PARIS ORLÉANS

Release *Paris, 26 November 2013*

Half year results

2013/2014

HIGHLIGHTS

- Overall revenue for the six months to September 2013 was €493 million compared to €504 million for the six months to September 2012
- In a market that was down around 12%, Global Financial Advisory revenues were down only 3% compared to the same period in the prior year but up 12% quarter on quarter in a weak market for global M&A
- Wealth and Asset Management revenues increased by 3%. Thanks to positive markets and a small net inflow, assets under management rose by 4% to €39.7 billion
- Merchant Banking revenues decreased due to lower investment profits in the period. However the business is being developed with an expanded offering of two new debt funds (Five Arrows Credit Solutions and Oberon). Assets under management increased to €3.1 billion
- Operating income rose by 20% to €52 million compared to €43 million for the 6 months to September 2012, helped by continuing cost savings initiatives
- Net income – Group share for the six months to September 2013 was a loss of €13 million compared to a profit of €33 million for the six months to September 2012, mainly due to :
  - a further impairment of €22 million relating to our holding in Banque Privée Edmond de Rothschild (BPER);
  - exceptional tax charges, notably in respect of the change in future UK corporate tax rates ; and
  - a higher charge for non-controlling interests due to the elimination of losses attributable to minority shareholders in the first two months of 2012/2013 (€16 million), prior to the June 2012 Group reorganisation
- Underlying Net income – Group share for the six months to September 2013 was a profit of €2 million compared to a profit of €17 million for the six months to September 2012

"The operating performance of all Group's businesses held up well in the first half of 2013/2014, thanks to resilient revenues and ongoing cost-saving efforts, despite the economic environment remaining sluggish. However, consolidated net income was impacted by a further impairment to our long-term investment in Banque Privée Edmond de Rothschild. We remain confident in our ability to benefit from an improvement in market conditions, particularly in the M&A market, once this occurs; and to deliver sustainable performance" stated Nigel Higgins and Olivier Pécoux, co-Chief Executive Officers of the Group.

Summary Income Statement

(in €m)	2012/2013 6 months as restated [1]	2013/2014 6 months	*Var*	*Var %*
Revenues	**504**	**493**	***(11)***	***(2)%***
Staff costs	(333)	(314)	*19*	*6%*
Administrative expenses	(106)	(111)	*(5)*	*(5)%*
Depreciation and amortisation	(17)	(17)	-	-
Impairments	(5)	1	*6*	*120%*
Operating Income	**43**	**52**	***9***	***20%***
Other income / expense (net)	8	4	*(4)*	*(50)%*
Impairment of BPER	-	(22)	*(22)*	*n/a*
Profit before tax	**51**	**34**	***(17)***	***(34)%***
Income tax	(15)	(23)	*(8)*	*(51)%*
Consolidated net income	**36**	**11**	***(25)***	***(69)%***
Non-controlling interests	(3)	(24)	*(21)*	*(643)%*
Net income - Group share	**33**	**(13)**	***(46)***	***n/a***
Underlying Net income - Group share [2]	**17**	**2**	***(15)***	***(88)%***
Earnings per share	*0.61 €*	*(0.19€)*		
ROE	*7.6%*	*(2.2)%*		

(1) *It should be noted that the comparative consolidated income statement has been restated to reflect the introduction of IAS 19 Employee Benefits (revised). More details are provided in Appendix 4 on page 11.*

(2) *The Underlying results are set out in Appendix 2 on page 10*

The Supervisory Board of Paris Orléans SCA met on 26 November 2013 to consider the consolidated financial statements for the half-year from 1 April 2013 to 30 September 2013; these accounts had been previously approved by PO Gestion SAS, Managing Partner of Paris Orléans.

Business trends

We have two main activities within our Group: Global Financial Advisory which focuses on providing advice in the areas of M&A, debt, restructuring and equity; and Asset Management in a broad sense which comprises Wealth & Asset Management and Merchant Banking. In addition, we have a Specialist Finance business which predominantly relates to the legacy banking business.

Global Financial Advisory

Global Financial Advisory revenues for the six months to September 2013 were €299.6 million (of which M&A advisory was €204.6 million and financing advisory was €95.0 million), down 3% compared to the same period in the prior year (€308.5 million of which M&A advisory was €206.4 million and Financing advisory was €102.1 million) but up 12% quarter on quarter. Revenue for the first six months was flat across most regions compared to the same period last year.

In comparison, global M&A deal values for the six months to September 2013 were down by 12% and global M&A deal numbers were down 20%[1] compared to the same period in the prior year.

