Rothschild & Co

Press release – Financial information

Annual results for the financial year to December 2017

Paris, 13 March 2018

Strong performance across all businesses

As a result of the change in the end of the financial year from 31 March to 31 December, the statutory reporting for 2017 covers only nine months (April to December 2017). Rothschild & Co has therefore chosen to present its 12 month consolidated results for the full 2017 calendar year (2017) versus the 2016 calendar year (2016), to enable a better understanding of its performance. Information for the nine month period, from April to December 2017, is presented in Appendix C of this document.

- **Overall revenue for 2017 increased 12%** to €1,910 million (2016: €1,713 million) of which Martin Maurel full consolidation contributed €105 million, and for the fourth quarter up 20% to €571 million (Q4 2016: €477 million)
- **Net income - Group share excluding exceptionals**[1] reached €247 million, **up 35%** (2016: €183 million) and Net income - Group share including exceptionals : €236 million (2016: €179 million), up 32%
- **Earnings per share (EPS) excluding exceptionals** : €3.33, **up 25%** (2016: €2.66) and EPS including exceptionals : €3.18, up 22% (2016: €2.60)
- Negative foreign exchange translation effects of €46 million on revenue but limited to only €4 million on Net income – Group share
- **Dividend of €0.68 per share**

Nigel Higgins and Olivier Pécoux, Managing Partners of Rothschild & Co, commented:

"Rothschild & Co has produced another set of strong results with good growth in revenue and profit.

"Our Global Advisory business delivered another record annual revenue performance with a healthy balance between M&A and Financing Advisory despite lower global M&A market activity levels. Our margins remain satisfactory thanks to continuing cost discipline.

"The consolidation of Martin Maurel combined with good organic growth resulted in a strong increase in our revenue in Private Wealth and Asset Management. Tight cost control and improvement of loss making activities significantly helped to grow our margin, which is on track to reach our target.

"Our Merchant Banking business, where profitability has developed into a major contributor to the Group's growth, continues to increase assets under management, revenue and margin. Our teams have now developed a recognised, niche position in Europe with a solid track record of long-term value creation.

"We will propose a dividend to shareholders of €0.68 per share, which, although at the same level as last year, represents an effective increase since it is only for a nine month period."

– ENDS –

[1] Exceptional items are presented in Appendix B

1. Summary Consolidated Income Statement

(in €m)	Page	2017 (12m to Dec)	2016 (12m to Dec)	Var	Var %
Revenue	**3 - 5**	**1,910**	**1,713**	***197***	***12%***
Staff costs	6	(1,087)	(1,013)	*(74)*	*(7)%*
Administrative expenses	6	(320)	(268)	*(52)*	*(19)%*
Depreciation and amortisation		(34)	(32)	*(2)*	*(6)%*
Impairments	6	(13)	(14)	*1*	*7%*
Operating Income		**456**	**386**	***70***	***18%***
Other income / (expense) (net)	6	21	7	*14*	*200%*
Profit before tax		**477**	**393**	***84***	***21%***
Income tax	6	(65)	(62)	*(3)*	*(5)%*
Consolidated net income		**412**	**331**	***81***	***24%***
Non-controlling interests	7	(176)	(152)	*(24)*	*(16)%*
Net income - Group share		**236**	**179**	***57***	***32%***
Exceptionals	9	11	4	*7*	*185%*
Net income - Group share excl. exceptionals		**247**	**183**	***64***	***35%***
Earnings per share		*3.18 €*	*2.60 €*	*0.58 €*	*22%*
EPS excl. exceptionals		***3.33 €***	***2.66 €***	***0.67 €***	***25%***
Return On Tangible Equity (ROTE)		*16.4%*	*14.1%*		
ROTE excl. exceptionals		*17.2%*	*14.4%*		

[1] *The foreign exchange translation effect between 2016 and 2017 is:*

- *a negative impact on revenue of €46 million*
- *and a negative impact on Net income – Group share of €4 million*

[2] *Diluted EPS is €3.12 for 2017 (2016: €2.56)*

The Supervisory Board of Rothschild & Co SCA met on 13 March 2018 to review the consolidated financial statements for the financial year 2017; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

In sections 2 to 9 of this document, reference to 2017 means 12 months to December 2017, and 2016 means 12 months to December 2016.

An analysis of Exceptional items is shown in Appendix B.

A presentation of Alternative Performance Measures is shown in Appendix H.

