

Luther.



Management Report for the 2022/2023 financial year

Luther Rechtsanwaltsgesellschaft mbH, based in Cologne

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Business performance



Business performance

Earnings

Luther Rechtsanwaltsgesellschaft mbH (Luther) continues its growth path. The firm generated total revenues of EUR 195 million in the 2022/2023 financial year, which means a significant 4 per cent increase compared to the previous year. The revenue per professional, which had increased substantially in the two previous financial years, could be maintained in the 2022/2023 financial year, despite some of the service lines rejuvenating by hiring professionals just starting out on their careers.

The growth in revenue is largely attributable to a growing number of client mandates in connection with the energy transition and the decarbonisation of the German economy. Compliance, public procurement law and infrastructure measures were important business drivers. Above all, the successful collaboration of interdisciplinary teams from diverse locations and service lines has, once again, paid dividends.

In addition to the service lines, the five industry groups – Energy, Mobility & Logistics, Real Estate & Infrastructure, Information Tech & Telecommunications, and Health Care & Life Science – have been firmly established in the organisational structure. This focusing measure, which serves to consistently strengthen Luther's industry expertise in the market, has paid off. Industry orientation is strictly taken into account both in the context of talent development within the firm and when recruiting lateral entrants.

The end of the pandemic was used to promote networking with clients and also networking within the firm. These measures are reflected on the expense side: travel expenses increased by 77% compared to the previous year, and the expenses for company events by 56%. However, as a result of the firm's ESG policy, these expenses continue to remain below the pre-COVID level, as considerable use has been made of the possibilities opened up by modern communication technologies.

The Luther staff policy with an emphasis on the systematic recruitment of young staff and staff development has proven its worth. In this respect, by providing training and deploying appropriately qualified legal trainees and research assistants, Luther secures a good starting position in the competition for the best talent in the industry. Staff development is designed and implemented centrally via the Luther.academy. The portfolio of courses and seminars on offer at the Luther.academy comprises both training designed to improve the participants' technical and professional skills and training to acquire what is referred to as soft skills. The courses, while covering all groups of employees and all levels of experience, are structured specifically for each target group. Many of the courses are available remotely, for example, as video training, allowing participants to determine the time and pace of study. In view of the digital transformation taking place inside and outside the firm, particular emphasis is placed on the topics and skills relevant in this regard. Excellent staff development

Financial year	Total revenues in EUR million	Increase in total revenues as a %	Average number of professionals (FTE)*	Revenue per professional (RPP) in EUR'000
2022/2023	195.0	4%	376	519
2021/2022	187.1	6%	361	518
2020/2021	176.0	-6%	362	486
2019/2020	187.0	-2%	442	423
2018/2019	190.2	31%	427	445
2017/2018	145.3	27%	334	435
2016/2017	114.5	4%	276	415

* FTE = full time equivalent

courses organised inhouse include the training course to become a certified specialist in commercial and corporate law, the Digital Education und Experience Programme (DEEP), and the Partner Development Programme (PDP).

Once again, numerous colleagues from the firm's own ranks were able to reach the next career level, which shows the positive effects of staff development also at higher seniority levels.

In the internal service areas, too, Luther continues to invest in training young staff. The firm was once again able to increase the number of vocational trainees. In an external audit, Luther was once more named one of the best training companies in Germany. The percentage of vocational trainees being employed by the firm upon completion of their training remains high. Luther thus offers career prospects in all specialist areas.

The Luther Female Network, established in early 2021, continues to be very popular. The female colleagues at Luther meet at regular events and share experiences.

As part of the implementation of the firm's sustainability strategy, the portfolio of corporate benefits was expanded in the area of mobility: staff not driving to work by car can benefit from a job ticket for public transport or, at their choice, from a monthly mobility allowance. By way of job ticket, Luther is offering all staff what is known as the Deutschlandticket, the cost of which is fully borne by Luther.