Our revenue performance continues to be less volatile than the market due to our geographic breadth and diversity by industry sector, client type and product offering.

We continue to work on some of the largest and most complex transactions globally. For example, Rothschild is acting as financial advisor to Publicis on its recently announced US$35.1 billion cross-border merger with Omnicom to create Publicis Omnicom Group, to KPN on its sale of E-Plus to Telefonica Germany for US$11.4 billion and to the ABI Committee of Noteholders regarding Punch Taverns' £2.4 billion restructuring. Moreover, we continue to advise on more European M&A transactions than any of our competitors.

Rothschild advised the following clients on significant M&A and financing advisory assignments that completed in the half year to September 2013:

- *Sprint Nextel's disposal of a 78% stake to SoftBank (US$21.6bn)*
- *BPCE's buy-back by the Banques Populaires and the Caisses d'Epargne of Natixis' Cooperative Investment Certificates (€12.1bn)*
- *VINCI Concessions' acquisition of a 95% stake in ANA Aeroportos de Portugal (€3.1bn)*
- *Casino's acquisition of a 50% stake in Monoprix from Galeries Lafayette (€1.2bn)*
- *Electra Partners' disposal of Allflex to BC Partners (US$1.3bn)*
- *CSM's disposal of its global bakery supplies businesses to Rhone Group (US$1.3bn)*
- *PAI Partners' acquisition of R&R Ice Cream from Oaktree Capital Management*
- *Bankia's market selldown in Mapfre (US$1.3bn)*
- *Arcapita's Chapter 11 filing (US$2.6bn)*
- *Rizzo Bottiglieri De Carlini Armatori's restructuring of its financial indebtedness (€0.6bn)*
- *Royal Mail's IPO debt financing (£1.4bn)*

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[1] *Source: Thomson Reuters. Completed transactions (deals including Financial Advisory)*

Wealth and Asset Management

Assets under management have increased by 4% to €39.7 billion (€38.4 billion as at 31 March 2013) due to market appreciation of €1.2 billion and net inflows of €0.1 billion. The net new assets were driven by inflows in Wealth Management (€0.5 billion), partially offset by outflows in Asset Management (€0.4 billion). In a market where economic and financial uncertainty is high, Rothschild funds have out-performed their benchmark since the start of the calendar year.

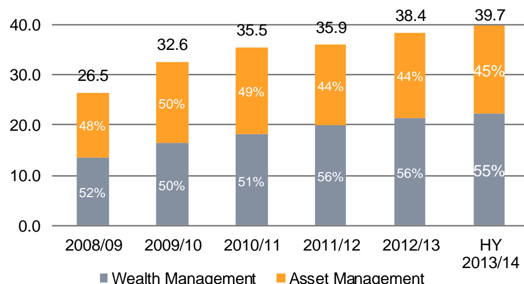
During the first six months of 2013/2014, Wealth and Asset Management generated revenue of €143.7 million, 3% better than the same period last year (€139.9 million). Revenue growth is mostly driven by the rise of assets under management.

Our European onshore Wealth Management businesses are growing in the United Kingdom, France, Belgium, Switzerland and Germany. Strategic investments have been made with the hire of an onshore Italian team, a Swiss International Team and within the Trust business, with senior appointments for our Russian and Hong Kong subsidiaries.

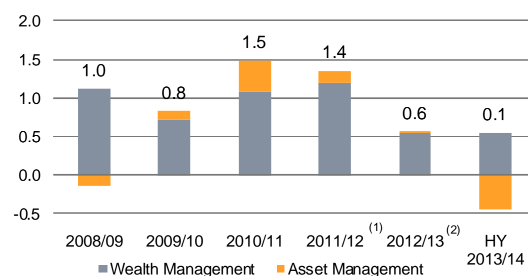
Looking ahead, in Wealth Management, the Group expects to successfully convert the current healthy asset pipeline into positive net client inflows over the course of the year, as it was for the first half year. However, the continuing pressure on our businesses arising from increased regulation, especially in Switzerland including the uncertainty in respect of the US Department of Justice Program, means that conditions will remain difficult in 2013/2014.

Our institutional Asset Management business continues to invest in product development and expects to see the benefit of this in the year 2014/2015.

Assets under Management (in €bn)



Net new assets (in €bn)



(1) 2011/12: net new assets exclude the outflow of €1.5 billion of assets under management linked to the partial sale of Sélection R in France.

