Rothschild & Co

Press release – Financial information

Full year 2018 results

Paris, 12 March 2019

Very strong year with excellent performance across the Group

- **Revenue increased by 3%** to €1,976 million (2017: €1,910 million)
- **Net income - Group share excluding exceptionals**[1] reached €303 million, **up 23%** (2017: €247 million) and Net income - Group share including exceptionals: €286 million (2017: €236 million), up 21%
- **Earnings per share (EPS) excluding exceptionals: €4.10, up 23%** (2017: €3.33) and EPS including exceptionals: €3.88, up 22% (2017: €3.18)
- Negative foreign exchange translation effects of €26 million on revenue but limited to €3 million on Net income – Group share
- **Dividend of €0.79, up 10%**[2]

Alexandre de Rothschild, Executive Chairman, commented:

"2018 has been a very strong year with an excellent performance throughout the Group, confirming our strategy of building synergies across all three businesses.

"Global Advisory's model of growing long-term relationships with clients continues to prove extremely successful. For the sixth consecutive year, revenue and profit grew and for 2018 it turned in the highest performance in our history, delivering significant profitability for the Group. We maintained our position as the leading M&A adviser in number of deals on a global basis. Our focus for growth remains on the US business where we continue to see significant potential for the future.

"Wealth & Asset Management enjoyed robust growth in net new assets, thanks to our Wealth Management businesses across Europe, partly compensating for the negative market performance in the fourth quarter. Despite the increasing difficult markets, we enjoyed a steady growth in profitability. Finally, we completed the sale of Trust at the end of February 2019 in line with our strategic decision to refocus on our core wealth and asset management business.

"Merchant Banking saw an impressive increase in assets under management, notably due to successful fund raisings. Consequently, its recurring revenue streams are increasing as a proportion of the total, creating a less volatile revenue stream over time. Ten years after its creation, this division has become a significant contributor to Group profitability."

– ENDS –

[1] Exceptional items are presented in Appendix C

[2] Versus €0.72, which was the pro forma equivalent dividend on a full year basis for 2017, in relation to the shorter financial year of 2017 following the change of year end from March to December

1. Summary Consolidated Income Statement

The Supervisory Board of Rothschild & Co SCA met on 12 March 2019 to review the consolidated financial statements from 1 January 2018 to 31 December 2018; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

As a result of the change in the financial year end in 2017, the statutory reporting for full-year results covers the 12 months to December 2018 with comparatives for the nine months to December 2017. To enable a better understanding of the results, the press release presents the results for the full year 2018 with comparatives for the full year 2017.

The detailed statutory accounts are available in the annual report which contains the results with both sets of comparatives.

(in €m)	Page	2018	2017	*Var*	*Var %*
Revenue	**3 - 6**	**1,976**	**1,910**	***66***	***3%***
Staff costs	6	(1,098)	(1,087)	*(11)*	*(1)%*
Administrative expenses	6	(309)	(320)	*11*	*3%*
Depreciation and amortisation		(30)	(34)	*4*	*12%*
Impairments	7	(4)	(13)	*9*	*69%*
Operating Income		**535**	**456**	***79***	***17%***
Other income / (expense) (net)	7	(4)	21	*(25)*	*(119)%*
Profit before tax		**531**	**477**	***54***	***11%***
Income tax	7	(77)	(65)	*(12)*	*(18)%*
Consolidated net income		**454**	**412**	***42***	***10%***
Non-controlling interests	7	(168)	(176)	*8*	*5%*
Net income - Group share		**286**	**236**	***50***	***21%***
Exceptionals	11	(17)	(11)	*(6)*	*55%*
Net income - Group share excl. exceptionals		**303**	**247**	***56***	***23%***
Earnings per share		*3.88 €*	*3.18 €*	*0.70 €*	*22%*
EPS excl. exceptionals		***4.10 €***	***3.33 €***	***0.77 €***	***23%***
Return On Tangible Equity (ROTE)		*17.0%*	*16.4%*		
ROTE excl. exceptionals		*18.0%*	*17.2%*		

[1] Diluted EPS is €3.82 (2017: €3.12)

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

2. Business activities

2.1 Global Advisory

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

For 2018, Global Advisory delivered another **record annual revenue performance of €1,271 million**, 7% higher than 2017 (€1,183 million). Our ranking by financial advisory revenue in recent years has varied quarter-on-quarter in the range between 4th and 6th; this position fluctuates depending on our quarterly revenue which can be volatile based on the timing of transaction completions. For the twelve months to December 2018, we **ranked 6th globally by financial advisory revenue**[1].

