Press release

Full year 2019 results

Paris, 10 March 2020

Good results coming off the back of a record year 2018

- **Strong underlying business performance** as evidenced by:
  - **Global Advisory**: number one adviser in Europe for more than a decade and number two globally by number of deals
  - **Wealth & Asset Management**: growth of 17% in assets under management thanks to strong net new assets of €2.4 billion and favourable market effect
  - **Merchant Banking**: growth of 27% in assets under management and a 9% increase of profit
- **Revenue** decreased by 5% to €1,872 million (2018: €1,976 million)
- **Net income - Group share excluding exceptionals**[1] : €233 million (2018: €303 million) and Net income - Group share including exceptionals: €243 million (2018: €286 million)
- **Earnings per share (EPS) excluding exceptionals[1]:** €3.24 (2018: €4.10) and EPS including exceptionals: €3.38, (2018: €3.88)
- Foreign exchange translation effects increased revenue by €23 million but had a negligible effect on Net income – Group share
- **+8% dividend increase** at €0.85 per share, pay-out ratio of 26%

Alexandre de Rothschild, Executive Chairman, commented:

"2018 was a record year for the Group and we are pleased that Rothschild & Co has again in 2019 produced good results thanks to outstanding employees, its balanced business mix, broad client reach and underlying strong European position.

"Our Global Advisory business has performed well despite lower market activity. We continue to advise on more transactions than any other adviser in Europe, providing solid revenue streams and placing us in a unique position to understand market trends and enabling us to provide the best advice to our clients. We enjoyed an exceptionally strong fourth quarter which gives us good momentum going into 2020.

"Our Wealth & Asset Management business continues to attract new clients thanks to our long-term investment approach. This has resulted in a high level of net new assets which, combined with positive market conditions, have contributed to further growth in assets under management.

"Merchant Banking enjoyed another strong year with positive developments across all of our strategies, as evidenced by a 27% growth in assets and a significant contribution to Group profits.

"We are delighted to announce that an increase of 8% in our dividend will be proposed to shareholders at our AGM in May. This reflects our confidence in the fundamentals of our business model and our ability to deliver growth and good returns over the medium and long term. Recent market events, notably linked to the outbreak of coronavirus, are obviously increasing the level of uncertainty in the short term in the different markets in which we operate but it is too early to determine the impact on our activity levels and profitability."

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[1] Exceptional items are presented in Appendix B

1. Summary Consolidated Income Statement

The Supervisory Board of Rothschild & Co SCA met on 10 March 2020 to review the consolidated financial statements from 1 January 2019 to 31 December 2019; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

(in €m)	Page	2019	2018	*Var*	*Var %*
Revenue	**3 - 6**	**1,872**	**1,976**	***(104)***	***(5)%***
Staff costs	6	(1,065)	(1,098)	*33*	*(3)%*
Administrative expenses	6	(289)	(309)	*20*	*(6)%*
Depreciation and amortisation	7	(66)	(30)	*(36)*	*120%*
Impairments	8	(6)	(4)	*(2)*	*50%*
Operating Income		**446**	**535**	***(89)***	***(17)%***
Other income / (expense) (net)	8	19	(4)	*23*	*N/A*
Profit before tax		**465**	**531**	***(66)***	***(12)%***
Income tax	8	(68)	(77)	*9*	*(12)%*
Consolidated net income		**397**	**454**	***(57)***	***(13)%***
Non-controlling interests	8	(154)	(168)	*14*	*(8)%*
Net income - Group share		**243**	**286**	***(43)***	***(15)%***
Adjustments for exceptionals	11	(10)	17	*(27)*	*(159)%*
Net income - Group share excl. exceptionals		**233**	**303**	***(70)***	***(23)%***
Earnings per share [1]		*3.38 €*	*3.88 €*	*(0.50) €*	*(13)%*
EPS excl. exceptionals		***3.24 €***	***4.10 €***	***(0.86) €***	***(21)%***
Return On Tangible Equity (ROTE)		*13.2%*	*17.0%*		
ROTE excl. exceptionals		***12.6%***	***18.0%***		

[1] Diluted EPS is €3.35 (2018: €3.82)

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 Strategic Advisory and M&A, Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory, and Investor Advisory advising on engaging with shareholders on a variety of topics including activism, sustainability and governance.

