Press release - Half year 2020 results

Paris, 15 September 2020

Robust results in the face of very challenging market conditions

- **Robust underlying business performance** as evidenced by:
  - **Global Advisory**: revenue down 3% to €529 million compared to H1 2019, reflecting momentum in M&A going into the current crisis and our ability to respond to clients' changing needs
  - **Wealth & Asset Management**: record level of revenue of €252 million, up 5% compared to H1 2019, due to the strong growth of Assets Under Management (AUM) enjoyed in 2019 and high transaction volumes. Continuing strong Net New Assets (NNA) in Wealth Management
  - **Merchant Banking**: revenue down 52% to €53 million compared to H1 2019 due to no increase in investment valuations in H1 2020, although strong increase of 29% in recurring revenue as a result of strong AUM growth driven by recent successful fundraisings
- **Revenue** decreased by 7% to €838 million (H1 2019: €898 million)
- **Net income - Group share excluding exceptionals**[1] : €65 million (H1 2019: €124 million), mainly reflecting the lack of investment revenue in Merchant Banking which has a direct impact on the Group's net income. Net income - Group share including exceptionals: €60 million (H1 2019: €134 million)
- **Earnings per share (EPS) excluding exceptionals[1]:** €0.88 (H1 2019: €1.73) and EPS including exceptionals: €0.82 (H1 2019: €1.88)
- Foreign exchange translation effects increased revenue by €4 million but negligible effect on Net income – Group share of €1 million

Alexandre de Rothschild, Executive Chairman, commented:

"Our priority during the COVID-19 crisis has been and remains the health and well-being of our colleagues, and it was thanks to their flexibility and hard work that we are pleased to announce such robust results today, which underscore the resilience of our business model in the face of such challenging market conditions.

"Following a very strong start to the year in M&A, our Global Advisory business pivoted towards advising clients on liquidity and financing matters which in turn supported revenue performance in the second quarter. Our Wealth & Asset Management business saw revenues and net new assets rise in the first half. As anticipated, our Merchant Banking business revenues suffered due to the lack of investment valuation increases, although recurring revenues grew, thanks to strong AUM growth driven by recent successful fundraisings.

"Our business has prospered for many generations and for more than two centuries by putting its clients first and taking a conservative approach. Today, we have a solid financial structure with a strong balance sheet and a high capital ratio of 19.6%.

"Our independent model and global footprint in Global Advisory have positioned us well to serve clients effectively during this period. We are experiencing encouraging levels of activity so far in the third quarter, although this progress remains dependent on improving market stability.

Our Wealth & Asset Management business, whilst robust, faces a more challenging second half of the year due to expected lower transaction volumes and the lower interest rate environment.

Merchant Banking's business model is proving to be resilient reflecting the sector focus of its investments and a growing stream of recurring revenue."

[1] Exceptional items are presented in Appendix B

1. Summary Consolidated income statement

The Supervisory Board of Rothschild & Co SCA met on 15 September 2020 to review the consolidated financial statements from 1 January 2020 to 30 June 2020; these accounts had been previously approved by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co.

(in €m)	Page	H1 2020	H1 2019	*Var*	*Var %*
Revenue	**3 - 7**	**838**	**898**	***(60)***	***(7)%***
Staff costs	7	(523)	(520)	*(3)*	*1%*
Administrative expenses	7	(122)	(134)	*12*	*(9)%*
Depreciation and amortisation	7	(34)	(31)	*(3)*	*10%*
Impairments	7	(8)	2	*(10)*	*(500)%*
Operating Income		**151**	**215**	***(64)***	***(30)%***
Other income / (expense) (net)	7	(1)	18	*(19)*	*N/A*
Profit before tax		**150**	**233**	***(83)***	***(36)%***
Income tax	8	(28)	(36)	*8*	*(22)%*
Consolidated net income		**122**	**197**	***(75)***	***(38)%***
Non-controlling interests	8	(62)	(63)	*1*	*(2)%*
Net income - Group share		**60**	**134**	***(74)***	***(55)%***
Adjustments for exceptionals	11	5	(10)	*15*	*(150)%*
Net income - Group share excl. exceptionals		**65**	**124**	***(59)***	***(48)%***
Earnings per share [1]		*0.82 €*	*1.88 €*	*(1.06) €*	*(56)%*
EPS excl. exceptionals		***0.88 €***	***1.73 €***	***(0.85) €***	***(49)%***
Return On Tangible Equity (ROTE)		*6.3%*	*15.2%*		
ROTE excl. exceptionals		***6.8%***	***14.0%***		

[1] *Diluted EPS is €0.82 (H1 2019: €1.85)*

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.

