments (**FAMI**) fully exited its minority co-investment position in ECI Software.
- Five Arrows Growth Capital I (**FAGC I**), the 1st generation European small cap fund, held its final closing, securing total commitments of €456 million, well above its original target of €300 million. The fund completed its first investment in Q2 2021 by acquiring BioPhorum (a global leading collaborative network organiser for the biopharmaceutical industry)
- In the second half of 2021, Merchant Banking will launch a sustainable investment fund in collaboration with Air Liquide and the Solar Impulse Foundation, to invest in profitable SMEs across Europe that aim to have a positive and measurable impact on the environment. The strategy is to target companies that are mainly focused on Energy, Food & Agriculture and Sustainable cities.

Private Debt

- Five Arrows Credit Solutions (**FACS**), the 1st generation mid-market direct lending fund, completed three successful exits: Photobox (a pan-European e-commerce platform); Biogroup (a leading European provider of clinical laboratory testing services); and A-Plan (a leading UK insurance broker).
- Five Arrows Direct Lending (**FADL**) and Five Arrows Debt Partners III (**FADP III**), the 2nd and 3rd generation direct lending funds, also exited their respective positions in Biogroup, and FADL completed a successful exit from Les Nouveaux Constructeurs (a French real estate development company).
- FADP III secured new fund commitments of €454 million, reaching total committed capital of c.€1.1 billion to date, on track to exceed its target size of €1.25 billion. FADP III has invested 31% of its target size to date, completing three new investment transactions in H1 2021:
  - a unitranche financing for Exemplar, a UK provider of high-acuity residential care services, principally to adults with long-term degenerative conditions;
  - a financing package for Agilio Software, a leading developer and provider of software for dental and medical practices in the UK; and
  - a unitranche financing for Bright Futures, a UK provider of education and care services for young people and adults with learning disabilities and special educational needs.
- The **Credit Management** business, investing in senior secured loans and high yield bonds, was extremely active, completing the following transactions:
  - refinancing of three CLO vehicles (Contego IV, Ocean Trails VI and VII), reducing the cost of the debt tranches and increasing projected returns for equity investors;
  - resetting of two CLOs (Contego VI and Ocean Trails 8) extending the investment period, increasing the size of the deals and reducing the cost of the debt tranches;
  - new issuance of CLOs in Europe (Contego IX: assets of €457 million) and in the US (Ocean Trails XI: assets of $406 million); and
  - final closing of Oberon IV, securing total commitments of €333 million, ahead of the original €300 million target.

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

APM	Definition	Reason for use	Reconciliation
Net income – Group share excluding exceptionals	Net income attributable to holders of ordinary equity excluding exceptional items	To measure Net income Group share 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 Revenue 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. 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 revenue 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 34
Businesses' Operating margin	Each business Operating margin is calculated by dividing Profit before tax by revenue, business by business. It excludes exceptional items.	To measure business' profitability	Please refer to § 2
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 (net of tax) and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2020 and 30 June 2021.	To measure the overall profitability of Rothschild & Co excluding exceptional items on the Group share of tangible equity capital in the business	In the Investor presentation release, please refer to slide 47
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 47
Operating Cash Flow (OCF)	Amount of cash generated by the Group's normal business operations in the current financial year. The calculation is done via the indirect method, from the profit before tax.	To measure the amount of cash generated by the group's normal business operations	In the Investor presentation release, please refer to slide 48