Global Advisory delivered **record quarterly revenue of €394 million in the fourth quarter of 2019, up 16% QoQ** (Q4 2018: €339m), reflecting continued momentum in the business.

For the full year of 2019, **revenue was €1,160 million, 9% lower than 2018** (€1,271 million), which was our record year. For the twelve months to December 2019, we **ranked 7th globally** by financial advisory revenue[2].

Operating income for 2019, excluding ongoing investment in the development of our North American M&A franchise, was €182 million (2018: €255 million), representing **an operating income margin of 16%** (2018: 20%) and continues to be within our target range over the cycle. Including the effect of ongoing investment in senior hiring in North America, operating income was €166 million (2018: €233 million) with an operating income margin of 14% (2018: 18%).

Total costs were down 4%, reflecting lower variable compensation costs, partly offset by investments in recruiting and retaining talent, as well as in marketing, technology, market data and infrastructure. The compensation ratio, which includes total compensation, benefits and social taxes on an awarded basis shown as a percentage of revenue, was 64.9% in 2019 (2018: 63.4%), after adjusting for the effects of senior hiring in North America and leaver costs.

M&A advisory revenue for the year was €875 million, down 7% compared to last year (2018: €941 million) but compared favourably to a 14% fall in global M&A activity[3]. For 2019, we maintained our market leading position ranking **2nd globally and 1st in Europe by number of completed transactions**[4]. During the year, we advised clients on c. 340 completed M&A transactions with a total value of c. US$330 billion.

Financing Advisory revenue decreased by 14% to €285 million (2018: €330 million). This reflected more challenging equity markets and cyclically low levels of corporate restructuring activity particularly in our US business. Despite this, we continued to be highly active in large and complex debt advisory and restructuring situations, providing advice to clients on c. 190 transactions with a total value of c. US$120 billion[5]. We also provided equity advisory services during the year related to transactions with a total value of c. US$25 billion and we, once again, advised on more European equity assignments than any other independent adviser[6] during the year.

Our relatively new **Investor Advisory** business continues to grow successfully. In 2019 we advised 91 clients globally, on investor related issues including governance, perception studies, engagement strategy and targeting. We engaged with over 430 Institutions and we ended the year advising 10 clients defending Activist campaigns.

We continue to add to and strengthen our senior team. During 2019, we promoted 19 new MDs across the business, demonstrating our focus on growing talent from within. In addition, we have recruited new MDs into our German, Asian and French businesses, as well as a new Head of Sovereign Advisory and a new Co-Head of Shareholder Engagement to enhance our Investor Advisory practise. We also continued our ongoing strategic investment in North America, with five new MDs joining, including four focusing respectively on clients in the Financial Institutions, Technology, Consumer Products and Infrastructure, Power and Renewables sectors and one covering Investor Advisory.

During the last quarter of 2019, Global Advisory completed the acquisition of Livingstone in the United Kingdom. The acquired business, which focuses on the UK lower-mid market segment, has been renamed Arrowpoint Advisory. We believe this is a unique opportunity for us to take advantage of a significant transactional flow in which we have not hitherto actively participated. Also, in the same quarter, we acquired a significant minority investment in Redburn, an independent producer of premium European equity research and agency execution services. This strategic partnership between two of Europe's leading independent firms will enhance the industrial and market insight available to their respective client groups.

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[2] Company filings
[3] Refinitiv
[4] Refinitiv, completed transaction, excludes accountancy firms
[5] Refinitiv, internal analysis
[6] Dealogic

Global Advisory advised the following clients on significant advisory assignments that completed during 2019:

- **Prudential** on the demerger of its UK and Europe business into Prudential and M&G Prudential (£37 billion, UK)
- **A consortium of EQT, ADIA and PSP Investments** on its acquisition of Nestle Skin Health (CHF10.2 billion, Switzerland)
- **The Coca-Cola Company** on its acquisition of Costa Coffee (US$5.1 billion, United States and UK)
- **Dassault Systèmes** on its inaugural senior unsecured bond issuance (€3.65 billion, France)
- **Volkswagen** on its carve-out IPO of TRATON on the 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 advisor to:

- **PG&E** on its restructuring (adviser to creditors - US$52 billion, United States)
- **Asahi Group Holdings** on its acquisition of Carlton & United Breweries from Anheuser-Busch InBev (US$11.3 billion, Japan, Australia and Belgium)
- **Cobham** on its sale to Advent International (c.£4.2 billion, United Kingdom)[7]
- **Cision** on its sale to Platinum Equity (US$2.74 billion, United States)[7]
- **Wumei** on the acquisition of an 80% stake in METRO China (€1.9 billion, China, Germany)

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

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 and helped significantly by the synergies between our three businesses, continues to flourish.