Revenue for H1 2020 was €529.4 million, 3% below H1 2019 (€544.8 million), with the effects of the economic shocks caused by the COVID-19 pandemic being felt from March. For the last twelve months to June 2020, we ranked 8th globally by financial advisory revenue[2].

Operating income for H1 2020, excluding ongoing investment in the development of our North American M&A franchise, was €82 million (H1 2019: €93 million), representing an operating income margin of 15.4% (H1 2019: 17.0%). Including the effect of ongoing investment in senior hiring in North America, operating income was €75 million (H1 2019: €83 million) with an operating income margin of 14.1% (H1 2019: 15.2%).

Our **M&A** business has remained resilient despite significantly reduced market activity, ranking 2nd globally by number of completed transactions for H1 2020[3]. In Europe, we continue to advise on more M&A transactions than any of our competitors, a position we have held for more than a decade[3]. M&A advisory revenue for H1 2020 was €385.0 million, down 12% compared to H1 2019 (€436.7 million).

Financing Advisory revenue for H1 2020 was €144.4 million, up 34% compared to H1 2019 (€108.1 million), driven by strong demand for liquidity and financing advice. During H1 2020, we ranked 1st in Europe by numbers of completed restructuring transactions[3] and maintained our position as adviser on more European equity assignments than any other independent financial adviser[4].

Our breadth of independent advice and global footprint position us well to serve existing and new clients effectively through the ongoing crisis. During the second quarter, we have seen a meaningful proportion of the ingoing pipeline of our clients' well-advanced or announced transactions through to completion, and our teams of experienced Financing Advisory bankers have been working extensively with clients to support them on liquidity and financing matters, often in highly expedited situations. Alongside this, all our teams worldwide have been focused on maintaining active dialogues with existing and potential clients in order to offer our assistance and advice in supporting them through this difficult period.

During H1 2020, we promoted 20 new Managing Directors across the business, demonstrating our focus on growing talent from within. In addition, we recruited two new Managing Directors into our Swiss and Middle Eastern businesses and continued our ongoing strategic investment in North America with a new Vice Chairman in North America, advising clients across Restructuring, Debt Advisory and M&A, and one new Managing Director focusing on the Automotive sector.

Global Advisory advised the following clients on significant assignments completed in H1 2020:

- **Asahi Group Holdings** on its acquisition of Carlton & United Breweries from AB InBev (US$11.3 billion, Japan, Australia and Belgium)
- **Finance Agency of the Federal Republic of Germany** on its stabilisation package for Deutsche Lufthansa (€9 billion, Germany)
- **Cobham** on its recommended cash offer from Advent (£4.2 billion, United Kingdom)
- **Froneri** on its acquisition of Nestle's U.S. ice cream business (US$4 billion, United Kingdom, United States)
- **Rallye** on its restructuring and signing of a back-up facility (€3.6 billion and €233 million, respectively, France)
- **Cision** on its sale to Platinum Equity (US$2.74 billion, United States)

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

- **PG&E** on its restructuring (advisor to creditors - US$52 billion, United States)[5]
- **Ingenico** on its combination with Worldline (€21 billion, France)
- **Consortium led by Advent, Cinven & RAG** on its acquisition of Thyssenkrupp's Elevator Technology business (€17.2 billion, Germany, United Arab Emirates and Singapore)[5]

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[2] Source: Company filings
[3] Source: Refinitiv
[4] Source: Dealogic
[5] Completed in Q3 2020

- **Alstom** on its acquisition of Bombardier Transportation and cornerstone investment from CDPQ (€7.5 billion, France and Canada)
- **Nordic Aviation Capital** on its restructuring (US$5.9 billion, United Kingdom)
- **IAG** on its proposed Rights Issue (€2.75 billion, Spain and United Kingdom)
- **Fortress Investment Group** on its asset backed securitisation of logistics real estate (US$2 billion, United States)[5]

For further examples of Global Advisory assignments completed during H1 2020, 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.