Operating income for 2018, excluding ongoing investment in the development of our North American M&A franchise, was €255 million (2017: €211 million), representing an **operating income margin of 20.0%** (2017: 17.8%). This operating income margin continues to be at the top end of our target range over the cycle. Including investment in senior hiring in North America, operating income was €233 million (2017: €185 million) with an operating income margin of 18.4% (2017: 15.7%).

The compensation ratio, which shows total compensation and benefits on an awarded basis, including social taxes, as a percentage of revenue, was 63.4% in 2018 (2017: 65.0%) after adjusting for the effects of senior hiring in North America and leaver costs.

In M&A advisory, we maintained our market leading position. For 2018, we ranked **1st globally by number of completed transactions and 1st in Europe by number of both completed and announced transactions**[2]. During the year, we advised clients on approaching 400 completed M&A transactions with a total value of c.US$380 billion[3]. As a result, M&A advisory revenue for the year reached €941 million, a new annual record, up 17% year-on-year compared to last year (2017: €804 million).

Financing Advisory revenue decreased by 13% to €330 million (2017: €379 million), following a record year in 2017, due to more challenging equity markets and less corporate restructuring activity in the US. Despite this, we continued to be highly active in large and complex debt advisory and restructuring situations, providing advice to clients on approaching 200 transactions with a total value of c.US$210 billion[3]. For restructuring assignments completed during the year, **we ranked 3rd by number of transactions globally and 1st by number of transactions in Europe**[4]. We also provided equity advisory services during the year on transactions with a total value of c.US$35 billion, and we continue to advise on more European equity assignments than any other independent adviser[5].

The quality of our people is our principal competitive advantage and we continue to strengthen our senior team. During 2018, ten new Managing Directors were hired into our offices in the US, the UK and China. In the US, we recruited six Managing Directors focusing on clients in the Technology, Chemicals, Financial Institutions, General Industrials and Telecoms & Media sectors. We recently also formally launched a dedicated Investor Advisory practice which will combine with Global Advisory's leading independent strategic advisory business, in order to respond to the increasing demand for improving engagement between listed corporates and their investor base.

Global Advisory advised the following clients on significant advisory assignments that completed during 2018:

- **Westfield** on its €61 billion combination with Unibail-Rodamco
- **Bayer** on its US$66 billion all-cash acquisition of Monsanto
- **Zodiac Aerospace** on its €35 billion combination with Safran
- **Seadrill Limited** (adviser to ad-hoc group of unsecured bondholders) on the company's US$13 billion Chapter 11 restructuring
- **SIG Combibloc Group** on its €1.5 billion IPO on SIX Swiss Exchange

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

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[1] Company filings
[2] Refinitiv. Excludes accountancy firms
[3] Refinitiv. Internal analysis
[4] Refinitiv
[5] Dealogic

- **Prudential** on its £47 billion demerger of its UK and Europe business into Prudential and M&G Prudential
- **Jardine Matheson** on the £4.3 billion recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan
- **The Coca-Cola Company** on its US$5.1 billion acquisition of Costa Coffee[1]
- **BTG** on its £3.3 billion recommended cash offer by Boston Scientific
- **CVC Capital Partners** on its €3 billion acquisition of 51.8% of Recordati

For further examples of Global Advisory assignments completed during 2018, please refer to Appendix F.

2.2 Wealth & Asset Management

Wealth & Asset Management is made up of three main businesses: (i) Rothschild Martin Maurel, which combines our Wealth Management businesses in France, Monaco and Belgium and our Asset Management activity in Europe, (ii) our Wealth Management business in Switzerland, Germany, Italy and Asia and (iii) our Wealth Management business in the UK. In addition we operate a small Asset Management business in North America.

The sale of our worldwide wealth planning and trust services business, as announced in October 2018, was completed in February 2019. The sale is in line with our strategic decision to focus on our core wealth management and private banking business.

Excluding the Trust business, revenue for 2018 was **€480 million** (2017: €470 million), **up 2%** and operating margin was **18%** (2017: 17%). The revenue progression reflects two factors; an increase in management fees thanks to positive net new assets in Wealth Management; offset by a decrease in performance fees from Asset Management.

We have seen growth in profitability of 5% with operating income, excluding Martin Maurel integration costs (2018: €9 million, 2017: €27 million) rising to €85 million for 2018 (2017: €81 million).

The operational integration, following the merger of the two private banks in France of Rothschild & Co and Martin Maurel group in 2017, was finalised at the end of 2018.