Net New Assets (NNA) was strong at €2.4 billion. All European countries in Wealth Management saw positive net inflows, with a record year in France. Asset Management recorded a small net outflow of €0.1 billion, with net inflows in France offset by net outflows in North America.

Assets under Management (AuM) increased by 17% (€11.2 billion) to €76.0 billion as at 31 December 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 2019 following the decline in the fourth quarter of 2018.

The table below presents the progress in Assets under Management.

	Fourth quarter		12 months	
In € billion	**2019**	**2018**	**2019**	**2018**
AuM opening	**73.7**	**70.0**	**64.8**	**67.3**
Net new assets	(0.4)	(0.5)	2.4	1.5
of which Wealth Management	*(0.1)*	*0.1*	*2.5*	*2.2*
of which Asset Management	*(0.3)*	*(0.6)*	*(0.1)*	*(0.7)*
Market and exchange rate	2.7	(4.7)	8.8	(4.0)
AuM closing (31 December)	**76.0**	**64.8**	**76.0**	**64.8**
% var / AuM opening	*3%*		*17%*	

[7] Transaction completed in January 2020

Wealth & Asset Management delivered **strong quarterly revenue of €134 million in the fourth quarter of 2019 up 12%** (Q4 2018: €120 million).

For the full year of 2019, **revenue was €497 million** (2018: €480 million), up 3%. This reflects two opposing factors; (i) an increase in fees and commissions supported by positive market performance during 2019 and excellent net asset inflows; (ii) neutralising the lower income on our treasury activity resulting from a decline in US$ interest income and the higher impact of negative interest rates on increased European Central Bank deposits. The latter is due to strong asset inflows which have increased clients' cash balances. The negative impact of the interest environment caused our treasury revenue to decline by 27% which more than offset the strong growth in income on our private client lending activities, resulting in a net decline in Net interest income (NII) of 10%.

Operating income for 2019 was €73 million (2018: €85 million pre-Martin Maurel integration costs, or €76 million including these costs), representing an **operating margin of 14.7%** (2018: 17.7% pre-Martin Maurel integration costs, or 15.8% including these costs). This mainly reflects higher costs in the period relating to additional personnel costs (recruitment of client advisers in 2018 with a full impact in 2019 and opening of Dusseldorf office) higher compliance and IT costs as well as NII effect.

The profitability target set for Wealth & Asset Management was fixed in 2017 when future interest rate expectations were more positive. We now believe our target of around 20% of PBT margin will be achieved in 2022 rather than 2020. This two-year delay mainly reflects the more challenging interest rate environment, higher costs linked to more complex regulation and our investment in technology, to respond to our clients' requirements.

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.

Merchant Banking delivered **strong quarterly revenue of €56 million in the fourth quarter of 2019 up 22%** (Q4 2018: €46 million).

The division continued to perform strongly during 2019, generating **revenue of €197 million, up 13%** (2018: €175 million). When compared to the average full-year revenue for the last three years, revenue is up 20%.

The table below illustrates the growth in revenue.

In € million	2019	2018	% Var
Recurring revenue	91	70	*31%*
Investment performance related revenue	106	105	*1%*
of which carried interest	*48*	*36*	*33%*
of which realised and unrealised investments gains and dividends	*58*	*69*	*(15)%*
Total revenue	**197**	**175**	***13%***
% recurring / total revenue	*46%*	*40%*	

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

Merchant Banking's strategy is to steadily increase its recurring revenue stream (46% of total revenue in 2019 versus 22% in 2014) through the expansion of its Assets under Management ("AuM") by launching new funds. The execution of this strategy has been successful so far with recurring revenue more than doubling over the last six years. Further, by deploying its capital over a larger and more diversified range of asset classes, Merchant Banking should be able to reduce the volatility in investment performance revenue in future years.