Net New Assets (NNA) were €0.3 billion. These are the result of a combination of an excellent performance in Wealth Management (€1.8 billion net inflows in all our main geographies) partially offset by net outflows of €1.5 billion in our asset management business. Despite the impact of COVID-19, levels of activity have been very high as we remain in constant dialogue with clients in these difficult conditions.

Asset Management recorded a net outflow largely due to North America (€1.4 billion), where our value-oriented investment philosophy has proved difficult in the current environment. However, recently, our North American business has won an important mandate of sub-advisor, with Transamerica AM, a new distribution partner, for approximately $2.1 billion, effective in December 2020.

Assets under Management (AUM) fell by 6% (€4.7 billion) to €71.3 billion as at 30 June 2020 (31 December 2019: €76.0 billion) as a result of weak market conditions, the sharp fall in the first quarter at the start of the COVID-19 crisis has been partially offset by the rally in the second quarter.

The table below presents the progress in Assets under Management.

	Quarter ended			6 months to June	
In € billion	**30/06/2020**	**31/03/2020**	**30/06/2019**	**2020**	**2019**
AuM opening	**66.7**	**76.0**	**69.6**	**76.0**	**64.8**
of which Wealth Management	***46.6***	***50.5***	***45.8***	***50.5***	***42.5***
of which Asset Management	***20.1***	***25.5***	***23.8***	***25.5***	***22.3***
Net new assets	(0.3)	0.6	1.1	0.3	2.0
of which Wealth Management	*0.5*	*1.3*	*1.0*	*1.8*	*1.9*
of which Asset Management	*(0.8)*	*(0.7)*	*0.1*	*(1.5)*	*0.1*
Market and exchange rate	4.9	(9.9)	0.8	(5.0)	4.7
AuM closing	**71.3**	**66.7**	**71.5**	**71.3**	**71.5**
of which Wealth Management	***49.9***	***46.6***	***47.1***	***49.9***	***47.1***
of which Asset Management	***21.4***	***20.1***	***24.4***	***21.4***	***24.4***
% var / AuM opening	*7%*			*-6%*	

Overall, despite the impact of COVID-19, the business has performed well, with high levels of activity and a continued ability to attract new clients.

Revenues for H1 2020 were a record €252.3 million, up 5% (H1 2019: €239.2 million). This reflects two opposite effects (i) an increase of 8% in fees and commissions due to the strong growth in AUM enjoyed in 2019 and high transaction fees; and (ii) a decline of 12% in Net interest income driven by the negative impact of the interest environment on our treasury revenue.

Operating income was also strong at €43.9 million, up 14% (H1 2019: €38.4 million). This represents a margin of 17.4% (H1 2019: 16.1%). Cost increases in 2020 over 2019 primarily reflect the impact of growth-oriented recruitment made in 2019 partially offset by reduced marketing, travel and recruitment activity in 2020 due to COVID-19.

As a result of our conservative lending strategy, the private client loan book has proved resilient in the recent challenging market conditions. The relatively few margin calls have been rectified in accordance with normal procedures.

2.3 Merchant Banking

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

Recurring revenue (management fees) of €53 million was up 29% in H1 2020 (H1 2019: €41 million), as a result of strong AUM growth driven by recent successful fundraisings. Total **revenue** for H1 2020, however, was €52.8 million, down 52% (H1 2019: €110.4 million), reflecting a close-to-zero contribution from investment performance-related revenue in the period. When compared to the average first half year revenue of the last three years, revenue is down 44%. The table below illustrates the progress in revenue.