2. Rothschild Global Advisory

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

For 2017, Global Advisory delivered another record annual **revenue performance of €1,183 million, 1% higher** than 2016 (€1,171 million) and **ranked 6th globally** by financial advisory revenue for the year to December 2017, maintaining its position from the previous quarter[2].

Operating income for the year, excluding ongoing investment in the development of our North American M&A franchise was €211 million (2016: €212 million), representing an **operating income margin of 17.8%** (2016: 18.1%). Including this investment, the operating income would have been €185 million (2016: €189 million) or a margin of 15.7% (2016: 16.2%).

The compensation ratio, which shows total staff costs on an awarded basis including social taxes as a percentage of revenue, was 65.0% in 2017 (2016: 65.6%) after adjusting for the effects of leaver costs and senior hiring in North America.

In M&A advisory, we continue to outperform compared to the overall M&A market. We **ranked 1st globally and in Europe by numbers of both completed and announced transactions** in 2017, the same position as in the previous year[3]. M&A advisory revenue for the year was €804 million, down 9% year-on-year from a record performance last year (2016: €888 million), in the context of a 11% decline in global completed M&A activity by value.

Financing Advisory revenue increased by 34% to €379 million (2016: €283 million), with particularly strong activity levels in our European Debt Advisory and Equity Advisory businesses as well as in our US restructuring franchise. During the year, we continued to be highly active in large and complex debt advisory and restructuring situations, providing independent advice to clients on c.200 transactions with a total value of c.US$230 billion[4]. For **restructuring** assignments completed during the year, we **ranked 2nd by number of transactions globally and 1st by number of transactions in Europe**[5]. We also provided equity advisory services during the year related to transactions with a total value of c.US$40 billion, and we continue **to advise on more European equity assignments than any other independent adviser**[4].

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. During 2017, fourteen new Managing Directors were hired into our offices in the US, the UK, Japan and Switzerland. In the US, we recruited eight Managing Directors into our M&A advisory team, focusing on clients in the Healthcare, Consumer, Retail and Technology sectors, the latter recruitment being alongside the opening of a new office in Silicon Valley. We also made investments elsewhere during the year by opening two new offices: a new wholly-owned subsidiary in Tokyo employing the full team from our previous alliance partner Global Advisory Japan, as well as the establishment of a new office in Switzerland.

Global Advisory advised the following clients on significant transactions that completed during 2017:

- **Boehringer Ingelheim** on its €22.8 billion strategic asset swap with Sanofi;
- **Arnault Family Group** on its €12 billion tender offer on minority shareholders of Christian Dior, with concurrent advice to Christian Dior on its €6.5 billion disposal of Christian Dior Couture to LVMH;
- **Intel** on its US$15.3 billion acquisition of Mobileye;
- **Metro Group** on its €15 billion demerger into METRO and CECONOMY;
- **Caesars Entertainment Operating Company** (adviser to First Lien Term Loan Lenders) on its US$18.5 billion restructuring.

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

- **Government of Puerto Rico** on its US$100bn+ billion restructuring of financial claims and pension obligations;
- **Essilor** on its €47 billion combination with Luxottica;
- **Zodiac Aerospace** on its €35 billion combination with Safran;
- **Westfield** on its US$24.7 billion combination with Unibail-Rodamco;
- **Melrose** on its £8.1 billion cash and share offer for GKN;
- **Campbell Soup** on its US$6.2 billion acquisition of Snyder's-Lance.

For further examples of Global Advisory assignments completed during 2017, please refer to Appendix G.

[2] Source: Company filings
[3] Source: Thomson Reuters, completed and announced transactions. Excludes accountancy firms.
[4] Source: Dealogic; internal analysis
[5] Source: Thomson Reuters

3. Rothschild Private Wealth & Asset Management

Rothschild Private Wealth & Asset Management (Private Wealth & Asset Management) is made up of Rothschild Martin Maurel (France, Belgium and Monaco), Rothschild Wealth Management & Trust (Switzerland, UK, Germany, Italy and Asia) and Rothschild Asset Management Inc. (North America).

Revenue for 2017 was **€514 million, up 40%** (2016: €368 million) mainly due to organic growth and the consolidation of Martin Maurel (representing €105 million of revenue).

In a highly evolving market that has been challenging on several fronts including regulatory change (MIFID II) and fee pressure from clients, we have undertaken a number of initiatives to build revenue, cut costs and refocus the business on its core activities. This resulted in growth in profitability with Operating income, excluding Martin Maurel integration costs of €27 million, rising to €82 million for 2017 (2016: €7 million excluding Martin Maurel integration costs of €6 million). This represents **a 16% operating margin** (2016: 2%), significantly better than the previous years.