Operating income was €111 million in 2019, up 9% (2018: €102 million), representing a 56% operating margin (2018: 59%). Investment performance-related revenue from core strategies remained strong in 2019, as Merchant Banking's flagship European mid-market private equity funds, FAPI I and FAPI II, continued to deliver successful exits, as well as generating significant unrealised gains on their existing investments.

A critical indicator to measure the performance of Merchant Banking is Return On Risk Adjusted Capital ("RORAC"), a ratio comparing the adjusted profit before tax and an internal measure of risk capital invested in the business, on a rolling three year basis. As at 31 December 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 our third-party investors remains a key differentiator for this business. During 2019 the Group's share of the capital deployed by the division amounted to €126 million, invested across multiple corporate and secondary private equity funds as well as direct lending funds and credit management. Disposals generated proceeds for the Group of €104 million mainly driven by the realisations of (i) two investments in FAPI I fund; Pirum (leading provider of specialist post-trade market infrastructure software, 3.2x MOIC[8] in GBP terms and 2.7x MOIC in EUR terms) and Socotec (European provider of testing, inspection and certification services, 2.7x MOIC) and (ii) one investment in FAPI II fund; Karnov (Scandinavian provider of legal, tax & accounting information, 3.8x MOIC in SEK terms and 3.3x MOIC in EUR terms).

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

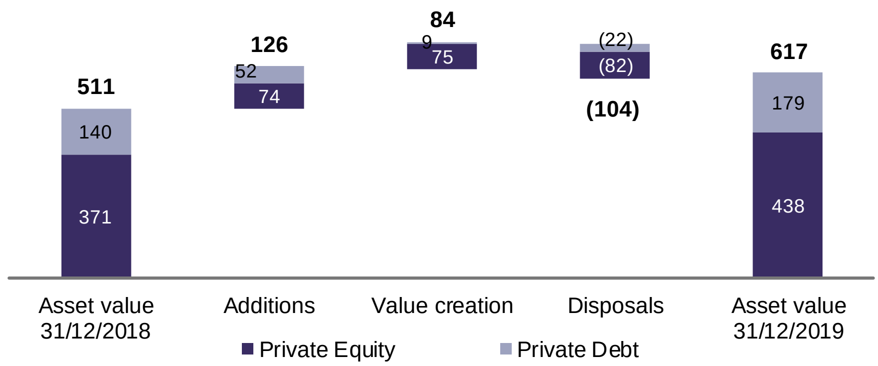
- the final closing of FAPI III, the third-generation fund of Merchant Banking's flagship European mid-market corporate private equity strategy, raising in excess of €1.25 billion. The fund has started to deploy its capital and has completed three investments in its target sectors of Healthcare & Education, Data & Software and Technology-enabled Business Services,
- the final closing of Five Arrows Secondary Opportunities V (FASO V), our specialist secondary private equity fund focused on mid-cap secondary direct transactions, raising in excess of €1.0 billion, and
- the first closing (€206 million) of Five Arrows Private Equity Programme II (FAPEP II), the second-generation multi-strategy fund investing in primary private equity funds, secondaries and co-investments in the lower mid-market globally. The fundraising activity will continue in 2020 and is expected to be completed during the year.

Merchant Banking also expanded its Direct Lending and Credit Management franchises as well, with:

- the launch of Five Arrows Debt Partners III (FADP III), its third European direct lending fund, with a fundraising target of €1.25 billion, focused on investing in the senior-secured and junior debt of mid-market European corporates,
- the first closing of Five Arrows Global Loan Investments (GLI) at €205 million, a new vehicle that invests in the subordinated tranches of the CLOs managed by the Credit Management team, and
- the ongoing expansion of its managed CLO base, pricing the European CLO structure Contego VII at €450 million, as well as an additional CLO structure focused on the US market, Ocean Trails VII, at $400 million.

Merchant Banking's AuM were €14.0 billion as at 31 December 2019 (31 December 2018: €11.1 billion), **up 27%,** mainly due to new funds launches FAPI III and FASO V, and new CLO vehicles in Europe and the US.

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



[8] MOIC stands for Multiple On Invested Capital

3. Consolidated financial results

3.1 Revenue

For 2019, revenue was €1,872 million (2018: €1,976 million), representing a decrease of €104 million or 5%. This was largely due to Global Advisory where revenue decreased by €111 million. The translation effect of exchange rate fluctuations increased revenue by €23 million.