In € million	H1 2020	H1 2019	% Var
Recurring revenue	53.1	41.3	*29%*
Investment performance revenue	(0.3)	69.1	*(100)%*
of which carried interest	*(0.8)*	*33.5*	*(102)%*
of which realised and unrealised investments gains and dividends	*0.5*	*35.6*	*(99)%*
Total revenue	**52.8**	**110.4**	***(52)%***
% recurring / total revenue	*101%*	*37%*	

These figures confirm the pattern seen in the first quarter, with revenue contraction reflecting two opposing effects:

- a strong increase of 29% in recurring revenue of €11.8 million as a result of AUM growth driven by recent fund closings; and
- a sharp decrease in investment performance-related revenue of €69.4 million, due to:
  - the performance of the public credit markets which, despite a significant recovery in Q2 2020, are still priced below December 2019. This has negatively impacted the mark-to-market valuation of the Group's investments in certain Credit Management products; and
  - a lack of material unrealised valuation uplifts or realised gains from exits in our private equity funds. Our investments have, however, proven extremely resilient, enabling us to keep their overall valuation in line with December 2019.

The decline in investment performance-related revenue is anticipated to be largely transient, with no or limited impact to our long-term value prospects. Given our sector focus (Healthcare, Data & Software and Technology Enabled Business Services) and the quality of our assets, we remain confident that our equity and debt portfolios' value accretion will resume as market conditions stabilise. Crucially, all the portfolio companies in our equity funds are well capitalised with no liquidity issues.

The significant contribution from recurring revenue, combined with tight cost controls, has allowed Merchant Banking to close H1 2020 with positive **Operating income** of €10 million, albeit below the same period of last year (€68 million) due to the above-mentioned contraction in investment performance-related revenue. This illustrates the benefits of a balanced business model combining recurring fee-based revenue and investment performance revenue, especially during times when cyclical conditions delay value accretion.

A critical indicator to measure the performance of Merchant Banking over the investment cycle 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 30 June 2020, RORAC was 25%, lower than last year (28% as at 30 June 2019), but still well above the division's stated target ("above 15% over the cycle"). The use of a three-year rolling average to calculate this metric has reduced the impact of the profit contraction in 2020 – we believe that this calculation method provides a fairer representation of the underlying performance of the business.

The alignment of interests between the Group and our third-party investors remains a key differentiator for Merchant Banking, especially in the midst of these challenging market conditions. During H1 2020:

- Rothschild & Co's investments in the division's products totalled €25 million, of which €22 million was in private equity and €3 million in private debt;
- Disposals and distributions generated proceeds of €54 million, of which €44 million was from private equity (mainly due to exits completed by Five Arrows Minority Investments and Five Arrows Secondary Opportunities – more details below) and €10 million from private debt (mainly due to exits completed by Five Arrows Direct Lending – more details below).

New funds and business development

In H1 2020 Merchant Banking has continued to develop its business activities, launching new fundraising initiatives to increase its AUM further and completing new transactions both in our private equity and private debt portfolios.

We are well advanced in raising our third direct lending and our first growth capital funds, both of which have completed successful first closings in H1 2020:

- In March, Five Arrows Debt Partners III (our third-generation direct lending fund investing in the senior-secured and junior debt of mid-market European corporates) held its first closing of €450 million;
- In May, Five Arrows Growth Capital I, (Merchant Banking's new private equity fund investing in European small caps) held its first closing at €120 million; and
- Five Arrows Private Equity Programme II (second-generation multi-strategy fund) held its third and fourth closings, securing total commitments of more than €400 million to date.

Similarly, our Credit Management business has continued to increase its AUM base:

- In January, Five Arrows Global Loan Investments (the new investment company investing in the subordinated tranches of CLOs) held its second closing, securing commitments of €230 million to date;
- In June, Ocean Trails 8 (new US CLO) was priced with assets of c.US$300 million; and
- Most recently, Credit Management priced two additional CLOs in July: Ocean Trails IX in the US (c.US$ 300 million) and Contego VIII in Europe (c.€300 million). Final closings occurred in late August / early September.

Merchant Banking's AUM as at 30 June 2020 was €14.5 billion, up 4% so far in 2020 (31 December 2019: €14.0 billion), of which Rothschild & Co's share is €1.2 billion (8% of total).