Financial position

The firm's cash and cash equivalents rose by EUR 7.4 million from EUR 26.1 million to EUR 33.5 million as per the balance sheet date. These net cash reserves provide sufficient liquidity to service Luther's trade payables of EUR 2.8 million and other liabilities of EUR 7.6 million.

Net assets

In the past financial year, Luther invested in particular in the area of digitalisation, notably in IT equipment. Expenditure relating to employee training was also increased. These measures will continue to have a positive impact on the expansion of Luther's market position in the coming years. As in the previous financial year, the firm again elected to

recognise deferred tax assets of EUR 8.4 million arising from differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with German commercial law and those used for tax purposes. The difference resulted mainly from the different interest rate used for the valuation of the pension provisions for tax and commercial law purposes.



Digitalisation

Digitalisation

The acronym VUCA (volatility, uncertainty, complexity, ambiguity) describes the current challenges and framework conditions facing the economy and society. We are living in a time of great disruption and transformative change, accelerated by digitalisation in multiple ways. However, we believe that this change also offers great potential for new business models and new forms of interaction and collaboration with our clients. The Luther.Solutions growth environment – the bundling of process, organisational and digital consulting in a legal context – was continually further developed and expanded during the reporting period.

Especially when dealing with large, complex client mandates involving a great number of lawyers and numerous areas of law, Luther.Solutions produced a measurable increase in efficiency and transparency in the handling of the projects. But we were also able to accompany our clients' legal departments in strategic dialogues on their (digital) transformation journey.

The continuous expansion of the partner network should also be mentioned. The collaboration and dialogue in the network enable trends and innovations to be identified at an early stage and profitable cooperation agreements to be concluded. In the reporting period, the partner network was expanded once more to include companies from research and education as well as from the start-up sector, and the dialogue was intensified.

One of the milestones achieved during the reporting period was the continuation of "DEEP", Luther's multiple award-winning training and continuing education programme. In addition to an understanding of the legal framework, a broad spectrum of complementary knowledge is required to find answers to important questions regarding digitalisation. Against this background, DEEP links legal, technological and entrepreneurial topics and focuses equally on current and future challenges of legal practice.



Internationalisation and awards

Internationalisation and awards

Internationalisation

The 2022/2023 financial year was successful not only for Luther, but also for the unyer network. Luther opened its 11th international office, in Ho Chi Minh City in Vietnam, and unyer welcomed the Austrian law firm Karasek Wietrzyk Rechtsanwälte KWR as its fourth member.

unyer, the leading organisation for professional services firms, was established by Luther and the French law firm Fidal in 2021 and was soon joined by the Italian law firm Pirola Pennuto Zei & Associati.

unyer has one exclusive member per country, all acting as full service law firms with the same approach. Together, they have already successfully advised many clients. A total of 2,550 lawyers are currently working for the organisation at 16 locations – not only in European but also in Asian markets.

Due to the war in Ukraine, the Eastern European markets are, once again, increasingly becoming the focus of clients' attention. Austria has traditionally been the gateway to Eastern Europe for many clients, and the addition of KWR takes this increased importance into account.

Awards

JUVE Handbuch Wirtschaftskanzleien 2022/2023 recommends 52 Luther lawyers, eight of whom have received special recognition as "Leading Advisors" in their respective areas of law and three as "Leading Advisors" in their respective regions.

The 2023 edition of **Chambers Global** recommends Luther worldwide in two areas of law for Germany and in one area of law for Myanmar. Five lawyers – three from Germany and one each from Luxembourg and Myanmar – have been included in the global rankings. The 2023 edition of **Chambers Europe** recommends Luther in 13 areas of law for Germany and in two areas of law for Luxembourg. Individual rankings have been achieved by 13 lawyers for Germany and two for Luxembourg. The **Chambers FinTech Guide 2023** recommends Luther for the "Legal" sector in Germany, in addition to two individual rankings.