3.2 Operating expenses

Staff costs

For 2019, staff costs were €1,065 million (2018: €1,098 million), representing a decrease of €33 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 €17 million.

The year-on-year staff costs comparison has been negatively impacted by €34 million due to deferred bonus accounting (bonus charges in respect of prior periods higher than those deferred into future periods in 2019 and vice versa in 2018); 2019 represented a net charge of €4 million, whereas 2018 was a net credit of €30 million.

The adjusted compensation ratio, as defined in Appendix G on Alternative Performance Measures, was 62.8% as at 31 December 2019 (31 December 2018: 62.0%). When adjusting for the effects of senior hiring in the US for the advisory business and exchange rates; the ratio is 61.8% (31 December 2018: 60.8%), in line with our financial target ("Low to mid 60s through the cycle"). Further, if we adjust for the deferred bonus effect, the ratio is 61.6% (31 December 2018: 62.3%).

Overall Group headcount decreased to 3,559 as at 31 December 2019 (31 December 2018: 3,633), following the sale of the Trust business.

Administrative expenses

For 2019, administrative expenses were €289 million (2018: €309 million) representing a decrease of €20 million. The translation impact of exchange rate fluctuations resulted in an increase in administrative expenses of €4 million. Last year's number included €6 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 €38 million of property leasing costs from Administrative expenses to Depreciation for €33 million and to Interest cost for €5 million. In addition, under IFRS 16, interest charges are higher in early years of the lease than in later years, which was not the case under the 2018 accounting standards. This effect caused reported property costs to be approximately €4m higher in 2019. Therefore, the underlying variation of administrative expenses is an increase of €16 million mainly due to higher IT application costs (investment in Wealth & Asset Management systems) and infrastructure costs (investment in mobile and work-life balance kit), market data costs as a consequence of Mifid II, as well as regulatory-related costs.

The Group has decided to move to a new IT infrastructure supplier to enable it to accelerate the implementation of its operational programmes which will result in a one-off transition and transformation charge of around €15 million in 2020.

Depreciation and amortisation

For 2019, depreciation and amortisation was €66 million (2018: €30 million), representing an increase of €36 million, of which €33 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 increased depreciation and amortisation by €1 million.

Impairment charges and loan provisions

For 2019, impairment charges and loan provisions were €6 million (2018: €4 million) due to a reassessment of certain credit risks and of Global Advisory receivables which resulted in an increase of provisions.

3.3 Other income / (expenses)

For 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 €19 million (2018: net expense of €4 million). In 2019, it comprises net capital gains on property transactions and on legacy assets including the sale of Trust.

3.4 Income tax

For 2019, the income tax charge was €68 million (2018: €77 million) comprising a current tax charge of €78 million and a deferred tax credit of €10 million, giving an effective tax rate of 14.6% (2018: 14.5%).

3.5 Non-controlling interests

For 2019, the charge for Non-controlling interests was €154 million (2018: €168 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 31 December 2019, total liquid assets as a percentage of total assets was 57% (31/12/2018: 60%).

	31/12/2019	31/12/2018	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	19.5%	20.4%	7.0%
Global solvency ratio	19.5%	20.4%	10.5%

The CET 1 ratio was 19.5%[9] as at 31 December 2019 (20.4% as at 31 December 2018). The fully loaded common equity tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules with no transitory provisions. The fully loaded solvency ratios are presented pro forma for current earnings[10], net of dividends, for the current financial year, unless specified otherwise.

[9] The ratio submitted to ACPR as at 31 December 2019 was 18.5%, which excludes the profit of the second half of the year as non-audited at the time of the submission

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

5. Outlook

In **Global Advisory**, we had a strong start to 2020. We have seen an increase in dialogues with clients in the US and strong demand in Europe, where our leading market position across the majority of sectors gives us a clear competitive advantage. The recent market correction evidently gives rise for concern, but it is still too early to determine whether this will have a significant impact on activity levels. Currently, our visible pipeline of engagements remains healthy across the business and above levels at the same point last year. Nevertheless, we remain alert to the potential for a significant fall-off in transaction volumes and, accordingly, we continue to manage our resources carefully. We remain positive about the outlook for the business in the long term.