Investment and divestment activity

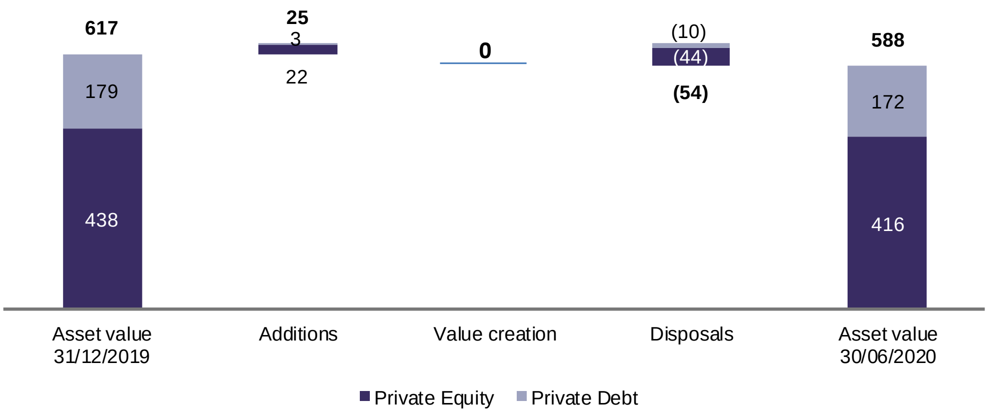
Private Equity

- Five Arrows Principal Investments III completed its third investment, acquiring Softway Medical (cloud-based software provider for health institutions in France);
- Five Arrows Minority Investments, the division's co-investment business, completed the disposal of Reponse Invest (provider of interior design solutions to retail outlets);
- Five Arrows Secondary Opportunities V, completed the acquisition of a portfolio of attractive small cap companies in the Nordic region, mainly active in the Business Services sector; and
- Most recently, in July, Five Arrows Principal Investments III and Five Arrows Capital Partners acquired Juvare (US-based crisis management technology platform) with significant growth opportunities in North America and Europe.

Private Debt

- Five Arrows Direct Lending completed two exits, BFCC (a French distributor of dental prostheses) and Arachas (an Irish commercial insurance broker), achieving gross IRRs of 9.8% and 10.0% respectively; and
- Five Arrows Debt Partners III completed its first investment, providing financing to Aquam Water Services (leading technology and service provider to UK water utilities). Two further investments for the fund have been closed in July.

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



3. Consolidated financial results

3.1 Revenue

For H1 2020, revenue was €838 million (H1 2019: €898 million), representing a decrease of €60 million or 7%. This was largely due to Merchant Banking where revenue decreased by €58 million. The translation effect of exchange rate fluctuations increased revenue by €4 million.

3.2 Operating expenses

Staff costs

For H1 2020, staff costs were €523 million, almost at the same level as in H1 2019 (€520 million), in line with the robust level of revenue delivered by our Global Advisory and Wealth and Asset Management divisions. The translation impact of exchange rate fluctuations resulted in an increase in staff costs of €2 million.

The adjusted compensation ratio, as defined in Appendix G on Alternative Performance Measures, was 68.0% as at 30 June 2020 (30 June 2019: 62.8%). When adjusting for the effects of senior hiring in the US for the advisory business and exchange rates; the ratio is 67.3% (30 June 2019: 61.4%). Further, if adjusted for the deferred bonus effect, the ratio is 66.3% (30 June 2019: 59.9%).

The H1 2020 compensation ratio has been negatively impacted by lower investment performance-related revenue from Merchant Banking (average of €60 million for the last three first half years) on which bonuses are not payable. If we calculate a pro forma ratio including an equivalent amount of investment revenue as in H1 2019 (€69.1 million), the compensation ratio would be 62.1%, being a similar level to H1 2019 ratio of 61.4%.

Overall Group headcount was similar to December 2019 at 3,557 as at 30 June 2020 (31 December 2019: 3,559).

Administrative expenses

For H1 2020, administrative expenses were €122 million (H1 2019: €134 million) representing a decrease of €12 million. The translation impact of exchange rate fluctuations had no net impact on administrative expenses.

As announced in our full year results press release, the Group decided to move to a new IT infrastructure supplier to enable it to accelerate the implementation of its operational programmes. This will result in a one-off transition and transformation charge of around €15 million in 2020. For H1 2020, that charge represented €5.5 million.

The administrative expenses reduction is mainly related to the impact of COVID-19, which resulted in savings in travel, marketing and other costs of €14 million.

Depreciation and amortisation

For H1 2020, depreciation and amortisation were €34 million (H1 2019: €31 million), representing an increase of €3 million. The translation impact of exchange rate fluctuations had no net impact on depreciation and amortisation.