Including the Trust business (revenue for 2018: €36 million, 2017: €44 million), revenue for 2018 was €516 million (2017: €514 million). This represents a 17% operating margin (2017: 16%). Its contribution to operating income for both 2017 and 2018 was immaterial.

The business model continues to flourish, as a result **net new assets in Wealth management increased by €2.2 billion**, representing a growth rate of 5% of AUM with positive net inflows in all European countries. Asset management experienced net outflows of €0.7 billion, which had a limited impact on our margins as gross inflows (€3.9 billion) had higher margins than gross outflows (€4.6 billion).

The positive net new assets inflow of €1.5 billion has been more than offset by negative market performance and exchange rate movements of €4.0 billion, following the sharp decline in stock markets in the last quarter of 2018. Assets under Management (AuM) decreased by 4% (or €2.5 billion) to €64.8 billion as at 31 December 2018 (31 December 2017: €67.3 billion). Since January, the strong recovery in financial markets has resulted in a significant improvement in AuM.

The table below presents the progress in Assets under Management.

In € billion	2018	2017
AuM opening (1 January)	**67.3**	**54.0**
Martin Maurel merger	-	10.0
Net new assets	1.5	1.7
Market and exchange rate	(4.0)	1.6
AuM closing (31 December)	**64.8**	**67.3**

[1] Completed in January 2019

2.3 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. The division continued to **perform strongly during 2018 generating revenue of €175 million** (2017: €185 million). When compared to the average for the last three years, revenue is up 20%.

Revenue comprises two main sources:

- Recurring revenue of €70 million includes management fees net of placement fees was up 15% (2017: €61 million),
- Investment performance related revenue of €105 million, down 15% (2017: €124 million) comprised:
  - €36 million of carried interest (2017: €31 million - up 16%),
  - and €69 million of realised and unrealised investment gains and dividends (2017: €93 million - down 26%).

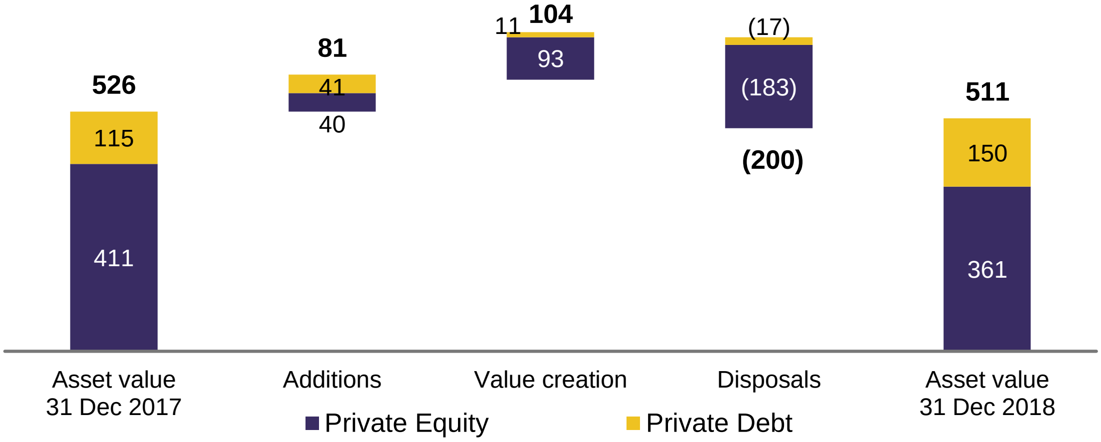
Merchant Banking's strategy is to steadily increase its recurring revenue stream through the expansion of its Assets under Management and the launch of new funds. The execution of this strategy has been successful so far with recurring revenue more than doubling over the last five years to represent 40% of total revenue in 2018 (versus 22% in 2014). 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 €102 million in 2018 (2017: €120 million), **representing a 59% operating margin** (2017: 65%). The decline in operating income is mainly related to lower realised gains, following the exit of a legacy non-core investment position in Bank of Qingdao that generated a €13 million profit in 2017. Aside from this event, investment performance related revenue on core strategies remained strong in 2018, after a peak year in 2017, as the Merchant Banking flagship European mid-market private equity fund, Five Arrows Principal Investments I (FAPI I), continued to deliver successful exits.

A critical indicator to measure the performance of Merchant Banking is RORAC (Return On Risk Adjusted Capital), a ratio comparing 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 2018, Merchant Banking RORAC was 28% (2017: 26%), well above our stated target (over 15% through the cycle).