Wealth & Asset Management has seen a healthy uptick in client activity which should lead to an improvement in transaction-related revenue. The business is still impacted by low and persistently negative interest rates with central banks, which will continue to provide some drag on to the net interest income. The current volatility in financial markets demonstrates how quickly events can change and could create headwinds and impact our business. We remain focused on our strategy to increase revenue while maintaining a close control over costs.

Merchant Banking will continue to grow its Assets under Management and maintain its significant contribution to the Group's results. The division will be focused on deploying recently launched funds, identifying attractive exit opportunities and achieving its fundraising targets. Our portfolios' performance remains strong and we remain committed to capital preservation with an equal focus on risk and return.

At the start of 2020, the outlook for our three businesses was positive with a strong pipeline in Global Advisory and the expectation of good AuM growth in both Wealth & Asset Management and Merchant Banking. However, the outbreak of the coronavirus together with the recent decline in commodity and financial markets has created significant uncertainty for the global economy. The impact of this on our 2020 results will depend on how the situation develops and the period for which it lasts but if the levels of uncertainty in the various markets in which we operate are maintained or increase this will have a negative impact on our financial results .

Financial calendar:

- 12 May 2020: First quarter information 2020
- 14 May 2020: Annual general meeting
- 15 September 2020: Half-year results 2020
- 10 November 2020: Publication of Third quarter information 2020

For further information:

Rothschild & Co	**Media Contact**
Investor Relations - Marie-Laure Becquart	**DGM** - Olivier Labesse
Marie-laure.becquart@rothschildandco.com	labesse@dgm-conseil.fr
Media Relations - Caroline Nico	
Caroline.nico@rothschildandco.com	

About Rothschild & Co

A. Summary Consolidated Balance sheet

(in €bn)	31/12/2019	31/12/2018	*Var*
Cash and amounts due from central banks	4.4	4.7	*(0.3)*
Loans and advances to banks	2.0	2.0	*0.0*
Loans and advances to customers	3.3	2.9	*0.4*
of which Private client lending	*2.8*	*2.5*	*0.3*
Debt and equity securities	2.8	2.1	*0.7*
Other assets	1.7	1.5	*0.2*
Total assets	**14.2**	**13.2**	***1.0***
Due to customers	9.5	8.7	*0.8*
Other liabilities	2.1	2.0	*0.1*
Shareholders' equity - Group share	2.2	2.0	*0.2*
Non-controlling interests	0.4	0.5	*(0.1)*
Total capital and liabilities	**14.2**	**13.2**	***1.0***

The foreign exchange translation effect between 31 December 2018 and 31 December 2019 has no material effect on the balance sheet (€0.2 billion).

B. Exceptional items

(in €m)	2019			2018		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**465**	**243**	***3.38 €***	**531**	**286**	***3.88 €***
- Net profit on legacy assets	(18)	(10)	*(0.14) €*	-	-	-
- Martin Maurel integration costs	-	-	-	9	7	*0.09* €
- Trust impairment provision	-	-	-	5	5	*0.07* €
- Guaranteed minimum pension provision	-	-	-	6	5	*0.06* €
Total Exceptional Costs / (Gains)	**(18)**	**(10)**	***(0.14) €***	**20**	**17**	***0.22* €**
Excluding exceptional	**447**	**233**	***3.24 €***	**551**	**303**	***4.10 €***

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 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	Corporate centre	IFRS reconciliation [1]	2019
Revenue	**1,160**	**497**	**197**	**24**	**(6)**	**1,872**
Operating expenses	(994)	(426)	(86)	(53)	139	(1,420)
Impairments	-	2	-	-	(8)	(6)
Operating income	**166**	**73**	**111**	**(29)**	**125**	**446**
Other income / (expense)	-	-	-	-	19	19
Profit before tax	**166**	**73**	**111**	**(29)**	**144**	**465**
Exceptional profits	-	-	-	-	(18)	(18)
PBT excluding exceptional charges / profits	**166**	**73**	**111**	**(29)**	**126**	**447**
Operating margin %	*14%*	*15%*	*56%*	-	-	*24%*