In July 2017, the merger of the two private banks in France of Rothschild & Cie and Martin Maurel Group was completed and the French private banking activity is now operating under the name “Rothschild Martin Maurel”. The operational integration is progressing to plan.

Assets under Management increased to €67.3 billion in 2017 due to €10.0 billion from the merger with Martin Maurel Group, €1.7 billion of net inflows and market appreciation partly offset by negative exchange rate effects of €1.6 billion. Net new assets were driven by inflows of €1.3 billion in Private Wealth across all major geographies and of €0.4 billion in Asset Management.

The table below presents the progress in Assets under Management (AuM).

In € billion	2017	2016
AuM opening (1 January)	**54.0**	**51.0**
Martin Maurel merger	10.0	-
Net new assets	1.7	1.8
Market and exchange rate	1.6	1.2
AuM closing (31 December)	**67.3**	**54.0**

4. Rothschild Merchant Banking

Rothschild Merchant Banking (Merchant Banking) is the investment arm of the Rothschild & Co Group which deploys the firm’s and third parties’ capital in private equity and debt opportunities.

Merchant Banking continued to perform strongly during 2017 generating **revenue of €185 million up 39%** (2016: €133 million). When compared to the average of the last three years revenue is up 28%.

Revenue comprises two main sources:

- Recurring revenue of €61 million was made up of management fees net of placement fees (2016: €51 million),
- Investment performance related revenue of €124 million (2016: €82 million) comprised:
  - €31 million of carried interest (2016: €29 million),
  - €95 million of realised and unrealised investment gains and dividends (2016: €62 million),
  - less €2 million of provisions (2016: €9 million).

Operating income rose to €120 million for 2017 (2016: €82 million), **representing a 65% operating margin** (2016: 62%). To measure the performance of this investing business, we look at the RORAC (Return On Risk Adjusted Capital - being adjusted profit before tax divided by an internal measure of risk capital invested in the business on a rolling three years basis). As at 31 December 2017, the RORAC was 26% (31 December 2016: 25%).

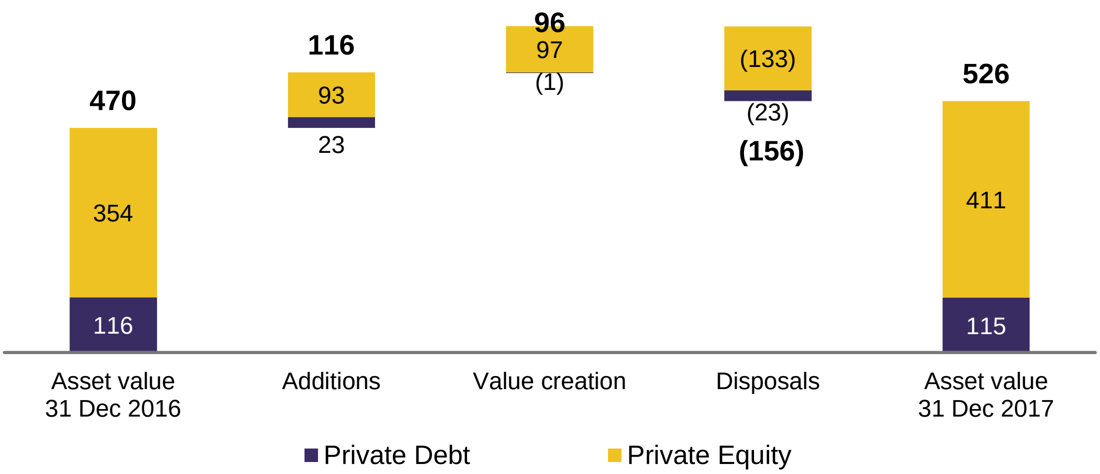
The increase of both revenue and operating income reflects the continuing strong performance of funds, mainly driven by the performance of the Five Arrows business line (corporate private equity, secondaries and private debt). The first primary private equity fund (FAPI I) continues to generate returns not only on the Group's investment therein but also through carried interest being earned. The successor fund (FAPI II) is starting to record investment returns as its portfolio grows and value accretion is recognised on earlier investments. In addition, both secondary private equity funds (FASO III and its successor fund FASO IV) contributed investment and carried interest returns. Finally, management fees have grown 20% year-on-year reflecting the increasing assets under management of the division.