Impairment charges and loan provisions

For H1 2020, impairment charges and loan provisions were €8 million (H1 2019: credit of €2 million). In H1 2019, we had a reduction in provisions which resulted in a credit of €2 million. However, given the current uncertain environment, we have conservatively recognised in H1 2020 an increase in provisions in respect of our corporate loan book (€2.2 million) as well as certain GA receivables.

3.3 Other income / (expenses)

For H1 2020, other income and expenses, which include results from equity-accounted companies and gains / losses on disposal of subsidiaries and associates, resulted in a net cost of €1 million (H1 2019: net income of €18 million). In H1 2019, it comprised net capital gains on property transactions and on legacy assets including the sale of Trust.

3.4 Income tax

For H1 2020, the income tax charge was €28 million (H1 2019: €36 million) comprising a current tax charge of €27 million and a deferred tax charge of €1 million, giving an effective tax rate of 18.8% (H1 2019: 15.6%).

3.5 Non-controlling interests

For H1 2020, the charge for Non-controlling interests was €62 million (H1 2019: €63 million). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners in line with the performance of the French Global Advisory and Wealth & Asset Management businesses.

4. Financial structure

The Group is regulated by the French Prudential and Resolution Authority (ACPR: *Autorité de Contrôle Prudentiel et de Résolution*) as a financial company (*Compagnie Financière*). The Group continues to maintain a high level of liquidity. As at 30 June 2020, total liquid assets as a percentage of total assets was 58% (57% as at 31 December 2019).

	30/06/2020	31/12/2019	Full Basel 3 minimum with the CCB (Capital Conservation Buffer)
Common Equity Tier 1 ratio	19.6%	20.2%[6]	7.0%
Global solvency ratio	19.6%	20.2%[6]	10.5%

The CET 1 ratio was 19.6%[7] as at 30 June 2020 (20.2% as at 31 December 2019). The fully loaded Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The fully loaded solvency ratios are presented pro forma for current earnings[8], net of dividends, for the current financial year, unless specified otherwise.

5. COVID–19

Our focus throughout the COVID-19 crisis remains the safety and welfare of our colleagues and the needs of our clients. We were able to move swiftly into a home-working set-up for all of our employees without major impact on productivity. This accelerated adoption of digital remote working practices is a testament to the hard work and resilience of our teams around the globe.

Our return to the office is now taking place in a measured and prudent manner, respecting local government requirements.

The Group is financially resilient; we have a strong balance sheet with a capital ratio of 19.6% and high levels of liquidity. Our prudent approach to the business is also reflected in our conservative loan book.

Thanks to our staff, clients and operating synergies from our three-business model, the Group is confident it will emerge from this crisis stronger and fully able to continue to support our clients and to take advantage of future business opportunities.

[6] The ratios as at 31 December 2019 have been recalculated to reflect the cancellation of the 2019 dividend, in accordance with the ACPR's recommendation

[7] The ratio submitted to ACPR as at 30 June 2020 was 19.0%, which excludes the profit of the first half of the year as non-audited at the time of the submission

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

6. Dividend

Following the announcements by the *Autorité de contrôle prudentiel et de résolution* (ACPR) in March and July recommending that dividend payments by financial institutions should not be paid, the Managing Partner has decided that no dividend will be distributed to shareholders during the 2020 financial year.

However, it is the intention of the Managing Partner to pay the dividend of €0.85 per share, previously announced in respect of 2019, when appropriate.

7. Outlook

In **Global Advisory**, whilst it is still too difficult to predict the outcome for the year with any confidence, we expect our M&A revenue for the full year to be below 2019 levels, with this decline partially mitigated by Financing Advisory activity. Several M&A situations were put on hold as a consequence of COVID-19, but we have seen a meaningful proportion of our clients' ingoing well-advanced or announced transactions through to completion. We are currently experiencing new M&A activity beginning to return, albeit we remain cautious with regards to predicting M&A activity levels going forward. We also continue to see strong demand to advise existing and new clients with regards to liquidity, financing and balance sheet repair matters, often across multi-disciplinary teams.