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Corporate centre	IFRS reconciliation [1]	2018
Revenue	**1,271**	**480**	**175**	**58**	**(8)**	**1,976**
Operating expenses	(1,038)	(408)	(73)	(92)	174	(1,437)
Impairments	-	4	-	-	(8)	(4)
Operating income	**233**	**76**	**102**	**(34)**	**158**	**535**
Other income / (expense)	-	-	-	-	(4)	(4)
Profit before tax	**233**	**76**	**102**	**(34)**	**154**	**531**
Exceptional charges	-	9	-	-	11	20
PBT excluding exceptional charges / profits	**233**	**85**	**102**	**(34)**	**165**	**551**
Operating margin %	*18%*	*18%*	*58%*	-	-	*28%*

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	2019	2018	*Var*
€ / GBP	0.8749	0.8854	*(1)%*
€ / CHF	1.1114	1.1507	*(3)%*
€ / USD	1.1191	1.1782	*(5)%*

Balance sheet

Rates	31/12/2019	31/12/2018	*Var*
€ / GBP	0.8522	0.8938	*(5)%*
€ / CHF	1.0860	1.1288	*(4)%*
€ / USD	1.1214	1.1439	*(2)%*

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		2019	2018	Var
	1st quarter	292.5	261.7	*12%*
Global Advisory	2nd quarter	252.3	374.4	*(33)%*
	3rd quarter	221.3	295.9	*(25)%*
	4th quarter	393.5	339.3	*16%*
	Total	**1,159.6**	**1,271.3**	***(9)%***
	1st quarter	118.5	119.7	*(1)%*
Wealth & Asset Management	2nd quarter	120.7	121.2	*(0)%*
	3rd quarter	123.4	119.4	*3%*
	4th quarter	134.0	119.8	*12%*
	Total	**496.6**	**480.1**	***3%***
	1st quarter	24.1	25.2	*(4)%*
Merchant Banking	2nd quarter	86.3	79.8	*8%*
	3rd quarter	30.3	23.2	*31%*
	4th quarter	56.5	46.4	*22%*
	Total	**197.2**	**174.6**	***13%***
Other business	1st quarter	9.8	17.0	*(42)%*
and corporate centre	2nd quarter	3.5	16.5	*(79)%*
	3rd quarter	4.5	10.5	*(57)%*
	4th quarter	6.7	13.8	*(51)%*
	Total	**24.5**	**57.8**	***(58)%***
	1st quarter	(1.0)	(3.5)	*(71)%*
IFRS reconciliation	2nd quarter	(9.2)	(5.5)	*67%*
	3rd quarter	1.8	4.9	*(63)%*
	4th quarter	2.5	(3.9)	*(164)%*
	Total	**(5.9)**	**(8.0)**	***(26)%***
Total Group	**1st quarter**	**443.9**	**420.1**	***6%***
Revenue	**2nd quarter**	**453.6**	**586.4**	***(23)%***
	3rd quarter	**381.3**	**453.9**	***(16)%***
	4th quarter	**593.2**	**515.4**	***15%***
	Total	**1,872.0**	**1,975.8**	***(5)%***

F. Global Advisory track record

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

M&A and strategic advisory

- **Prudential**, international life insurance and asset management group, on the demerger of M&G, its UK and European business (£37 billion, UK)
- **A consortium of EQT, ADIA and PSP Investments**, on its acquisition of Nestle Skin Health, the medical and consumer skincare producer (CHF10.2 billion, Switzerland)
- **RPC Group**, plastic products company, on its sale to Berry Global Group (£4.7 billion, UK, United States)
- **Jardine Matheson**, international conglomerate, on the recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan (£4.3 billion, Hong Kong, UK, United States)
- **The Coca-Cola Company**, beverage company, on its acquisition of Costa Coffee (US$5.1 billion, United States, UK)
- **BTG,** pharmaceuticals company, on its recommended cash offer by Boston Scientific (£3.3 billion, UK, United States)
- **Enagás,** natural gas transmission company, on its acquisition, together with Blackstone and GIC, of c.100% of class B shares and voting rights in Tallgrass Energy LP ($3.3 billion, United States, Singapore, Spain)
- **BC Partners**, on its sale of Antelliq, a leading animal tagging and tracking solutions provider, to Merck (€3.2 billion, UK)
- **CVC Capital Partners**, on its acquisition of 51.8% of Recordati, the pharmaceuticals company (€3 billion, Italy)
- **Groupe Bruxelles Lambert**, on its acquisition of Webhelp, a business process outsourcer (€2.4 billion, Belgium, France)
- **Sika AG,** specialty chemicals company, on its acquisition of Parex Group from CVC Capital Partners (€2.2 billion, Switzerland, France)
- **Brambles**, goods distribution logistics company, on its sale of IFCO to Triton/ADIA (US$2.5 billion, Australia, Germany)
- **Marks & Spencer**, UK retailer, on its online grocery retail joint venture with Ocado (£1.5 billion, UK)
- **Caraustar**, integrated paperboard manufacturer, on its all cash sale to Greif (US$1.8 billion, United States)
- **Faurecia**, supplier to the automotive industry, on its acquisition of Clarion (€1.2 billion, Japan, France)
- **Glencore,** natural resources company, on the acquisition of Astron Energy (US$1.1 billion, South Africa)