(2) 2012/13: net new assets include the inflow of €0.8 billion of assets under management linked to the merger with HDF Finance in France

Merchant Banking

During the first six months to September 2013, Merchant Banking generated revenues of €26.0 million compared to €38.7 million the previous year. These revenues include:

- €16.6 million of management fees (€15.9 million for six months to September 2012),
- €8.0 million of capital gains (€21.4 million for six months to September 2012),
- €4.6 million of other investment income, including interest and dividends (€10.7 million for six months to September 2012);
- less €3.2 million of provisions (€9.3 million for six months to September 2012).

During the first six months to September 2013, disposal proceeds amounted to €24 million generating capital gains of €8 million. Moreover, this division invested €31 million, of which €13 million was in proprietary investments and €18 million was in funds managed by Merchant Banking.

The Group expanded its product offering with the launch of a new fund initiative, Five Arrows Credit Solutions ("FACS"), a fund targeted at capturing opportunities in the European high yielding junior credit market (on both primary and secondary opportunities) which held its second closing at €262 million. As at September 2013, the European senior credit fund (Oberon I) raised €170 million.

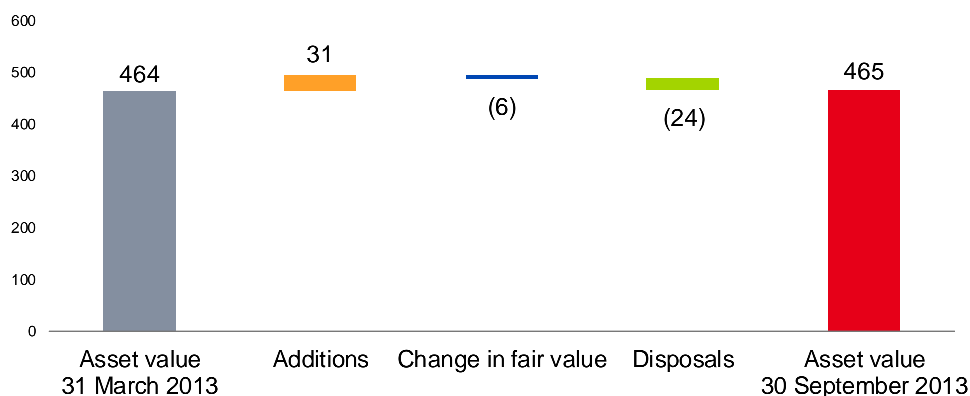
Largely reflecting the launch of FACS, assets under management at 30 September 2013 were €3.1 billion. As at end of November 2013, following the departure of the R Capital Management team, assets under management amounted to €3.0 billion, which represents an increase of €0.1 billion compared to March 2013.

Merchant Banking has a good pipeline of investment opportunities and disposals. Recently, the Group successfully sold 50% of its stake in the Numéricable Group in its IPO at a price significantly above its carrying value.

Merchant Banking asset value of Group's private equity assets

in €m	31/03/2012	30/09/2012	31/03/2013	30/09/2013
Managed private funds	123	120	128	139
Paris Orléans Proprietary investments	341	308	321	315
Other	17	17	15	11
Total gross assets	**481**	**445**	**464**	**465**

Changes in the asset value over six months (in €m)



Specialist Finance

The legacy banking book continues to reduce in line with our plans to exit this corporate lending business. Legacy drawings fell to €470 million as at 30 September 2013, down from €570 million as at 31 March 2013.

Operating expenses

Staff costs

For the six months ended 30 September 2013, staff costs were €314 million compared to €333 million for the same period in the prior year. The decrease of €19 million results from lower headcount levels in the first six months of 2013/2014 as compared to the same period in 2012/2013 and a one-off credit of €7 million arising from changes made to the UK defined benefit pension schemes that reduce past pension costs. The programme of resource optimisation in Global Financial Advisory, launched in FY 2011/2012, continues to yield results.

It should be noted that due to new accounting standards applicable from 1 April 2013 relating to employee benefits, the first six months of both financial years include an additional charge of €4 million in respect of defined benefit pensions. More details are provided in Appendix 4 on page 11.

Overall Group headcount was down from 2,836 as at 30 September 2012 to 2,776 as at September 2013.

Administrative expenses

For the first six months to September 2013, administrative expenses were €111 million compared to €106 million for the same period in 2012/2013. The increase of €5 million is related to the acquisition of HDF in July 2012 and higher legal costs including a provision for the tax settlement between the UK and Swiss authorities. As announced previously, a number of projects are underway to rationalise support costs.

Impairment charges and loan provisions

For the first six months to September 2013, impairment charges and loan provisions were almost nil compared to a charge of €5 million for the same period in 2012/2013, mainly as a result of recoveries on previously provided assets.