In **Wealth & Asset Management**, although our first half 2020 was exceptionally strong, we anticipate revenues to be lower in the second half of 2020 predominantly due to expected lower transaction volumes and to the effects of the interest rate environment, especially in US Dollar and Sterling. NNA is expected to improve in Asset Management but it may prove difficult to sustain the current levels of NNA in Wealth Management given the restrictions imposed by COVID-19 and the decline in M&A activity which has been an important source of new business in recent years. The crisis has, however, underlined how our excellent client service and positive investment performance remain key differentiators in a competitive market and we believe that we are well placed to benefit from future opportunities.

In **Merchant Banking**, we expect to continue to grow our recurring revenue base, which will represent our main profitability driver in 2020. The adverse effects of the COVID-19 outbreak will be confined to our investment performance-related revenue and are expected to be transient with no long-term impact on our value creation prospects. We believe our portfolios are well-equipped to weather this downturn and attribute this resilience to our fundamental investing principles centred around capital preservation.

Although the underlying performance of our businesses is proving robust, there is still considerable uncertainty around how the current situation will develop and it is clear that the effect for the Group will be materially detrimental compared to 2019, largely due to the limited investment revenue we expect to earn in Merchant Banking which has a direct impact on the Group's net income. However, we remain focused on our strategy to increase revenue while maintaining a close control over costs, and we have the advantage of being able to manage the significant element of our cost base which is variable compensation. Experience has shown that our business model is resilient, highly adaptable and well suited to clients' needs at times like these. Therefore, the Group is confident it will emerge from this crisis stronger and fully able to continue to support our clients and to take advantage of future business opportunities.

Financial calendar:

- 9 November 2020: Publication of Third quarter information 2020
- 9 March 2021: Publication of Full year results 2020

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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 €155,235,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

A. Summary Consolidated balance sheet

(in €bn)	30/06/2020	31/12/2019	*Var*
Cash and amounts due from central banks	3.9	4.4	*(0.5)*
Loans and advances to banks	2.4	2.0	*0.4*
Loans and advances to customers	3.3	3.3	-
of which Private client lending	*2.9*	*2.8*	*0.1*
Debt and equity securities	2.8	2.8	-
Other assets	1.6	1.7	*(0.1)*
Total assets	**14.0**	**14.2**	***(0.2)***
Due to customers	9.7	9.5	*0.2*
Other liabilities	1.8	2.1	*(0.3)*
Shareholders' equity - Group share	2.2	2.2	-
Non-controlling interests	0.3	0.4	*(0.1)*
Total capital and liabilities	**14.0**	**14.2**	***(0.2)***

The foreign exchange translation effect between 30 June 2020 and 31 December 2019 has no material effect on the balance sheet.

B. Exceptional items

(in €m)	H1 2020			H1 2019		
	PBT	PATMI	*EPS*	PBT	PATMI	*EPS*
As reported	**150**	**60**	***0.82 €***	**233**	**134**	***1.88 €***
- Net profit on legacy assets	-	-	-	18	10	*0.15 €*
- IT transition costs	(6)	(5)	*(0.06) €*	-	-	-
Total exceptional (charges) / profits	**(6)**	**(5)**	***(0.06) €***	**18**	**10**	***0.15 €***
Excluding exceptional	**156**	**65**	***0.88 €***	**215**	**124**	***1.73 €***

C. Performance by business

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

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

The sale of our worldwide wealth planning and trust services business was completed in February 2019. The result for this business in 2019 has been classified 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" or administrative expenses; and reallocating impairments and certain operating income and expenses for presentational purposes.

D. FX rates

P&L

Rates	H1 2020	H1 2019	*Var*
€ / GBP	0.8773	0.8715	*1%*
€ / CHF	1.0642	1.1274	*(6)%*
€ / USD	1.1065	1.1300	*(2)%*

Balance sheet

Rates	30/06/2020	31/12/2019	*Var*
€ / GBP	0.9088	0.8522	*7%*
€ / CHF	1.0654	1.0860	*(2)%*
€ / USD	1.1251	1.1214	*0%*