Financing Advisory

- **Dassault Systèmes**, virtual solutions software company, on its inaugural senior unsecured bond issuance (€3.6 billion, France)
- **Nyrstar**, multi-metals business (adviser to shareholders), on its restructuring (€2.6 billion, Belgium)
- **Ministry of Finance of Greece Public Debt Management Agency**, on its 10-year bond issuance with 3.875% coupon (€2.5 billion, Greece)
- **Southern Water**, sewage and water company, on its strategic refinancing (£2.0 billion, UK)
- **Atos**, information technology services company, on its monetisation of Worldline shares jointly with Six Group (€1.9 billion, France)
- **La Française des Jeux**, lottery and sports betting operator, on its privatisation IPO (€1.9 billion, France)
- **Sasol,** energy and chemicals company, on its interest rate swaps 4-way novation and consecutive syndication (US$2.0 billion, South Africa)
- **IHS**, telecommunications infrastructure company, on its high-yield bond and loan refinancing ($1.8 billion, Nigeria)
- **Volkswagen,** automotive company, on its carve-out IPO of TRATON on Frankfurt Stock Exchange and Nasdaq Stockholm (€1.6 billion, Germany)
- **EG Group**, forecourt and convenience store retailer, on its equivalent cross-border debut high-yield bond refinancing (€1.6 billion, UK)
- **Budapest Airport**, on it's on an Amendment & Extension process for its existing senior debt facilities (€1.6 billion, Hungary)
- **Ministry of Finance of Ukraine**, on its EUR-denominated Eurobond issuance (€1.0 billion, Ukraine) and its equivalent EUR-denominated structured loan partially guaranteed by the World Bank (US$600 million, Ukraine)
- **Verallia**, glass manufacturer, Apollo and Bpifrance, on the IPO of Verallia on the Euronext Paris (€1.0 billion, France)
- **SoftwareONE**, software company, on its IPO on SIX Swiss Exchange (CHF798 million, Switzerland)
- **Medacta Group**, orthopaedics company, on its IPO on the SIX Swiss Exchange (€561 million, Switzerland)
- **Watches of Switzerland**, 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

<table>
<tr><th>Alternative Performance Measures</th><th>Definition</th><th>Reason for use</th><th>Reference to the data in the Press release / Investor presentation</th></tr>
<tr><td>Net income – Group share excluding exceptionals</td><td>Net income attributable to equity holders excluding exceptional items</td><td>To measure Net result Group share of Rothschild & Co excluding exceptional items of a significant amount</td><td>In the Press release, please refer to Appendix B.</td></tr>
<tr><td>EPS excluding exceptionals</td><td>EPS excluding exceptional items</td><td>To measure Earnings per share excluding exceptional items of a significant amount</td><td>In the Press release, please refer to Appendix B.</td></tr>
<tr><td>Adjusted compensation ratio</td><td>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. 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.</td><td>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.</td><td>Please refer:
in the Press release to § 3.2 Operating expenses / Staff costs and
in the Investor presentation to slide 30</td></tr>
<tr><td>Return on Tangible Equity (ROTE) excluding exceptional items</td><td>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 2018 and 31 December 2019.</td><td>To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business</td><td>In the Investor presentation release, please refer to slide 39</td></tr>
<tr><td>Business Operating margin</td><td>Each Business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business.
It excludes exceptional items.</td><td>To measure business' profitability</td><td>Please refer to § 2</td></tr>
<tr><td>Return on Risk Adjusted Capital (RORAC)</td><td>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.</td><td>To measure the performance of the Merchant Banking business</td><td>In the Investor presentation release, please refer to slide 39</td></tr>
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