Press release – Financial information – 1st quarter for the 9 months financial period to December 2017

Paris, 9 August 2017

First quarter revenue up 5% driven by Private Wealth activity

- **Rothschild Global Advisory**: revenue down 6% to €225 million (Q1 2016/2017: €240 million, our best Q1 since the financial crisis)
- **Rothschild Private Wealth & Asset Management**: revenue up 40% to €126 million (Q1 2016/2017: €90 million) resulting mainly from the Martin Maurel merger
- **Rothschild Merchant Banking**: revenue down 16% to €47 million (Q1 2016/2017: €56 million). The Q1 2016/2017 included the first recognition of carried interest on the original primary private equity fund which included a significant catch-up effect. When compared to the average first quarter revenue for the previous three years, revenue is up 17%
- First quarter revenue was negatively impacted by currency translation effects of €5 million compared to the first quarter 2016/2017 and €2 million when using the rates for the year ended March 2017

In € million	**1st Quarter Revenue**		
	9m to Dec 2017	**2016/2017**	***% Var***
Rothschild Global Advisory	225	240	*(6%)*
Rothschild Private Wealth & Asset Management	126	90	*+40%*
Rothschild Merchant Banking	47	56	*(16%)*
Other	14	8	*+75%*
Total before IFRS reconciliation	**412**	**394**	***+5%***
IFRS reconciliation	(3)	(4)	*(25%)*
Total Group revenues	**409**	**390**	***+5%***

1 Rothschild Global Advisory

Rothschild Global Advisory (Global Advisory) revenue for the three months to June 2017 was €225 million, down 6% (Q1 2016/2017: €240 million, our best Q1 since the financial crisis).

Our M&A business continues to outperform and was ranked **1st globally** by number of announced and completed transactions for the first six months of 2017.

In Europe, we retained our position as market leader, **advising on more M&A transactions than any of our competitors**, a position we have held for more than a decade.

In Financing Advisory, we ranked **2nd globally** by number of completed restructuring transactions for the first six months of 2017, and maintained our position as **adviser on more European equity assignments than any other independent financial adviser**.

The quality of our people is our principal competitive advantage and we continue to add to and strengthen our senior team. During the quarter, two new Managing Directors joined our North America business, focused on clients in the Healthcare and Retail & Consumer Products sectors. We also look forward to the arrival of three more Managing Directors in North America during the second quarter of the financial year. One Managing Director will further strengthen our Healthcare team and two will cover clients in the Technology sector, alongside the forthcoming opening of our new office in the San Francisco Bay area.

Rothschild Global Advisory advised the following clients on significant assignments in the quarter:

- **Ultra Petroleum** on its Chapter 11 bankruptcy (US$6.0 billion, United States);
- **Ant Financial** on its debt raising (US$3.5 billion, China);
- **Irish Department of Finance** on its privatisation IPO of Allied Irish Bank (€3.4 billion, Ireland);
- **Odebrecht Agroindustrial** on its debt restructuring (US$3.3 billion, Brazil);
- **Lanxess** on its all-cash acquisition of Chemtura (US$2.7 billion, Germany and United States);
- **Advent International** on its proposed acquisition of Safran Identity & Security and combination with Oberthur Technologies (€2.4 billion, United States and France);
- **General Electric** on its acquisition of LM Wind Power (US$1.65 billion, United States and Denmark).

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

- **Bayer** on its all-cash offer to acquire Monsanto (US$66 billion, Germany and United States);
- **Essilor** on its combination with Luxottica (€47 billion, France and Italy);
- **Zodiac Aerospace** on its combination with Safran (€35 billion, France);
- **Vodafone** on its merger of Vodafone India with Idea Cellular (US$23 billion, UK and India);
- **Intel Corporation** on its acquisition of Mobileye (US$15.3 billion, United States and Israel);
- **Metro** on its demerger into METRO and CECONOMY (€15 billion, Germany - completed in July 2017);
- **Government Development Bank of Puerto Rico** on its debt restructuring (US$7.4 billion, United States).

2 Rothschild Private Wealth & Asset Management

Rothschild Private Wealth & Asset Management (Private Wealth & Asset Management) revenue for the three months to June 2017 was €126 million, **up 40%** (Q1 2016/2017: €90 million). The increase of €36 million mainly relates to the merger with Martin Maurel which contributed €26 million.