The alignment of interests between the Group and third party investors remains a key differentiator. During the year the Group's share of the investment made by the division amounted to €116 million, of which €94 million was the Group's own investments in funds managed by Merchant Banking, and €22 million in proprietary investments (including those made as part of the Rothschild Private Opportunities co-investment programme).

Disposals generated proceeds of €156 million following the sale of investments in Autodata, a provider of technical automotive data (2.6x MOIC[6]), Munters, a provider of humidity and climate control solutions (2.5x MOIC), Grand Frais, a fresh food retailer (3.3x MOIC), Kisimul, a specialised education and care provider (3.2x MOIC) and Baozun, a leading Chinese digital and e-commerce service partner (5.0x MOIC).

Evolution in asset value of the Group's Merchant Banking assets

(in € million)	**31 December 2017**	**31 December 2016**
Managed private funds	386	299
Rothschild proprietary investments & other	140	171
Total gross assets	**526**	**470**



Thanks to the team's strong track record in private equity and private debt across multiple economic and credit cycles, the division continues to expand.

During the year, within the private equity funds, Merchant Banking held the final closing at €195 million for Arolla, a global multi-manager private equity platform and, within the private debt funds, Five Arrows Direct Lending (FADL), a European mid-market direct lending fund, completed a further closing to bring committed capital to €540 million. Rothschild Credit Management priced its latest CLO, Contego IV at €360 million and raised over €300 million in new commitments for its third Oberon funds (unlevered senior secured loans).

Merchant Banking's assets under management were €7.5 billion as at 31 December 2017 compared to €5.8 billion as at 31 December 2016.

[6] MOIC stands for Multiple On Invested Capital

5. Consolidated financial results

5.1 Revenue

For 2017, revenue was €1,910 million (2016: €1,713 million), representing an increase of €197 million or +12%.

The uplift was largely due to Private Wealth and Asset Management where revenue was up €146 million, of which €105 million was due to the merger with Martin Maurel, and Merchant Banking where revenue increased by €52 million. The translation impact of exchange rate fluctuations impacted revenue negatively by €46 million.

5.2 Operating expenses

Staff costs

For 2017, staff costs were €1,087 million (2016: €1,013 million), representing an increase of €74 million, of which €54 million is related to the first consolidation in respect of the merger with Martin Maurel. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €35 million.

The Group's compensation ratio, as defined in the Appendix H on Alternative Performance Measures, was 63.4% as at 31 December 2017 (31 December 2016: 65.3%). When adjusting for the effects of senior hiring in the US for the advisory business, and exchange rates, the ratio decreased from 64.0% to 62.4%.

Overall Group headcount increased from 2,946 to 3,502 as at 31 December 2017, largely due to the merger of Martin Maurel (+463), new junior staff recruitment and hires in the US.

Administrative expenses

For 2017, administrative expenses were €320 million (2016: €268 million), a net increase of €52 million. Of this increase, €40 million relates to the merger with Martin Maurel, of which €21 million is integration costs (2017: €27 million, 2016: €6 million) and €19 million for the first year of consolidation. The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €6 million.

Depreciation and amortisation

For 2017, depreciation and amortisation was €34 million (2016: €32 million), representing an increase of €2 million, of which €4 million is related to the first consolidation in respect of the merger with Martin Maurel. The translation impact of exchange rate fluctuations resulted in a decrease in depreciation and amortisation of €1 million.

Impairment charges and loan provisions

For 2017, impairment charges and loan provisions were €13 million, €1 million below 2016, which comprises €5 million related to the legacy banking book, €5 million to Global Advisory receivables and the remainder relates to other businesses.

5.3 Other income / (expenses)

For 2017, other income and expenses, which include results from equity accounted companies, was a net income of €21 million (2016: €7 million). The increase mainly comprises the capital gain of €11 million following the sale of one investment in Merchant Banking that was accounted for by the equity method.

5.4 Income tax

For 2017, the income tax charge was €65 million (2016: €62 million) comprising a current tax charge of €68 million and a deferred tax credit of €3 million, giving an effective tax rate of 13.7% (2016: 15.8%).

In France, the Supreme Court decided that the 3% tax paid by French companies on dividend distributions to be contrary to the French Constitution. This decision gives rise to a rebate of €7 million included as a credit in the tax charge and which should be received in 2018.

5.5 Non-controlling interests

For 2017, the charge for Non-controlling interests was €176 million (2016: €152 million). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners that increased over the period in line with the strong performance of the French Global Advisory business.