The alignment of interests between the Group and third party investors remains a key differentiator of this business. During 2018 the Group's share of the investments made by the division amounted to €81 million. Disposals generated proceeds of €200 million mainly driven by the FAPI I disposals of Datix, a leading provider of patient safety and risk management solutions (4.5x MOIC[1]), Prospitalia, a leading German group purchasing organisation focused on the healthcare sector (8.0x MOIC), Forno d'Asolo, the #2 Italian manufacturer of frozen bakery (3.9x MOIC) and Etanco, a French supplier of outdoor mechanical fasteners (1.4x MOIC).

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



Merchant Banking's assets under management were €11.1 billion as at 31 December 2018 (31 December 2017: €8.3 billion), up 34%, mainly due to the launch of the new US fund (FACP), the third European private equity fund (FAPI III) and the raising of new CLO vehicles.

[1] MOIC stands for Multiple On Invested Capital

During the second half of 2018, Merchant Banking launched the marketing of Five Arrows Principal Investments III FAPI III, the third generation fund of its flagship European mid-market private equity strategy. By the end of 2018 committed capital raised amounted to €1.1 billion, with a final closing of €1.25 billion in 2019. FAPI III increase in size compared to predecessor funds (€781 million for FAPI II and €583 million for FAPI I), the swift fundraising process and the larger share of commitments secured with institutional investors are all testaments to the strong track record of the FAPI team and the growing appetite of global institutions for funds managed by the division.

Over 2018, Merchant Banking has also been actively expanding its geographical footprint with the deployment of Five Arrows Capital Partners (FACP) its mid-market corporate private equity fund focused on North America. The fund has completed its fundraising phase reaching $655 million, in excess of its original target, from a globally diversified group of both new and existing investors. The Group invested alongside third-party investors in line with its Merchant Banking strategy.

Finally, Merchant Banking expanded its private debt and credit management franchises during 2018, with:

- the final closing of Five Arrows Direct Lending (FADL) at €657 million, a fund investing in European unitranche debt facilities,
- the first closing of Elsinore (€68 million), a multi-strategy credit fund,
- and the launch of Oberon USA (AuM of €104 million as at 31 December 2018), an open-ended fund investing in US senior secured loans.

The division also continued to expand its CLO base, finalising the Contego V and Contego VI vehicles at a value of €400 million each and launching an additional CLO structure dedicated to the US market, Ocean Trails VII (still being warehoused as at 31 December 2018).

3. Consolidated financial results

3.1 Revenue

For 2018, revenue was €1,976 million (2017: €1,910 million), representing an increase of €66 million or +3%. The uplift was largely due to Global Advisory where revenue increased by €88 million. The translation effect of exchange rate fluctuations impacted revenue negatively by €26 million.

3.2 Operating expenses

Staff costs

For 2018, staff costs were €1,098 million (2017: €1,087 million), representing an increase of €11 million, largely due to higher variable compensation in connection with excellent revenues in Global Advisory. The translation impact of exchange rate fluctuations resulted in a decrease in staff costs of €18 million.

The staff costs benefited from a credit of €30 million (2017: charge of €7 million) relating to deferred bonus accounting.

The adjusted Group compensation ratio, as defined in the Appendix G on Alternative Performance Measures, was 62.0% as at 31 December 2018 (2017: 63.4%). When adjusting for the effects of senior hiring in the US for the advisory business, the UK guaranteed minimum pension provision and exchange rates; the ratio is 60.8% (2017: 62.4%), in line with our financial target (Low to mid 60s through the cycle).

Overall Group headcount increased to 3,633 as at 31 December 2018 (31 December 2017: 3,502), largely due to junior staff recruitment.

Administrative expenses

For 2018, administrative expenses were €309 million (2017: €320 million), a net decrease of €11 million mainly due to the reduction of Martin Maurel integration costs (€9 million for 2018 versus €27 million for 2017). The translation impact of exchange rate fluctuations resulted in a decrease in administrative expenses of €3 million.

Depreciation and amortisation

For 2018, depreciation and amortisation was €30 million (2017: €34 million), representing a decrease of €4 million. The translation impact of exchange rate fluctuations resulted in a decrease in depreciation and amortisation of €1 million.

Impairment charges and loan provisions

For 2018, impairment charges and loan provisions were €4 million (2017: €13 million) due to a reassessment of certain credit risks, which resulted in a reduction of certain loan provisions.

3.3 Other income / (expenses)

For 2018, other income and expenses, which include results from equity accounted companies and gains / losses on disposal of subsidiaries and associates, was a net expense of €4 million (2017: income of €21 million). The decrease mainly results from a one-off capital gain of €13 million in 2017 relating to a Merchant Banking disposal and an impairment charge of €5 million in 2018 related to the sale of Trust.