Banque Privée Edmond de Rothschild

A further impairment of €22 million relating to the 8.4% shareholding in Banque Privée Edmond de Rothschild ("BPER") has been taken for the six months ended 30 September 2013, reflecting a further decline in value. The nature of this impairment was described in detail in the Annual report 2012/2013.

Provision for income taxes

For the six months ended 30 September 2013, the income tax charge was €23 million, made up of a current tax charge of €16 million and deferred tax charge of €7 million, giving an effective tax rate of 66.3%. The effective tax rate would have been 33% without the BPER impairment and the impact on deferred tax assets of the reduction in future UK corporation tax rates from 23% to 20%.

Non-controlling interests

For the six months ended 30 September 2013, the charge for Non-controlling interests was €24 million compared to €3 million for the same period in 2012/2013. The change is largely due to losses incurred in the prior period before the June 2012 Group reorganisation being attributed to former minority interests.

Liquidity – Capital

The Group continues to maintain a high level of liquidity. On 30 September 2013, cash placed with central banks and banks accounted for 56% of total assets, the same level as in March 2013.

Shareholders' equity, excluding non-controlling interests, decreased from €1,225 million as at 31 March 2013 to €1,160 million as at 30 September 2013. This decline was mainly due to dividends (€35 million), actuarial losses on defined benefit pensions (€20 million) and the net loss for the period.

Group solvency ratio

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*"). Its regulatory ratios are communicated to the ACPR on 30 June and 31 December of each year. On these dates, the Group's tier 1 capital and global solvency ratios were significantly above the minimum Basel II levels.

The most recent ratios are set out below:

	31/03/2013	30/6/2013	30/9/2013	Basel II minimum
Tier 1 ratio	19.7%	19.5%	18.4%	4%
Global solvency ratio	25.9%	25.5%	24.4%	8%

Source: PO - unaudited figures

Equity scheme

At the combined general meeting of shareholders on 26 September 2013, the Managing Partner announced that Paris Orléans would implement an Equity Scheme for the senior employees and executive corporate officers of the company and its subsidiaries, to promote the alignment of interests between the Rothschild family, minority shareholders and the Equity Scheme participants.

The Equity Scheme has been implemented on 11 October 2013. The initial Equity Scheme participants are the Global Financial Advisory partners, as well as members of the Group Management Committee, representing 57 persons operating in 10 countries around the world.

Under the Equity Scheme rules, the Equity Scheme participants have been required to invest in Paris Orléans shares and for each share owned they are granted four share-options. Shares invested are subject to a four-year lock-up period and the share-options granted are subject to a vesting period before exercise. The Equity Scheme participants have invested in a total of 780,000 Paris Orléans shares representing 1.1% of Paris Orléans' share capital on 11 October 2013. The shares invested in were existing Paris Orléans shares.

The total number of Paris Orléans shares that may be acquired following exercise of share-options granted amounts to 3,120,000 shares representing 4.1% of Paris Orléans' share capital on 11 October 2013. A quarter of the share-options vest on each of the third, fourth, fifth and sixth anniversary of the Equity Scheme and the share-options are exercisable on the vesting dates at a price of €17.50, €18.00, €19.00 and €20.00 per share.

This successful implementation of the Equity Scheme will strengthen the unification of the Group; reinforce its culture and competitive positioning by developing a sense of common goals and ownership within the Group, enabling it to be more effective and efficient across all of its businesses.

Medium-term outlook

Faced with a fluctuating environment, with relatively low M&A volume which is not expected to improve in the very short term, our priorities are focused on improvement in profitability, cost discipline and capturing the synergies between our three core businesses.

Despite economic uncertainty and an evolving regulatory framework, especially in the Wealth Management business in Switzerland, the Group's stable, long-term shareholding structure, its solid financial position and the quality of its people will allow it to continue the development of its activities. Because of this, the Group remains confident in its ability to deliver stronger returns to shareholders in the longer term.

Appendix 1: Quarterly progression of revenues

In €m		2012/2013	2013/2014
Global Financial Advisory	1st quarter	136.9	141.6
	2nd quarter	171.6	158.0
	YTD	**308.5**	**299.6**
Asset Management [1]	1st quarter	101.5	82.9
	2nd quarter	77.1	86.8
	YTD	**178.6**	**169.7**
Other [2]	1st quarter	13.2	13.3
	2nd quarter	13.8	12.7
	YTD	**27.0**	**26.0**
Statutory adjustments	1st quarter	(5.8)	(2.3)
	2nd quarter	(3.9)	0.0
	YTD	**(9.7)**	**(2.3)**
Total Group Revenues	**1st quarter**	**245.8**	**235.5**
	2nd quarter	**258.6**	**257.5**
	YTD	**504.4**	**493.0**

[1] Asset Management comprises Wealth & Asset Management and Merchant Banking business

[2] Other comprises Central cost, legacy business, including Specialist Finance, and other

Appendix 2: Underlying Net income – Group share

The underlying performance of the Group can be better understood by normalising the results reported, which involves making two adjustments. Underlying Net income – Group share for the six months to September 2013 was €2 million compared to €17 million for the six months to September 2012, resulting in an underlying Earnings per share of €0.02 compared to €0.24.