6. IFRS 9

The impact for the Group of the first-time application of the new IFRS 9 accounting standard on 1 January 2018 is expected to be immaterial at less than 0.1% of CET 1.

7. Dividend

At the Rothschild & Co AGM to be held on 17 May 2018, the Managing Partners will propose an increase of 6% in the annual dividend, in line with the Group's progressive dividend policy. This represents €0.54 per share for the nine months to December 2017 (the equivalent of €0.72 on a full year basis). To compensate for the short financial accounting period, a supplementary payment of €0.14 per share will be made.

The total dividend per share payable for this nine month period, if approved by shareholders, will total €0.68, the same amount as for the 12 month period to March 2017.

8. Financial structure

The Group continues to maintain a high level of liquidity. As at 31 December 2017, total liquid assets as a percentage of total assets was 59% (57% at 31 March 2017).

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 capital ratios above include the benefit of the group profits for the 9 months to December 2017 less the dividend proposed for that period as approved by the ACPR.

The ratios set out below, under full application of the Basel 3 rules, are comfortably above the minimum requirement:

	31/12/2017	31/03/2017	31/12/2016 *(excluding MM group)*	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	18.7%	18.2%	19.3%	7.0%
Global solvency ratio	19.5%	19.1%	20.9%	10.5%

9. Outlook

In Global Advisory, we continue to maintain our position as one of the leading global advisers. Despite lower global M&A market activity in 2017, principally at the large cap end of the market, the conditions for M&A continue to be relatively positive. We therefore expect current activity levels to persist into 2018, although the Group remains alert to the risk of volatility. Our focus remains on growing the business, particularly in the US market whose contribution is increasing as a result of our on-going investment and where we continue to foresee strong potential for growth.

Private Wealth & Asset Management is well positioned to deliver net asset inflows and improving profitability. Our strategy of focussing on our core target markets, leveraging our network and targeting entrepreneurs is bearing fruit across our geographies. In France, the operational integration of Martin Maurel is on track to be finalised by the end of the year.

Merchant Banking is committed to growing its assets under management. Within the Private Equity funds, FAPI II has successfully deployed in excess of 70% of its commitment and we will therefore aim to launch FAPI III in the course of 2018. In the Private Debt funds, following the successful FADL fundraising, we will continue to expand our product offering both in Europe and the US. Overall, our portfolios' performance remains strong but, consistent with our investment philosophy, we remain cautious in our capital deployment efforts, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Overall, financial markets have been much more volatile in recent weeks than seen for the whole of 2017. If such volatility were to continue through 2018 then that could impact market sentiment with a negative effect on our businesses. However, if markets continue to be benign we would expect our performance to be broadly in line with recent years.

Financial calendar:

- 15 May 2018 — First quarter information 2018 (January – March)
- 17 May 2018 — AGM
- 25 September 2018 — Half year results 2018 (January – June)
- 13 November 2018 — Third quarter information 2018 (July – September)

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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, Private 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 €154,815,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Performance by business

To reflect better the Group organisation, we now communicate on three core businesses in the segmental analysis. These are Global Advisory, Private Wealth & Asset Management and Merchant Banking.

(in €m)	Global Advisory	Private Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation	2017 *(12m to Dec)*
Revenue	**1,183**	**514**	**185**	**36**	**(8)**	**1,910**
Operating expenses	(998)	(459)	(65)	(67)	148	(1,441)
Impairments	-	-	-	-	(13)	(13)
Operating income	**185**	**55**	**120**	**(31)**	**127**	**456**
Other income / (expense)	-	-	-	-	21	21
Profit before tax	**185**	**55**	**120**	**(31)**	**148**	**477**
Exceptional charges / (profits)		27				27
PBT excluding exceptional charges / profit	**185**	**82**	**120**	**(31)**	**148**	**504**
Operating margin %	16%	16%	65%			26%

(in €m)	Global Advisory	Private Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation	2016 *(12m to Dec)*
Revenue	**1,171**	**368**	**133**	**34**	**7**	**1,713**
Operating expenses	(982)	(367)	(51)	(74)	161	(1,313)
Impairments	-	-	-	-	(14)	(14)
Operating income	**189**	**1**	**82**	**(40)**	**154**	**386**
Other income / (expense)	-	-	-	-	7	7
Profit before tax	**189**	**1**	**82**	**(40)**	**161**	**393**
Exceptional charges / (profits)		6				6
PBT excluding exceptional charges / profit	**189**	**7**	**82**	**(40)**	**161**	**399**
Operating margin %	16%	2%	62%			23%

Martin Maurel group contribution to Operating income for 2017 was €28 million (2016: nil).