3.4 Income tax

For 2018, the income tax charge was €77 million (2017: €65 million) comprising a current tax charge of €70 million and a deferred tax charge of €7 million, giving an effective tax rate of 14.5% (2017: 13.7%).

3.5 Non-controlling interests

For 2018, the charge for Non-controlling interests was €168 million (2017: €176 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. Dividend

The Managing Partner will propose a dividend of €0.79 per share, representing an increase of 10% from 2017[1], in line with the Group's progressive dividend policy. Subject to the approval at the Rothschild & Co AGM to be held on 16 May 2019, the dividend will be paid on 22 May 2019.

5. 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 2018, total liquid assets as a percentage of total assets was 60% (58% at 31 December 2017).

From January 2018, Tier 2 capital is no longer recognised (€64 million in December 2017 ratio). The CET 1 ratio was 20.4% as at 31 December 2018 (18.7% as at 31 December 2017). 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[2], net of dividends, for the current financial year, unless specified otherwise.

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

	31/12/2018	31/12/2017	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	20.4%	18.7%	7.0%
Global solvency ratio	20.4%	19.5%	10.5%

[1] Versus €0.72, which was the pro forma equivalent dividend on a full year basis for 2017, in relation to the shorter financial year of 2017 following the change of year end from March to December

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

Rothschild & Co plans to undertake a reduction of capital by repaying three issues of unlisted preference shares of its UK holding company at the next dividend payment date of 29 March 2019. The preference shares which are issued to external parties are treated as Non-controlling Interests with a carrying value of €13.8 million as at December 2018. The shares will be repaid based on a market valuation which will result in an additional premium of €12.4 million above book value which will be charged against retained earnings. Overall the transaction will result in a reduction of €2.1 million per annum in dividend payments to Non-controlling Interests and hence a corresponding increase in Net Income - Group Share. The preference shares are not recognised as regulatory capital and the impact will be immaterial on the CET 1 ratio and the global solvency ratio. This transaction continues our simplification of the Group's capital structure.

6. Edmond de Rothschild

In June 2018, Rothschild & Co reached an agreement with Edmond de Rothschild on the use of their respective brands. On 6 August 2018, the two groups also unwound all of their cross shareholdings. These mainly included:

- 8.4% of the capital of Edmond de Rothschild held by Rothschild & Co Holding AG (Rothschild & Co's holding company in Switzerland),
- 9.5% of the capital of Rothschild & Co Holding AG held by Edmond de Rothschild ; and
- 5.7% of the capital of Rothschild & Co held by Edmond de Rothschild (4.4 million of shares).

To implement these transactions, Edmond de Rothschild delivered 1.9 million Rothschild & Co shares to Rothschild & Co Holding AG as settlement for the difference in value in respect of the investments in Edmond de Rothschild and in Rothschild & Co Holding AG. Rothschild & Co purchased the remaining 2.5 million Rothschild & Co shares held by Edmond de Rothschild for €75 million in cash. The Edmond de Rothschild and Rothschild & Co shares were valued on the basis of their market values (respectively CHF17,000 and €30). The impact of these transactions was to reduce the CET1 ratio as at 31 December 2018 by 1.4%. Further, they had a mildly accretive effect on earnings per share.

7. Brexit

The United Kingdom's exit from Europe is scheduled for 29 March 2019. It is possible, given the complexity of the issues at stake and lack of progress to date, that there could be a period of extended uncertainty beyond this date.

Our multiple location model is resilient and very few changes to our legal and operating structure will be required as a consequence of Brexit. Changes that are being implemented are minor and largely concentrated in our wealth and asset management activities, where we are considering shifting some investment management to existing EU entities. The situation is further eased as a consequence of the decision made jointly by the European Securities and Markets Authority (ESMA) and European securities regulators on 1 February 2019 to agree Memoranda of Understanding with the UK Financial Conduct Authority (FCA).

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

8. Indices

Rothschild & Co joined the SBF 120 on 24 December 2018. The SBF 120 ranks among the leading Paris stock market indices. It consists of the top 120 listed companies in terms of liquidity and capitalisation. The admission, following the entry into the CAC® SMALL, CAC® MID & SMALL et CAC® ALL TRADABLE indices at the end of September 2018, reflects the significant improvement in liquidity of Rothschild & Co shares in recent years.