2013 / 2014

The impact of impairing the long-standing shareholding in Banque Privée Edmond de Rothschild (“BPER”) has been reversed from the six months results to September 2013.

(in €m)	**2013/2014 6 months**	**Underlying performance adjustment** : Reversal of BPER impairment	**2013/2014 6 months after adjustment**
Operating Income	**52**	**-**	**52**
Other income / expense	4	-	4
Impairment of BPER	(22)	22	-
Profit before tax	**34**	**22**	**56**
Income tax	(23)	(2)	(25)
Consolidated net income	**11**	**20**	**31**
Non-controlling interests	(24)	(5)	(29)
Net income - Group share	**(13)**	**15**	**2**

2012 / 2013

The division of income between the Group share and Non-controlling interests has been recalculated, as if the Group reorganisation, which took place on 8 June 2012, had taken place on 1 April 2012.

(in €m)	**2012/2013 6 months as restated**	**Pro forma adjustment** : Non-controlling interests as if Group's reorganisation occured 1/4/12	**2012/2013 6 months as restated & after adjustment**
Operating Income	**43**	**-**	**43**
Other income / expense	8	-	8
Impairment of BPER	**-**	-	-
Profit before tax	**51**	**-**	**51**
Income tax	(15)	-	(15)
Consolidated net income	**36**	**-**	**36**
Non-controlling interests	(3)	(16)	(19)
Net income - Group share	**33**	**(16)**	**17**

Appendix 3: Notes to financial information for half year 2013/2014

1. In line with the new segmental information presented in the annual 2012/2013 Paris Orléans' consolidated accounts, the Group's revenues by business have been changed to reflect better the businesses of the Group (this applies to both 2012/2013 and 2013/2014 data).

2. Statutory adjustments for revenues mainly represent reallocation of impairments, offset by various other IFRS adjustments. The segmental analysis is prepared from non-IFRS data used internally.

3. Revenues now exclude dividend income relating to Banque Privée Edmond de Rothschild SA, in line with the treatment adopted in the annual 2012/2013 Paris Orléans' consolidated accounts. Accordingly, figures for the first half year of 2012/ 2013 have been restated.

Appendix 4: Change in accounting standards since 1 April 2013

IAS 19 Employee Benefits (revised) requires changes in the recognition and measurement of defined benefits expenses.

The most significant impact for the Group is to increase the net pension expense in the Income Statement by the difference between the current expected return on plan assets and the return calculated by applying the IAS 19 discount rate.

As a result of these changes, the income statement for the year ended 31 March 2013 has been restated and the prior year charge for defined benefit pensions is now €8.1 million greater. The Net income - Group share for the prior year has been reduced by €5.7 million.

In the six months ended 30 September 2012, the income statement has also been restated with an additional prior year charge for pensions of €4 million, in accordance with IAS 19 (revised). The effect on the Income Statement for the six months ended 30 September 2013 is similar.

Finally, one additional change that has resulted from the adoption of IAS 19 (revised) by the Group's Swiss actuaries. This is that its mortality assumptions have become more prudent. The effect is to increase the Swiss defined benefit fund obligation by around 4% or €7 million. The balance sheet comparatives have been revised to reflect this change with shareholders' funds reducing by €4 million.

PARIS ORLÉANS

About Paris Orléans, the parent company of Rothschild

Paris Orléans operates in the following areas:

- *Global Financial Advisory provides advisory services for mergers and acquisitions, debt financing and restructuring, and equity capital markets;*
- *Wealth and Asset Management, including institutional asset management; and*
- *Merchant Banking which comprises third party private equity business and proprietary investments.*

Paris Orléans SCA is a French partnership limited by shares (société en commandite par actions) with a share capital of €141,806,058. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France. Paris Orléans is listed on NYSE Euronext in Paris, Compartment A - ISIN Code: FR0000031684

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Financial calendar

- 14 February 2014 after market close — Financial information for the third quarter of FY 2013/2014
- 25 June 2014 after market close — Financial year 2013/2014 results