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; and reallocation of impairments and certain operating income and expenses.

B. Exceptional items

(in €m)	2017 *(12m to Dec)*			2016 *(12m to Dec)*		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**477**	**236**	***3.18 €***	**393**	**179**	***2.60 €***
- Martin Maurel integration costs	(27)	(18)	*(0.24) €*	(6)	(4)	*(0.06) €*
- One-off tax credit	-	7	*0.09 €*	-	-	
Total Exceptional (Costs) / Gains	**(27)**	**(11)**	***(0.15) €***	**(6)**	**(4)**	***(0.06) €***
Excluding Exceptional	**504**	**247**	***3.33 €***	**399**	**183**	***2.66 €***

C. Key consolidated data for 9 months to December 2017 (1 April to 31 December 2017)

C.1. Summary Consolidated Income Statement

On 21 March 2017, the Company announced that it would change its financial year end from 31 March to 31 December. This change has been approved at the general meeting of shareholders on 28 September 2017.

The statutory accounts report the results for the nine months to 31 December 2017 with a comparison of the previous financial period, being the 12 months to March 2017. The Consolidated Income statement is summarised below.

(in €m)	2017 *(9m to Dec)*	2017 *(12m to March)*
Revenue	**1,423**	**1,767**
Staff costs	(821)	(1,016)
Administrative expenses	(237)	(279)
Depreciation and amortisation	(25)	(32)
Impairments	(5)	(11)
Operating Income	**335**	**429**
Other income / (expense) (net)	19	7
Profit before tax	**354**	**436**
Income tax	(39)	(70)
Consolidated net income	**315**	**366**
Non-controlling interests	(124)	(180)
Net income - Group share	**191**	**186**
Exceptionals	8	7
Net income - Group share excl. exceptionals	**199**	**193**
Earnings per share	*2.55 €*	*2.64 €*
EPS excl. exceptionals	***2.66 €***	***2.74 €***
Return On Tangible Equity (ROTE)	*16.1%*	*14.0%*
ROTE excl. exceptionals	*16.8%*	*14.6%*

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C.2. Performance by business

(in €m)	Global Advisory	Private Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation	2017 *(9m to Dec)*
Revenue	**855**	**386**	**165**	**33**	**(16)**	**1,423**
Operating expenses	(737)	(347)	(50)	(50)	101	(1,083)
Impairments	-	-	-	-	(5)	(5)
Operating income	**118**	**39**	**115**	**(17)**	**80**	**335**
Other income / (expense)	-	-	-	-	19	19
Profit before tax	**118**	**39**	**115**	**(17)**	**99**	**354**
Exceptional charges / (profits)		23				23
PBT excluding exceptional charges / profit	**118**	**62**	**115**	**(17)**	**99**	**377**
Operating margin %	14%	16%	70%			26%

(in €m)	Global Advisory	Private Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation	2017 *(12m to March)*
Revenue	**1,190**	**405**	**141**	**28**	**3**	**1,767**
Operating expenses	(987)	(392)	(51)	(64)	166	(1,328)
Impairments	-	-	-	-	(11)	(11)
Operating income	**203**	**14**	**90**	**(36)**	**158**	**429**
Other income / (expense)	-	-	-	-	7	7
Profit before tax	**203**	**14**	**90**	**(36)**	**165**	**436**
Exceptional charges / (profits)		11				11
PBT excluding exceptional charges / profit	**203**	**25**	**90**	**(36)**	**165**	**447**
Operating margin %	17%	6%	64%			25%

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; and reallocation of impairments and certain operating income and expenses.