9. Outlook

In Global Advisory, although the value of globally announced M&A deals in the market increased during 2018 compared to 2017, principally driven by an increase in large transactions in the US and Europe, announced activity in the second half of 2018 slowed compared to the first half. Hence, whilst we believe the general environment continues to be supportive for this business, we remain alert to signs of a significant turning point in the cycle. At the moment, our visible pipeline of business remains healthy. Looking ahead, our focus remains on growing our North American M&A franchise, whose revenue has increased over time as a result of ongoing investment and where we foresee strong potential for future growth.

Wealth and Asset Management has a solid base from which to grow. However, the macro economic factors are uncertain, resulting in increased market volatility. Nevertheless, thanks to continued investment in our people and processes, we expect net new assets in Wealth Management to increase across all main geographies.

Merchant Banking expects to continue growing its Assets under Management and maintain a significant contribution to the Group's results. The division will be focused on the deployment of the recently launched funds. It also expects to raise successor funds and grow its direct lending and credit management businesses (launch of new CLOs and a CLO equity fund). Our portfolios' performance remains strong and we continue to apply our investment philosophy that is centred around cautious and disciplined capital deployment decisions, focusing on attractive risk-reward opportunities with appropriate downside protection features.

Whilst 2018 was a very strong year, we anticipate 2019 to be more challenging due to the increased uncertainty surrounding the macro environment and its consequential effects on financial markets. We will continue to focus on our strategy of growing our three businesses and improving the synergies between them, while, in the event of a decline in market conditions, remaining ever vigilant to control our cost base.

Financial calendar:

▪ 28 March 2019	Publication of annual report 2018
▪ 14 May 2019	Publication of First quarter information 2019
▪ 16 May 2019	Annual General Meeting
▪ 22 May 2019	Dividend payment date
▪ 17 September 2019	Publication of Half year results 2019
▪ 13 November 2019	Publication of Third quarter information 2019

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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, Wealth & Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

Rothschild & Co is a French partnership limited by shares (*société en commandite par actions*) listed on Euronext in Paris, Compartment A with a share capital of €155,025,552. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Summary Consolidated Balance sheet

(in €bn)	31/12/2018	31/12/2017	*Var*
Cash and amounts due from central banks	4.7	3.9	*0.8*
Loans and advances to banks	2.0	1.7	*0.3*
Loans and advances to customers	2.9	3.0	*(0.1)*
of which Private client lending	*2.5*	*2.4*	*0.1*
Debt and equity securities	2.1	2.1	*0.0*
Other assets	1.5	1.4	*0.1*
Total assets	**13.2**	**12.1**	***1.1***
Due to customers	8.7	7.8	*0.9*
Other liabilities	2.0	1.9	*0.1*
Shareholders' equity - Group share	2.0	1.9	*0.1*
Non-controlling interests	0.5	0.5	*0.0*
Total capital and liabilities	**13.2**	**12.1**	***1.1***

The foreign exchange translation effect between 31 December 2018 and 31 December 2017 has no material effect on the balance sheet.

B. Performance by business

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	2018
Revenue	**1,271**	**516**	**175**	**22**	**(8)**	**1,976**
Operating expenses	(1,038)	(443)	(73)	(57)	174	(1,437)
Impairments	-	4	-	-	(8)	(4)
Operating income	**233**	**77**	**102**	**(35)**	**158**	**535**
Other income / (expense)	-	-	-	-	(4)	(4)
Profit before tax	**233**	**77**	**102**	**(35)**	**154**	**531**
Exceptional charges	-	9	-	-	11	20
PBT excluding exceptional charges / profits	**233**	**86**	**102**	**(35)**	**165**	**551**
Operating margin %	*18%*	*17%*	*58%*	-	-	*28%*

(in €m)	Global Advisory	Wealth & Asset Management	Merchant Banking	Other businesses and corporate centre	IFRS reconciliation [1]	2017
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	-	27	-	-	-	27
PBT excluding exceptional charges / profits	**185**	**82**	**120**	**(31)**	**148**	**504**
Operating margin %	*16%*	*16%*	*65%*	-	-	*26%*

[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; an impairment provision 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 reallocation of impairments and certain operating income and expenses for presentational purposes.