Assets under management were €66.8 billion as at 30 June 2017 (€66.6 billion as at 31 March 2017 and €49.9 billion as at 30 June 2016). This represents an increase of €0.2 billion for the three months, thanks to net inflows of €0.5 billion offset by market appreciation and exchange rate effects of €0.3 billion. Net new assets were driven by Private Wealth.

Markets have remained **relatively stable**. The global economy continues to grow at a respectable pace with as yet only modest inflation and interest rate risk, and while political developments have continued to influence investment markets, they have not done so quite in the way that many investors feared.

During the first quarter we received the approvals of the French banking regulator, and of the European Central Bank, to allow us to undertake the merger of Rothschild & Cie Banque and Banque Martin Maurel in France, and this became effective on 1 July 2017. The French Private Wealth activity is now operating under the name "**Rothschild Martin Maurel**".

The table below presents the progress in assets under management.

In € billion	1st Quarter	
	9m to Dec 2017	**2016/2017**
AuM opening	**66.6**	**50.2**
Net new assets	0.5	0.3
Market, exchange rate	(0.3)	(0.6)
AuM closing	**66.8**	**49.9**

3 Rothschild Merchant Banking

Rothschild Merchant Banking (Merchant Banking) revenue for the three months to June 2017 was €47 million, down 16% (Q1 2016/2017: €56 million), due to lower carried interest as expected.

Last financial year, the flagship fund Five Arrows Principal Investments ("FAPI") benefited from a contractual catch-up mechanism allowing the multi-year recognition of performance for the first time, driven by value accretion within the existing portfolio.

By contrast the amount recognised during the quarter reflects investment performance only over the current accounting period.

Elsewhere, recurring revenue increased by 25% compared to the same period in the prior year as the rollout of the division's funds continued following new launches of funds.

Revenue from Merchant Banking comprises two main sources:

- Recurring revenue of €15 million was made up of management fees net of placement fees (Q1 2016/2017: €12 million),
- Investment performance related revenue of €32 million (Q1 2016/2017: €44 million) comprised:
  - €11 million of carried interest (Q1 2016/2017: €21 million),
  - €21 million of realised and unrealised investment gains and dividends (Q1 2016/2017: €23 million).

The Group's share of the investments made by the division during the three months to June 2017 was €37 million, of which €9 million was the Group's own investments in funds managed by Merchant Banking and €28 million was in proprietary investments. It is expected that a significant proportion of this latter amount will be syndicated to co-investors in the Rothschild Private Opportunities programme.

Disposals and distributions generated proceeds of €27 million of which €11 million was distributed by FAPI I following the sale of investments. Much of the remaining proceeds arose from disposals within the proprietary portfolio which generated €16 million of cash and realised gains of €8 million.

During the quarter, Arolla, the global multi-manager private equity platform, held a final closing to reach €195 million of committed capital. Within the private debt business, FADL (Five Arrows Direct Lending), the European mid-market direct lending fund, completed a further closing to bring committed capital to €346 million at the end of the quarter.

Rothschild Credit Management priced its latest, €360 million, CLO (Contego IV) in the quarter and raised €66 million in new commitments for its Oberon Strategy.

Merchant Banking's assets under management were €6.7 billion as at 30 June 2017 compared to €6.2 billion as at 31 March 2017.

4. Outlook

In Global Advisory, although the market conditions for M&A remain positive, global completed M&A activity has been lower in the first half of 2017. Accordingly, following a record year for revenue in the last financial year, broadly we would expect our revenue for the nine months to December 2017 to be slightly below last year's level.

Private Wealth & Asset Management will focus on maintaining its growth in assets under management, cost control especially in the context of increased regulation such as MIFID 2, and in France the operational integration of Martin Maurel.

In Merchant Banking, we will continue our highly selective investment approach in order to generate strong returns on capital. We are confident that we will grow assets under management so as to increase our recurring revenue base and conditions for value accretion and disposals remain positive.

Financial calendar:

▪ 28 September 2017	AGM
▪ 4 October 2017	Payment of dividend
▪ 28 November 2017	Half year results to 30 September 2017
▪ 13 March 2018	9 months results to 31 December 2017

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About Rothschild & Co

With a team of c.3,400 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Private Wealth, Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

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