C.3. Exceptional items

(in €m)	2017 *(9m to Dec)*			2017 *(12m to March)*		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**354**	**191**	***2.55 €***	**436**	**186**	***2.64 €***
- Martin Maurel integration costs	(23)	(15)	*(0.20) €*	(11)	(7)	*(0.10) €*
- One-off tax credit	-	7	*0.09 €*	-	-	-
Total Exceptional (Costs) / Gains	**(23)**	**(8)**	***(0.11) €***	**(11)**	**(7)**	***(0.10) €***
Excluding Exceptional	**377**	**199**	***2.66 €***	**447**	**193**	***2.74 €***

D. Summary Consolidated Balance sheet

(in €bn)	31/12/2017	31/03/2017	31/12/2016
Cash and amounts due from central banks	3.9	3.9	3.3
Loans and advances to banks	1.7	1.9	1.3
Loans and advances to customers	3.0	2.9	1.6
of which Private client lending	*2.4*	*2.3*	*1.4*
Debt and equity securities	2.1	2.1	1.5
Other assets	1.4	1.4	1.2
Total assets	**12.1**	**12.2**	**8.9**
Due to customers	7.8	8.1	5.3
Other liabilities	1.9	1.8	1.5
Shareholders' equity - Group share	1.9	1.8	1.5
Non-controlling interests	0.5	0.5	0.6
Total capital and liabilities	**12.1**	**12.2**	**8.9**

Balance sheet as at 31 December 2016 is unaudited.

The foreign exchange translation effect between 31 December 2017 and 31 March 2017 was a negative effect of €0.5 billion on total assets.

E. FX rates

P&L

Rates	2017 *(12m to Dec)*	2016 *(12m to Dec)*	*Var*
€ / GBP	0.8762	0.8168	*7%*
€ / CHF	1.1115	1.0900	*2%*
€ / USD	1.1296	1.1052	*2%*

Balance sheet

Rates	31/12/2017	31/03/2017	31/12/2016
€ / GBP	0.8877	0.8553	0.8562
€ / CHF	1.1702	1.0706	1.0739
€ / USD	1.2008	1.0695	1.0541

P&L

Rates	2017 *(9m to Dec)*	2017 *(12m to March)*	*Var*
€ / GBP	0.8815	0.8412	*5%*
€ / CHF	1.1256	1.0835	*4%*
€ / USD	1.1510	1.0975	*5%*

F. Quarterly progression of revenue

In €m		**2017** *(12m to Dec)*	**2016** *(12m to Dec)*	**Var**
Rothschild Global Advisory	1st quarter	328.2	309.3	*+6%*
	2nd quarter	225.4	240.3	*(6%)*
	3rd quarter	266.7	296.3	*(10%)*
	4th quarter	363.1	324.7	***+12%***
	Total	**1,183.4**	**1,170.6**	***+1%***
Rothschild Private Wealth & Asset Management	1st quarter	128.3	91.6	*+40%*
	2nd quarter	126.0	89.4	*+41%*
	3rd quarter	120.9	90.3	*+34%*
	4th quarter	**139.0**	96.7	***+44%***
	Total	**514.2**	**368.0**	***+40%***
Rothschild Merchant Banking	1st quarter	19.5	11.8	*+65%*
	2nd quarter	47.5	55.8	*(15%)*
	3rd quarter	50.0	16.8	*+198%*
	4th quarter	**68.0**	48.9	***+39%***
	Total	**185.0**	**133.3**	***+39%***
Other businesses and corporate centre	1st quarter	3.5	7.6	*(54%)*
	2nd quarter	14.0	8.5	*+65%*
	3rd quarter	5.5	9.3	*(41%)*
	4th quarter	**13.1**	8.7	***+51%***
	Total	**36.1**	**34.1**	***+6%***
IFRS reconciliation	1st quarter	7.7	12.3	*(37%)*
	2nd quarter	(3.0)	(3.8)	*(21%)*
	3rd quarter	(0.7)	(0.4)	*75%*
	4th quarter	**(12.5)**	(1.5)	***n/a***
	Total	**(8.5)**	**6.6**	***n/a***
Total Group Revenue	**1st quarter**	**487.2**	**432.6**	***+13%***
	2nd quarter	**409.9**	**390.2**	***+5%***
	3rd quarter	**442.4**	**412.3**	***+7%***
	4th quarter	**570.7**	**477.5**	***+20%***
	Total	**1,910.2**	**1,712.6**	***+12%***

G. Global Advisory track record

Rothschild Global Advisory advised the following clients on notable transactions completed in the year 2017