C. Exceptional items

(in €m)	2018			2017		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**531**	**286**	***3.88 €***	**477**	**236**	***3.18 €***
- Martin Maurel integration costs	(9)	(7)	*(0.09) €*	(27)	(18)	*(0.24) €*
- Trust impairment provision	(5)	(5)	*(0.07) €*	-	-	-
- Guaranteed minimum pension provision	(6)	(5)	*(0.06) €*	-	-	-
- One-off tax credit	-	-	-	-	7	*0.09 €*
Total Exceptional (Costs) / Gains	**(20)**	**(17)**	***(0.22) €***	**(27)**	**(11)**	***(0.15) €***
Excluding Exceptional	**551**	**303**	***4.10 €***	**504**	**247**	***3.33 €***

Martin Maurel integration costs

Following the merger with Martin Maurel group, some costs relating to the integration of the two businesses have been considered as exceptional integration costs. These will cease in December 2018 and mainly represent IT, consultants' fees, property-related costs as well as additional personnel costs.

Trust provision

Following the agreement to sell this business, the Group booked an impairment provision in Other income / (expenses).

Guaranteed minimum pension provision

A recent court judgement in the UK required that occupational pension schemes must remove any inequality of treatment between men and women that arises as a result of paying Guaranteed Minimum Pensions ("GMP"). GMP is the pension that had to be provided by schemes that had contracted out of the State Earnings Related Pension Scheme and affects employees who were members of the fund between May 1990 and April 1997.

Our actuaries have estimated the increase in liabilities to be £5 million (€6 million), included in the staff costs as a past service cost.

D. FX rates

P&L

Rates	2018	2017	*Var*
€ / GBP	0.8854	0.8762	*1%*
€ / CHF	1.1507	1.1115	*4%*
€ / USD	1.1782	1.1296	*4%*

Balance sheet

Rates	31/12/2018	31/12/2017	*Var*
€ / GBP	0.8938	0.8877	*1%*
€ / CHF	1.1288	1.1702	*(4)%*
€ / USD	1.1439	1.2008	*(5)%*

E. Quarterly progression of revenue

In €m		2018	2017	Var
Global Advisory	1st quarter	261.7	328.2	*-20%*
	2nd quarter	374.4	225.4	*+66%*
	3rd quarter	295.9	266.7	*+11%*
	4th quarter	339.3	363.1	***-7%***
	Total	**1,271.3**	**1,183.4**	***+7%***
Wealth & Asset Management	1st quarter	131.0	128.3	*+2%*
	2nd quarter	130.4	125.7	*+4%*
	3rd quarter	129.4	121.2	*+7%*
	4th quarter	125.3	139.0	***-10%***
	Total	**516.1**	**514.2**	***+0%***
Merchant Banking	1st quarter	25.2	19.5	*+29%*
	2nd quarter	79.8	47.4	*+68%*
	3rd quarter	23.2	50.1	*-54%*
	4th quarter	46.4	68.0	***-32%***
	Total	**174.6**	**185.0**	***-6%***
Other business and corporate centre	1st quarter	6.9	3.5	*+97%*
	2nd quarter	8.3	13.5	*-39%*
	3rd quarter	1.9	6.0	*-68%*
	4th quarter	4.8	13.1	***-63%***
	Total	**21.9**	**36.1**	***-39%***
IFRS reconciliation	1st quarter	(4.7)	7.7	*n/a*
	2nd quarter	(6.5)	(3.4)	*n/a*
	3rd quarter	3.5	(0.2)	*n/a*
	4th quarter	(0.4)	(12.6)	***n/a***
	Total	**(8.1)**	**(8.5)**	***n/a***
Total Group Revenue	**1st quarter**	**420.1**	**487.2**	***-14%***
	2nd quarter	**586.4**	**409.9**	***+44%***
	3rd quarter	**453.9**	**442.4**	***+2%***
	4th quarter	**515.4**	**570.7**	***-10%***
	Total	**1,975.8**	**1,910.2**	***+3%***

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in 2018.