The Legal 500 Germany 2023 recommends Luther in 30 areas of law, with "Top Tier" rankings in two of these areas. 84 lawyers have been recommended, 12 of whom have received special recognition as "Leading Names" or "Next Generation Names".

WHO'S WHO LEGAL lists 20 lawyers in its June 2023 edition, four of whom have been recognised as Thought Leaders, which is the highest distinction, and three as Future Leaders. In 2022, Luther was again included in the "GAR100", the worldwide list of specialised arbitration law firms rated by the English professional journal **Global Arbitration Review**.

Kanzleimonitor 2022/2023 recommends Luther in 25 areas of law, additionally recommending 16 Luther lawyers by name. In this year's country evaluation, Luther's Brussels, Delhi-Gurugram and Singapore offices have been included in the recommendations, the last two taking first place in the respective ranking.

In 2023, **Handelsblatt**, together with **Best Lawyers**, has recognised a total of 99 lawyers, awarding one of them "Lawyer of the Year". Another 17 lawyers have been recommended as "Ones to Watch" in their respective areas of law. In Energy Law, Luther has been awarded "Law Firm of the Year".

In the **Wirtschaftswoche** rankings, Luther is regularly recommended for numerous areas of law, and various Luther lawyers are regularly recommended by name.

Luther also successfully positioned itself as an employer by winning awards in the reporting year:

- iurratio REF50 – The best employers for legal trainees
 - Overall ranking: 4th place
 - 1st place: Best Employer Eastern Region
 - 2nd place: Best Employer Northern Region
 - 3rd place: Best Employer in Cologne

These awards are confirmation that Luther is following the right course and are a great motivation to continue to build on this success.

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Risk and outlook

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Risk and outlook

The results for the 2022/2023 financial year show that the previous investments made in the technical infrastructure are taking effect. The targeted focus on digitalised legal advice and support for new business models is starting to generate positive results and has great potential for further growth. This path will be consistently pursued in the coming years. Growth is expected to continue in the 2023/2024 financial year despite the macroeconomic challenges.

Risk report

The risk management and quality assurance systems are integral components of the firm's management systems. They are supported in particular by corporate planning, the management information system and internal reviews. Luther regards the possibility of issuing an incorrect legal opinion or of not carrying out a mandate with the required level of quality as key business risks. These may lead to loss of reputation, claims for financial losses or loss of mandates. Risk management and quality assurance serve to minimise these risks. Luther has taken out adequate insurance cover for any remaining risks. Technical and organisational instructions ensure quality in the planning and carrying out of mandates with regard to the substance, timing and staffing, as well as in reporting. They also help to limit the associated risks. These instructions are set out in the centrally maintained Luther quality and risk management manual.

Outlook

The German economy is in a recession and is recovering only slowly. However, global uncertainty regarding the effects of the war in Ukraine and tensions between China and Taiwan will continue to have an impact on the German economy. A large number of supply chains have not only been disrupted but destroyed by the war in Ukraine. The economic researchers at the German Institute for Economic Research (DIW) expect gross domestic product (GDP) to fall, or to increase only slightly, in 2023 and 2024. This will affect consumer behaviour. Drastic price increases for energy sources and raw materials as well as transport services are also emerging in global trade. Inflationary influences will therefore increase massively in the coming years.

Luther is excellently equipped for a rapidly changing environment. The firm is preparing for a cooling of the overall economic environment and is increasingly focusing its capacity within the industries on the energy transition and the Race to Net Zero. The firm is well positioned and prepared in terms of personnel for market changes that could result from anticipated lower economic growth, a volatile US market and events with global political implications.

Although risk factors cannot be eliminated, Luther expects profitable growth in the coming 2023/2024 financial year.

Cologne, 18 August 2023



Elisabeth Lepique

Cologne, 18 August 2023



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For reasons of improved readability, we refrain from simultaneously using gender-specific language forms. Corresponding terms apply in principle to all genders in the sense of equal treatment. The abbreviated language form has editorial reasons and does not express any preference.

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Luther.

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