M&A and strategic advisory

- Boehringer Ingelheim, a leading pharmaceutical company, on its strategic asset swap with Sanofi (€22.8 billion, Germany, France)
- Arnault Family Group on its tender offer on minority shareholders of Christian Dior, the luxury fashion brand, with concurrent advice to Christian Dior on its disposal of Christian Dior Couture to LVMH (€12 billion and €6.5 billion respectively, France)
- Intel, the world leader in the design and manufacturing of computing devices, on its acquisition of Mobileye (US$15.3 billion, United States, Israel)
- Metro Group, an international specialist in wholesale and food retail, on its demerger into METRO and CECONOMY (€15 billion, Germany)
- Technip, the world leader in project management, engineering and construction for the energy industry, on its combination with FMC Technologies to create TechnipFMC (€11 billion, France, United States)
- BM&FBOVESPA, the only securities, commodities and futures exchange in Brazil, on its combination with Cetip (US$11.2 billion, Brazil)
- Asahi Group Holdings, the leading Japanese beverage company, on its acquisition of SABMiller's Central and Eastern European business from Anheuser-Busch InBev (€7.3 billion, Japan, various CEE)
- SunEdison, the renewable energy development company, on its sale of stakes in Terraform Power and Terraform Global to Brookfield (US$1.3 billion and US$6.6 billion respectively, United States)
- Bain Capital and Cinven on their public takeover offer for STADA, the pharmaceuticals company (€5.4 billion, Germany)
- Vivendi, the media and content group, on its acquisition of Havas Group (€4.1 billion, France)
- Engie, a global energy player and main shareholder of Suez, on the acquisition of GE Water & Process Technologies by Suez (€3.2 billion, France, United States)
- Kennedy Wilson Europe Real Estate, a property investment and acquisition company, on its recommended all share offer by Kennedy Wilson Holdings (£2.7 billion, United Kingdom, United States)
- SourceHOV, the transaction processing service, on its three-way merger to form Exela Technologies (US$2.8 billion, United States)
- Koch Equity Development, an investment company with diverse assets, on its minority investment in Infor (US$2+ billion, United States)
- IP Group, the Intellectual property business, on its combination with Touchstone Innovations, and £200m equity raise (£1.3 billion, United Kingdom)
- Lone Star on its acquisition of a 75% stake in Novo Banco, the third largest bank in Portugal (€1 billion, US, Portugal)

Financing advisory

- Teva Pharmaceutical, the world's largest generic medicines producer, on its multi-currency offering of senior notes (US$20.4 billion, Israel)
- Caesars Entertainment Operating Company (adviser to First Lien Term Loan Lenders), the owner and operator of gaming and resort properties, on its restructuring (US$18.5 billion, United States)
- Avaya, (adviser to the Ad Hoc Bondholder Committee), a provider of communication software and services, on its restructuring (US$8 billion, United States)
- Ultra-Petroleum, the independent energy and power company, on its Chapter 11 restructuring (US$6 billion, United States)
- Greece's Public Debt Management Agency on its bond issue and liability management exercise (€3 billion and €1.5 billion respectively, Greece)
- Ministry of Finance of Ukraine on its 15-year Eurobond issue and tender offer on outstanding 2019 and 2020 Eurobonds (US$3 billion and US$1.6 billion respectively, Ukraine)
- Irish Department of Finance on its privatisation IPO of Allied Irish Banks (€3.4 billion, Republic of Ireland)
- Premier Oil, the UK's largest independent oil and gas exploration and production company, on its amending and refinancing of debt facilities (US$3.8 billion, United Kingdom)
- Ant Financial, the financial services data and technology company, on its debt raising (US$3.5 billion, China)
- U.S. Steel Canada, the leading integrated steel producer in Canada, on its restructuring and sale to Bedrock Industries (US$3.3 billion, Canada)
- Codelco, the Chilean state-owned copper mining company, on its dual-tranche issuance and associated liability management exercise (US$2.75 billion, Chile)
- Royal Dutch Shell, the global oil and gas company, on its sell-down of its remaining 13.28% shareholding in Woodside Petroleum (US$2.7 billion, Netherlands, Australia)
- BAWAG Group, the Austrian bank, and its shareholders on its IPO (€1.9 billion, Austria)
- Sorgenia, the Italian electricity and natural gas operator, on its debt restructuring (€1.5 billion, Italy)
- NLFI, the corporate governance organisation created by the Dutch State, on its sell-down of a 7% stake in ABN AMRO, (€1.5 billion, Netherlands)
- Emaar Properties and Emaar Development on the IPO of Emaar Development on the Dubai Financial Market (US$1.3 billion, UAE)

H. 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 and C.
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 and C.
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. 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 § 5.2 Operating expenses / Staff costs and in the Investor presentation to slide 28
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 2017 and 31 December 2016.	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 39
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, RMB 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 Rothschild Merchant Banking business	In the Investor presentation release, please refer to slide 39

Rothschild & Co