M&A and strategic advisory

- Westfield, the shopping centre group, on its combination with Unibail-Rodamco (€61 billion, Australia, France)
- Bayer, the healthcare and crop science chemicals company, on its all-cash offer to acquire Monsanto (US$66 billion, Germany, United States)
- Zodiac Aerospace, the aircraft equipment and systems company, on its combination with Safran (€35 billion, France)
- Santos, an oil and gas exploration and production company, on its defence in relation to Harbour Energy's takeover proposal (US$10.9 billion, Australia, United States)
- Pinnacle Foods, the branded food products manufacturer and distributor, on its sale to Conagra Brands (US$10.9 billion, United States)
- Melrose Industries, the engineering company investment group, on its hostile cash and share offer for GKN (£8.1 billion, UK)
- A.P. Moller-Maersk, the transport and infrastructure company, on its sale of Maersk Oil to Total (US$7.4 billion, Denmark, France)
- AccorHotels, the leading travel group, on its disposal of a majority stake in AccorInvest (€6.25 billion, France)
- Kering, the luxury fashion brand group, on its distribution of a 70% stake in PUMA (€5.1 billion, France, Germany)
- Kapstone, the paper and packaging company, on its sale to WestRock (US$4.9 billion, United States)
- CVC Capital Partners on its sale of Sky Betting & Gaming, a leading online bookmaker, to The Stars Group (US$4.7 billion, United Kingdom, Canada)
- Informa, the events and publishing company, on its combination with UBM (£4.3 billion, UK)
- VTG, the wagon hire and rail logistics company, on its unsolicited public offer by Morgan Stanley Infrastructure (€4.3 billion, Germany, United States)
- Rio Tinto, the international mining company, on its sale of interest in Grasberg copper and gold mine to Inalum (US$3.5 billion, Australia/UK, Indonesia)
- Atos, the digital transformation company, on its cash acquisition of Syntel (US$3.4 billion, France and United States)
- PAI Partners and British Columbia Investment Management Corporation on its public-to-private acquisition of Refresco, the independent bottler of soft drinks for retailers (€3.3 billion, Netherlands)

Financing Advisory

- The Hellenic Republic's exit from European institutions programmes and debt reduction on official public sector debt (€97 billion, Greece)
- Energy Future (adviser to second lien creditors), the electric utility company, on its restructuring (US$41.8 billion, United States)
- Old Mutual, the wealth management company, on the listing of Quilter on the London and Johannesburg Stock Exchanges via IPO of £263 million and concurrent demerger (£2.8 billion), and listing of Old Mutual Limited to establish its domicile in South Africa (US$10 billion, United Kingdom/South Africa)
- Seadrill Limited (adviser to ad-hoc group of unsecured bondholders), the leading offshore drilling contractor, on the company's chapter 11 restructuring (US$13 billion, Bermuda)
- LISEA, the concessionaire of the high speed railway link between Tours and Bordeaux, on its refinancing and swap restructuring (€2.8 billion and €3.8 billion respectively, France)
- Empresas ICA, Mexico's largest infrastructure company, on its in-court restructuring and capital raise (US$3.4 billion, US$215 million respectively, Mexico)
- EG Group, the largest independent forecourt and convenience store retailer in Europe, on its cross-border refinancing (€3.5 billion, UK)

- ING and Société Générale (adviser to the trade finance providers) on the debt restructuring of Noble Group, the supply chain management company (US$3.5 billion, Singapore/Hong Kong)
- Danaos (adviser to ad-hoc creditors committee), the largest containership charter owner in the world, on the company's restructuring (US$2.3 billion, Greece)
- Sasol, the international chemicals and energy company, on its dual-tranche senior notes offering (US$2.25 billion, South Africa)
- OCI, the fertilizer and industrial chemicals company, on its recapitalisation, including High Yield Bond and credit facility (US$2.2 billion, Netherlands)
- SIG Combibloc Group, the global supplier of carton packing solutions, on its IPO on SIX Swiss Exchange (€1.5 billion, Switzerland)
- Republic of Côte d'Ivoire on its notional EUR/USD derivatives transaction (US$1.4 billion, Côte d'Ivoire)
- CEVA Logistics, the supply chain management company, on its IPO on the SIX Swiss Exchange (US$890 million, Switzerland)
- Avast, the antivirus security software company, on its IPO on the London Stock Exchange (£692 million, Czech Republic)
- Corporación América Airports, the world's largest private sector airport concession operator, on its IPO on the New York Stock Exchange (US$486 million, Argentina)

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

Alternative Performance Measures	Definition	Reason for use	Reference to the data in the Press release / Investor presentation
Net income – Group share excluding exceptionals	Net income attributable to equity holders excluding exceptional items	To measure Net result Group share of Rothschild & Co excluding exceptional items of a significant amount	In the Press release, please refer to Appendix 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 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. from which the exceptional provision related to UK Guaranteed Minimum Pension 6. the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one, - **which gives the adjusted staff costs for compensation ratio**.	To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.	Please refer: in the Press release to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 25
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 2018.	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 35
Business Operating margin	Each Business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items.	To measure business' profitability	Please refer to § 2
Return on Risk Adjusted Capital (RORAC)	Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis. The estimated amount of capital and debt which management believes would be reasonable to fund the group's investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this "risk-adjusted capital" (RAC) amounts to c. 70% of the group's investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, Merchant Banking profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the group's investments NAV), divided by the RAC. Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.	To measure the performance of the Merchant Banking business	In the Investor presentation release, please refer to slide 35