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		2020	2019	Var
Global Advisory	1st quarter	269.1	292.5	*(8)%*
	2nd quarter	260.3	252.3	*3%*
	Total	**529.4**	**544.8**	***(3)%***
Wealth & Asset Management	1st quarter	130.8	118.5	*10%*
	2nd quarter	121.4	120.7	*1%*
	Total	**252.2**	**239.2**	***5%***
Merchant Banking	1st quarter	20.7	24.1	*(14)%*
	2nd quarter	32.1	86.3	*(63)%*
	Total	**52.8**	**110.4**	***(52)%***
Other business and corporate centre	1st quarter	3.1	9.8	*(68)%*
	2nd quarter	4.0	3.5	*14%*
	Total	**7.1**	**13.3**	***(47)%***
IFRS reconciliation	1st quarter	(7.3)	(1.0)	*630%*
	2nd quarter	3.6	(9.2)	*(139)%*
	Total	**(3.7)**	**(10.2)**	***(64)%***
Total Group Revenue	**1st quarter**	**416.4**	**443.9**	***(6)%***
	2nd quarter	**421.4**	**453.6**	***(7)%***
	Total	**837.8**	**897.5**	***(7)%***

F. Global Advisory track record

Global Advisory advised the following clients on notable transactions completed in the first 6 months of 2020.

M&A and strategic advisory

- Asahi Group, the global beer, spirits and soft drinks business, on its acquisition of Carlton & United Breweries from AB InBev (US$11.3 billion, Japan, Australia and Belgium)
- Cobham, a global aerospace and defence company, on its recommended cash offer from Advent (£4.2 billion, United Kingdom)
- Froneri, a global ice cream company, on its acquisition of Nestle's U.S. ice cream business (US$4 billion, United Kingdom, United States)
- Ei Group, the largest pub company in the UK, on its recommended cash offer by Stonegate (£3 billion, United Kingdom)
- Vivendi, an integrated media and content group, on its sale of a 10% stake in Universal Music Group to a Tencent-led consortium at an EV of €30 billion (€3 billion, France, United States, China)
- Cision, the media software and services provider, on its sale to Platinum Equity (US$2.74 billion, United States)
- DP World, a leading international marine terminal operator, on its recommended cash offer for a 19.5% stake from Port & Free Zone World at an EV of US$13.9 billion (US$2.7 billion, United Arab Emirates)
- Lytx, the leading provider of driver video technology, on its sale to a consortium led by Permira (US$2.55 billion, United States)
- Wumei Technology, one of the largest Chinese retailers, on its acquisition of an 80% stake in METRO China (€1.52 billion, China)
- Accor, a world leading hotel group, on its disposal of a 85.8% stake in Orbis to AccorInvest (€1.1 billion, France, Poland)
- TELUS International, a leading communications and information technology company, on its acquisition of Competence Call Center (US$1 billion, United States, Germany)
- Clarins, a major international player in the beauty, fragrance and fashion markets, on its disposal of Mugler and Azzaro fragrance brands to L'Oréal (France)

Financing Advisory

- Finance Agency of the Federal Republic of Germany on its stabilisation package for Deutsche Lufthansa, the country's largest airline (€9 billion, Germany)
- Rallye, a retail group with interests in Casino Guichard-Perrachon and Groupe GO SPORT, on its restructuring and signing of a back-up facility (€3.6 billion and €233 million, respectively, France)
- Mitchells & Butlers, a leading operator of managed restaurants and pubs in the UK, on its securitisation amendments and new UK Coronavirus Large Business Interruption Loan Scheme facilities (£3.4 billion, £100 million, United Kingdom)
- Hamburg Commercial Bank on its Liability Management Exercise (€2.3 billion, Germany)
- Manchester Airport Group on its equity injection from existing shareholders and creditor consent solicitation process (£300 million and £1.96 billion, respectively, United Kingdom)
- Lenders of Royal IHC, a builder of vessels and equipment for the dredging, offshore and mining industries, on the sale and restructuring of Royal IHC, and arrangement of a tailored government support package (€1.2 billion and €400 million respectively, Netherlands)
- Boehringer Ingelheim, one of the world's largest pharmaceutical companies, on its sell-down in Hikma Pharmaceuticals (£920 million, Germany)
- Artémis, a holding company managing a range of brands, on its offering of bonds exchangeable for PUMA shares (€500 million, France and Germany)

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. 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 2019 and 30 June 2020.</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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